File No. 260538 **Committee Item No.** 2
Board Item No. 39

COMMITTEE/BOARD OF SUPERVISORS

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Prepared by: Monique Crayton **Date:** July 10, 2026
Prepared by: Monique Crayton **Date:** June 26, 2026
Prepared by: **Date:**

AMENDED IN COMMITTEE
7/02/2026

FILE NO. 260538 ORDINANCE NO.

[Planning, Administrative, Building Codes - Inclusionary Housing Program Updates and Reductions; Development Impact Fee Reductions]

Ordinance amending the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; and 6) adopt conforming amendments to various sections of the Planning Code; amending the Building Code to reduce Planning Code Article 4 development impact fees and allow deferral of payment of such fees; and amending the Administrative Code to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Land Use and Environmental Findings.

(a) The Planning Department has determined that the actions contemplated in this ordinance comply with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. 260538 and is incorporated herein by reference. The Board affirms this determination.

(b) On June 18, 2026, the Planning Commission, in Resolution No.21923, adopted findings that the actions contemplated in this ordinance are consistent, on balance, with the City's General Plan and eight priority policies of Planning Code Section 101.1. The Board adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the Board of Supervisors in File No.260538, and is incorporated herein by reference.

(c) Pursuant to Planning Code Section 302, this Board finds that these Planning Code amendments will serve the public necessity, convenience, and welfare for the reasons set forth in Planning Commission Resolution No. 21923, and the Board adopts such reasons as its own. A copy of said resolution is on file with the Clerk of the Board of Supervisors in File No. 260538 and is incorporated herein by reference.

Section 2. Additional Findings.

(a) San Francisco's Inclusionary Affordable Housing Program is intended to help address the demonstrated need for affordable housing in San Francisco. As rents and sales prices for housing outpace what is affordable to the typical San Francisco family, the City faces a continuing shortage of affordable housing for all but households with the highest incomes. The California Association of Realtor's "California Housing Affordability Update," for the fourth quarter of 2025, reported that the median home price in San Francisco was $1,800,000, requiring a minimum qualifying income of $441,200 to purchase such a home.

San Francisco's median home prices are over twice the State of California's median of $650,000, and over four times the national median home price of $414,900. The majority of market-rate homes for sale in San Francisco are priced out of the reach of low- and moderate-income households.

(b) San Francisco is facing a shortage of all types of housing. To meet San Francisco's share of the regional need for housing between 2023-2031, the City must accommodate over 82,000 units, including 46,598 units for extremely low-, very low-, low- and moderate-income households. The Inclusionary Housing Program is an important part of the City's overall strategy for providing affordable housing to very low-, low-, moderate-, and middle-income households, and as of 2025, has created more than 3,600 units since its inception. But the success of the Inclusionary Housing Program is contingent on the overall feasibility of residential development. For that reason, Planning Code Section 415.10 requires periodic review of the program's requirements.

(c) From December 2025 through April 2026, consistent with Planning Code Section 415.10, the Controller and the Affordable Housing Technical Advisory Committee (TAC) met to conduct and review the feasibility of the City's inclusionary affordable housing obligations. The Controller and the TAC studied five condominium prototypes and five rental apartment prototypes, and considered key economic parameters, such as: interest rates, capitalization rates, land prices, construction costs, use of the State Density Bonus law, rents, and sale prices.

(d) The Controller and TAC found that none of the development prototypes studied were financially feasible at the current inclusionary housing rates in the Planning Code. Most prototypes studied had significant negative land value, indicating that the prototype would not be financially feasible, even setting aside the cost of land. The prototypes, which were studied because they represent the types of residential development that are common in San

Francisco, account for a majority of the housing production in San Francisco. The finding that these 10 prototypes are not feasible suggests that residential development is, broadly speaking, not financially feasible under current economic conditions at current inclusionary housing rates.

(e) Economic conditions that render residential development infeasible threaten several important policy priorities of the City, including the expansion of the City's housing supply, the production of inclusionary affordable housing units, as well as the creation of jobs and growth in tax revenue.

(f) On April 30, 2026 the Controller submitted a report to the Board of Supervisors that summarizes the residential development feasibility analysis and the recommendations developed by the Controller, with TAC agreement, between December 2025 and April 2026. The report recommended that the City's inclusionary housing on-site rates be reduced from the current interim rates of 12% - 15% to 5%, and for the fee and off-site rate be reduced from the current interim rates of 20% - 20.5% to 10%, provided that the City concurrently establishes a long-term source of stable funding for the production of affordable housing.

(g) The City's inclusionary housing requirements are an important policy lever, that, if optimized, can facilitate robust and ongoing production of both market rate housing and inclusionary housing. The Controller and the TAC found that the current interim citywide rates directly contribute to the economic infeasibility of residential development. By reducing the rates in line with the Controller and TAC's recommendation, the City will stimulate residential development, increase production of inclusionary affordable housing, create jobs, and grow tax revenue.

(h) By reducing the inclusionary housing obligation and development impact fee costs of new projects, as well as projects with complete development applications, the City will incentivize projects to advance into the construction phase, and swiftly provide much needed

market rate and below market rate housing.

(i) To further the financial feasibility of residential development, this ordinance deletes certain Planning Code requirements for area-specific inclusionary housing fees: Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee (Planning Code Section 416 et seq.); Eastern Neighborhoods Area Plan Affordable Housing Requirement (Section 417 et seq.); Housing Requirements for Residential Development Projects in the UMU Zoning Districts of the Eastern Neighborhoods (Section 419 et seq.); Van Ness & Market Affordable Housing Fee (Section 424 et seq.); and Divisadero Street NCT Affordable Housing Fee and Requirements (Section 428 et seq.), while maintaining a higher inclusionary percentage in some locations. However, as the need for affordable housing generated by new development is still unmet, the City finds there is a continued need to expend area-specific inclusionary housing fees that the City previously collected, as further described in the City's FY 2026-35 Capital Expenditure Plan, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 250233. Though the Inclusionary Affordable Housing Program is not subject to the requirements of the Mitigation Fee Act, California Government Code Sections 66000 et seq., nothing in this ordinance alters the Board's previous findings regarding the purpose, need, and reasonable relationship between the use of the fee and need for affordable housing, and the construction of new market rate housing, including but not limited to the findings in Ordinance Nos. 76-16 (File No. 160255), 298-08 (File No. 081153); and 72-08 (File No. 071157). No funds were collected under the Divisadero Street NCT Affordable Housing Fee and Requirements (Section 428 et seq.).

(j) To further the financial feasibility of residential development, this ordinance also deletes some area-specific fees for the provision of infrastructure and community facilities: Van Ness & Market Neighborhood Infrastructure Fee (Section 424.5.) and the Van Ness &

Market Community Facilities Fee and Fund (Section 425 et seq.). However, the City finds that the need for neighborhood infrastructure and community facilities generated by new development in these areas is still unmet. Because the City has not collected sufficient funds to develop these facilities and infrastructure, as further described in the City's FY 2026-35 Capital Expenditure Plan, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 250233, there is a continued need to expend funds previously collected for these purposes. Nothing in this ordinance alters the Board's previous findings regarding the purpose, need, and reasonable relationship between the use of these fees for infrastructure and facilities and new development, including but not limited to the findings in Ordinance Nos. 50-15 (File No. 150149), and 193-23 (File No. 230764).

(k) This ordinance does not establish, increase, or impose a fee within the meaning on Government Code Section 66001(a).

(l) On June 17, 2026, the Building Inspection Commission considered this ordinance at a duly noticed public hearing pursuant to Charter Section 4.121 and Building Code Section 104A.2.11.2. A copy of a letter from the Secretary of the Building Inspection Commission regarding the Commission's recommendation is on file with the Clerk of the Board of Supervisors in File No. 260538.

(m) No local findings are required under California Health and Safety Code Section 17958.7 for the amendments to the Building Code found in Section 8 because those amendments do not regulate materials or manner of construction or repair, and instead relate in their entirety to administrative procedures for implementing the code, which are expressly excluded from the definition of a "building standard" by California Health and Safety Code Section 18909(c).

Section 3. Articles 1 and 4 of the Planning Code are hereby amended by revising

Sections 102 and 401 to read as follows:

SEC. 102. DEFINITIONS.

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D

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Development Application. Any application for a land use authorization or entitlement, *whether discretionary or ministerial,* including but not limited to a Project Authorization, Conditional Use, Variance, Large Project Authorization, HOME-SF Project Authorization, authorization pursuant to Article 3 of the Planning Code, or for any other authorization of a development project required to be approved by the Planning Department, Zoning Administrator, Historic Preservation Commission, or Planning Commission, that has been deemed complete by the Planning Department and includes any information necessary to conduct environmental review, determine Planning Code compliance, and conformity with the General Plan. *Unless otherwise set forth in a valid development agreement, for projects approved pursuant to Administrative Code Chapter 56, Development Application shall mean* ~~an individual building's design review application, or if no design review application is required, then~~ *the first site or building permit application* ~~for an individual building~~.

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Family. Family shall mean Household, as defined in this Section 102.

Final Approval. *Final Approval or Finally Approved shall mean (1) approval by the Department's issuance of a Planning Approval Letter; (2) approval of a project's first Development Application by the Commission, unless such approval is appealed; (3) if a project only requires a*

building permit, Planning approval of the first site or building permit, unless such permit is appealed; or (4) if the Commission approval or first site or building permit is appealed, then the final decision upholding the Development Application, or first site or building permit, on the appeal by the relevant City Board or Commission. For development projects with multiple buildings, including projects approved pursuant to Administrative Code Chapter 56, Final Approval shall mean the Department's approval of a first site or building permit application for each building. Final Approval, or Finally Approved, shall not include any modification of an approval pursuant to Section 415.10(e).

*"**First Certificate of Occupancy.**" Either a temporary Certificate of Occupancy or a Certificate of Final Completion and Occupancy under Building Code Section 109A, whichever is issued first.*

Fleet Charging. Automotive Use, Non-Retail that provides electricity to electric motor vehicles through one or more Electric Vehicle Charging Stations that are dedicated or reserved for private parties pursuant to contract or other agreement and are not available to the general public. Fleet Charging is not allowed as an accessory use to any other principal use. Parcel Delivery Service activity, including unloading, sorting, and/or reloading merchandise for deliveries, is prohibited as part of a Fleet Charging use.

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Plan Dimensions. The linear horizontal dimensions of a building or structure, at a given level, between the outside surfaces of its exterior walls. The "length" of a building or structure is the greatest plan dimension parallel to an exterior wall or walls and is equivalent to the horizontal dimension of the corresponding elevation of the building or structure at that level. The "diagonal dimension" of a building or structure is the plan dimension between the two most separated points on the exterior walls.

Planning Approval Letter. *Written documentation from the Planning Department verifying the*

Department's determination that a project with a complete Development Application may apply for a site or building permit.

Planning Commission (Commission). The San Francisco Planning Commission.

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SEC. 401. DEFINITIONS.

In addition to the specific definitions set forth in Section 102 and elsewhere in this Article 4, the following definitions shall govern interpretation of this Article:

A

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"Affordable to a household." ~~*shall mean a*~~ *A* purchase price that a household can afford to pay based on an annual payment for all housing costs, as defined *in the Procedures Manual* ~~*in California Code of Regulations ("CCR") Title 25, Section 6920*~~, as amended from time to time, of 33*%* ~~*percent*~~ of the combined household annual gross income, assuming a down payment recommended by ~~*the Mayor's Office of Housing*~~ *MOHCD* in the Procedures Manual, and available financing, or a rent that does not exceed 30*%* ~~*percent*~~ of a household's combined annual gross income. Where applicable, the purchase price or rent may be adjusted to reflect the absence or existence of a parking space(s), subject to the Department's policy on ~~*unbundled*~~ parking for affordable housing units as specified in the Procedures Manual and amended from time to time.

"Affordable to Qualifying Households."

(A) With respect to Owned Units, the ~~*average*~~ purchase price on the initial sale of all Owned Units in a housing project shall not exceed the allowable ~~*average*~~ purchase price. Each unit shall be sold:

(i) Only to first-time homebuyer households, as defined in this Section;

(ii) Only to households with an annual gross income equal to or less than the qualifying income limits ~~*for a household of moderate income*~~, adjusted for household size, except for the exceptions set forth in Section 415.8(a)(4)(C), (D), and (E);

(iii) Only to households that meet the household size requirements, as defined in the Procedures Manual;

(iv) On the initial sale, at or below the maximum purchase price, as defined in this Section;

(v) On subsequent sales at or below the prices to be determined according to the formula specified in the Procedures Manual in place at the time of the purchase of the Owned Unit, as amended from time to time, such that the units remain affordable for the life of the project. The formula in the Procedures Manual shall permit the seller to include certain allowable capital improvements in the new maximum purchase price. ~~*The formula shall include a per unit cap on capital improvements of 10% of the resale price in order to maintain affordability. Special Assessments shall be added to the resale price at an uncapped rate.*~~ Capital improvement requests shall be evaluated by ~~*the Mayor's Office of Housing*~~ *MOHCD* according to the ~~*formula*~~ *policies* specified in the Procedures Manual.

(B) With respect to Rental Units, the ~~*average*~~ annual rent shall not exceed the allowable ~~*average*~~ annual rent. Each unit shall be rented:

(i) Only to households with an annual gross income equal to or less than qualifying limits ~~*for a household of lower income*~~ adjusted for household size, as defined in this Section, except for the exceptions set forth in Section 415.8(a)(4)(A) and (B);

(ii) Only to households that meet the household size requirements, as defined in the Procedures Manual;

(iii) At or less than the maximum annual rent *according to policies specified in the Procedures Manual*.

"Allowable ~~*average*~~ purchase price." A price for all Owned Units ~~*of the size indicated below*~~ that ~~*are*~~ *is* affordable to a household of median income as defined in this Section, adjusted for the household size indicated below as of the date of the close of escrow, except for Single Room Occupancy units and Group Housing units that are less than 350 square feet (both as defined in Section 102), which shall be 75% of the maximum purchase price level for studio units, and, where applicable, adjusted to reflect the Department's policy on ~~*unbundled*~~ parking for affordable housing units as specified in the Procedures Manual and amended from time to time.~~:~~

~~*Number of Bedrooms (or, for live/work units square foot equivalency)*~~	~~*Number of Persons in Household*~~
~~*0 (Less than 600 square feet)*~~	~~*1*~~
~~*1 (601 to 850 square feet)*~~	~~*2*~~
~~*2 (851 to 1,100 square feet)*~~	~~*3*~~
~~*3 (1,101 to 1,300 square feet)*~~	~~*4*~~
~~*4 (More than 1,300 square feet)*~~	~~*5*~~

"Allowable ~~*average*~~ annual rent." Annual rent for a Rental Unit ~~*of the size indicated below*~~ that is 30% of the annual gross income of a ~~*household*~~ *Household* ~~*of low income*~~ as defined in this Section *401*, adjusted for the household size indicated below except for Single Room Occupancy units and Group Housing units that are less than 350 square feet (both as defined in Section 102), which shall be 75% of the maximum rent level for studio units, and, where applicable, adjusted to reflect the Department's policy on ~~*unbundled*~~ parking for affordable housing units as specified in the Procedures Manual and amended from time to time.~~:~~

~~*Number of Bedrooms (or, for live/work units square*~~	~~*Number of Persons in Household*~~

~~*foot equivalency)*~~	
~~*0 (Less than 600 square feet)*~~	~~*1*~~
~~*1 (601 to 850 square feet)*~~	~~*2*~~
~~*2 (851 to 1,100 square feet)*~~	~~*3*~~
~~*3 (1,101 to 1,300 square feet)*~~	~~*4*~~
~~*4 (More than 1,300 square feet)*~~	~~*5*~~

At no time can a rent increase, or can multiple rent increases within one year, exceed the percentage change in Maximum Monthly Rent levels as published by MOHCD from the previous calendar year to the current calendar year.

"Alternative." A method of compliance with Section 415.1 et seq., which shall include payment of the Affordable Housing fee, the provision of Affordable Units On-site, the dedication of land to the City, or the provision of Affordable Units Off-site.

"Area Median Income" or "AMI." The unadjusted median income levels *published by MOHCD* derived *in part* from the Department of Housing and Urban Development ("HUD") on an annual basis for the San Francisco area, adjusted solely for household size, but not high housing cost area.

"Annual gross income." Gross income as defined in ~~*CCR*~~ Title 25 *of the California Code of Regulations*, Section 6914, as amended from time to time*; provided however that MOHCD may develop and apply a different definition to promote consistency with other regulatory requirements* ~~*; except that MOHCD may, in order to promote consistency with the procedures of the San Francisco Redevelopment Agency, develop an asset test that differs from the State definition*~~ if it publishes that test in the Procedures Manual.

"Annual net income." Net income as defined in Title 25 of the California Code of Regulations, Section 6916.

"Area Plan Impact Fee." ~~*shall mean a*~~ *A* development impact fee collected by the City to mitigate impacts of new development in the Area Plans of the San Francisco General Plan, under Article 4 of the Planning Code.

~~*"Average annual rent." The total annual rent for the calendar year charged by a housing project for all Rental Units in the project of an equal number of bedrooms divided by the total number of Affordable Units in the project with that number of bedrooms.*~~

~~*"Average purchase price." The purchase price for all Owned Units in an affordable housing project of an equal number of bedrooms divided by the total number of Affordable Units in the project with that number of bedrooms.*~~

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D

"Dedicated." Legally transferred to the City and County of San Francisco, including all relevant legal documentation, at no cost to the City.

"Dedicated site." The portion of site proposed to be legally transferred at no cost to the City and County of San Francisco under the requirements of this section.

"Designated affordable housing zones." For the purposes of implementing the Eastern Neighborhoods Community Improvements Fund, shall mean the Mission Street NCT defined in Section 754.

"Designated Child Care Unit." As defined in Section 102.

"Development Application." *As defined in Section 102.* ~~*shall mean any application for a building permit, site permit, Conditional Use, Variance, Large Project Authorization, or any application pursuant to Planning Code Sections 309, 309.1, or 322 or any application to the Planning Department for ministerial approval pursuant to state law, including but not limited to California Government Code Sections 65913.4, 65650 et seq., or 65912.100 et seq.*~~

* * * *

"Director of Transportation." The Director of Transportation of the MTA or ~~*his or her*~~ *their* designee(s).

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F

"Final Approval." *As defined in Section 102.*~~*For the purposes of this Section 401 shall mean (1) approval of a project's first Development Application , unless such approval is appealed; or (2) if a project only requires a building permit, planning approval of the first site or building permit, unless such permit is appealed; or (3) if the first Development Application or first site or building permit is appealed, then the final decision upholding the Development Application, or first site or building permit, on the appeal by the relevant City Board or Commission*~~

"First Certificate of Occupancy." *As defined in Section 102.*~~*Either a temporary Certificate of Occupancy or a Certificate of Final Completion and Occupancy as defined in San Francisco Building Code Section 109A, whichever is issued first.*~~

"First ~~*construction document*~~ *Construction Document*." As defined in Section 107A.13.1 of the San Francisco Building Code.

"First-time homebuyer household." At a minimum, shall be a household in which no member of the qualifying household may have owned any interest in a dwelling unit for a three-year period prior to applying to qualify for purchase of a unit restricted as affordable under the Inclusionary Housing Program. The Procedures Manual may contain additional requirements as necessary.

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"Hope SF Project Area." ~~*shall mean an*~~ *An* area owned by or previously owned by the San Francisco Housing Authority that is currently undergoing, or planned to undergo

redevelopment, whereby existing affordable dwelling units will be replaced, new affordable housing units will be constructed, and market-rate units may be constructed as a means to cross-subsidize newly needed infrastructure and affordable units. Hope SF Project Area shall include the Hunters View project, which is located within the Hunters View Special Use District, the Potrero Terrace and Annex Project, which includes Assessor's Block 4367, Lots 004 and 004A; Block 4220A, Lot 001, Block 4222, Lot 001; and Block 4223, Lot 001; and the Sunnydale/Velasco Project, which includes Assessor's Block 6310, Lot 001; Block 6311, Lot 001; Block 6312, Lot 001; Block 6313, Lot 001; Block 6314, Lot 001; and Block 6315, Lot 001.

"Household." Any person or persons who reside or intend to reside in the same ~~h~~*H*ousing unit.

"Household of low income~~.~~" *or "low-income household*." For purposes of Section 415 et seq., a household whose combined annual gross income for all members does not exceed ~~*55 percent*~~ *65%* of AMI *for a Rental Unit and 100% of AMI for an Owned Unit*.

~~*"Household of median income." For purposes of Section 415 et seq., a household whose combined annual gross income for all members does not exceed 90 percent of AMI.*~~

"Household of moderate income~~.~~" *or "moderate-income household*." For purposes of Section 415 et seq., a household whose combined annual gross income for all members does not exceed ~~*110 percent*~~ *90%* of AMI *for a Rental Unit and 120% of AMI for an Owned Unit*.

"Housing developer." Any business entity building housing units which receives a payment from a sponsor for use in the construction of the housing units. A housing developer may be

(a) the same business entity as the sponsor,

(b) an entity in which the sponsor is a partner, joint ~~*venturor*~~ *venture*, or stockholder, or

(c) an entity in which the sponsor has no control or ownership.

"Housing *Projectproject*." Any development which includes a Residential Use as defined in Section 102 of this Code, including but not limited to Dwellings, Group Housing, Single Room Occupancy Units, independent living units, and other forms of development which are intended to provide long-term housing to individuals and households. "Housing *Pp*roject" shall not include that portion of a development that qualifies as an Institutional Use under the Planning Code. "Housing *Pp*roject" for purposes of the Inclusionary Housing Program shall also include the development of Live/Work *u*Units as defined by Section 102. "Housing *Pp*roject" for purposes of the Inclusionary Housing Program shall mean all phases or elements of a multi-phase or multiple lot residential development.

"Housing unit" or "unit." A residential use in a Housing project. For the purposes of the Inclusionary Affordable Housing Program, Planning Code Section 415 et seq., and corresponding definitions in this Section 401, the use of the word "unit" will also mean bedrooms where a Group Housing or other Housing project is measured by number of bedrooms.

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L

"Life of the project." The time during which the development authorized by the *Planning* Department or Commission, or any modification of such development, remains in existence in or upon the subject property and thereby confers benefit upon the subject property.

"Low income." For purposes of this Article, up to 80% of median family income for the San Francisco PMSA, as calculated and adjusted by the United States Department of Housing and Urban Development (HUD) on an annual basis, except that as applied to housing-related purposes such as the construction of affordable housing and the provision of rental subsidies with funds from the SOMA Stabilization Fund established in Section 418.7, it shall mean up to 60% of median family income for

~~*the San Francisco PMSA, as calculated and adjusted by HUD on an annual basis.*~~

M

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"Market rate housing" *or "market rate units."* Housing *or residential units* constructed in the principal project that is not subject to sales or rental restrictions.

"Maximum annual rent." The maximum rent that a housing developer may charge any tenant occupying an affordable unit for the calendar year. The maximum annual rent for an affordable housing unit ~~*of the size indicated below*~~ shall be no more than 30% of the annual gross income for a ~~*household of low income*~~ *Household* as defined in this Section, as adjusted for ~~*the*~~ household size ~~*indicated below,*~~ except in the case of Single Room Occupancy units and Group Housing units that are less than 350 square feet (both as defined in Section 102), which shall be 75% of the maximum rent level for studio units, as of the first date of the tenancy *according to the Procedures Manual.*~~:~~

~~*Number of Bedrooms (or, for live/work units square foot equivalency)*~~	~~*Number of Persons in Household*~~
~~*0 (Less than 600 square feet)*~~	~~*1*~~
~~*1 (601 to 850 square feet)*~~	~~*2*~~
~~*2 (851 to 1,100 square feet)*~~	~~*3*~~
~~*3 (1,101 to 1,300 square feet)*~~	~~*4*~~
~~*4 (More than 1,300 square feet)*~~	~~*5*~~

At no time can a rent increase, or can multiple rent increases within one year, exceed the percentage change in Maximum Monthly Rent levels as published by MOHCD from the previous calendar year to the current calendar year *in accordance with the Procedures Manual*.

"Maximum purchase price." The maximum purchase price for an Owned Unit, ~~*of the size indicated below*~~ except in the case of Single Room Occupancy *Dwelling Units* ~~*units and Group Housing units*~~ that are less than 350 square feet (both as defined in Section 102), which shall be 75% of the maximum purchase price level for studio units, that is affordable to a household of moderate income, adjusted for ~~*the*~~ household size ~~*indicated below*~~, assuming an annual payment for all housing costs of 33*%* ~~*percent*~~ of the combined household annual gross income, a down payment recommended by MOHCD and set forth in the Procedures Manual~~*, and available financing:*~~

~~*Number of Bedrooms (or, for live/work units square foot equivalency)*~~	~~*Number of Persons in Household*~~
~~*0 (Less than 600 square feet)*~~	~~*1*~~
~~*1 (601 to 850 square feet)*~~	~~*2*~~
~~*2 (851 to 1,100 square feet)*~~	~~*3*~~
~~*3 (1,101 to 1,300 square feet)*~~	~~*4*~~
~~*4 (More than 1,300 square feet)*~~	~~*5*~~

"Mayor's Office of Housing" or "MOH." The Mayor's Office of Housing and Community Development or its successor.

"Medical and Health Services." An economic activity category under the TIDF that includes, but is not limited to, Hospital use and Social Service and Philanthropic Facility uses.

~~*"Middle Income Household." Except as used in Section 415 et seq., a household whose combined annual gross income for all members is between 120 percent and 150 percent of the local median income for the City and County of San Francisco, as calculated by the Mayor's Office of Housing using data from the United States Department of Housing and Urban Development (HUD)*~~

~~*and adjusted for household size or, if data from HUD is unavailable, as calculated by the Mayor's Office of Housing using other publicly available and credible data and adjusted for household size.*~~

~~*"MOH." The Mayor's Office of Housing, or the Mayor's Office of Housing and Community Development, or its successor.*~~

"MOHCD." The Mayor's Office of Housing and Community Development, or its successor.

"MTA." The Municipal Transportation Agency, or its successor.

"Municipal Railway*" or* ~~;~~ *"*MUNI." The public transit system owned by the City and under the jurisdiction of the MTA.

"Museum." A permanent institution open to the public, which acquires, conserves, researches, communicates and exhibits the heritage of humanity or the environment.

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O

"Off-site Unit." A unit Affordable to Qualifying Households constructed pursuant to this Article on a site other than the site of the Principal Project. ~~*If a Housing Project is constructed in multiple phases or consists of multiple buildings, Affordable Units may be constructed in one building or phase.*~~

"On-site Unit." A unit Affordable to Qualifying Households constructed pursuant to this Article on the site of the ~~*principal project*~~ *Principal Project*. ~~*If a Housing Project is constructed in multiple phases or consists of multiple buildings, Affordable Units shall be distributed proportionally throughout the building or phase.*~~

"Owned Unit." A unit Affordable to Qualifying Households that is a condominium, stock cooperative, *tenancy in common,* community apartment, or ~~*detached*~~ single-family home. The *O*~~*o*~~wner or *O*~~*o*~~wners of an Owned Unit must occupy the unit as their primary residence. An

Owned Unit shall not be Group Housing, as defined in Section 102.

"Owner." The record owner of the fee or a vendee in possession.

"Owner Occupied." A qualified-income owner lives in the affordable unit as ~~*his or her*~~ *their* principal residence and resides in the unit for a minimum period of time set forth in the Procedures Manual.

"Ownership Housing Project" or "Ownership Project." A residential housing project in which units are designed and intended to be sold and conveyed to occupants rather than rented, such that each purchaser obtains legal title to the dwelling unit, or in the case of a stock cooperative or community apartment project, a legally recognized ownership interest conferring the right to occupy a specific dwelling unit. Ownership Housing Projects include, but are not limited to, projects consisting of condominiums, stock cooperatives, tenancies in common, community apartments, townhomes, or single-family homes. Ownership Housing Projects include all of the units in a housing development including Affordable Units and Market Rate Housing.

P

"Pipeline Project." A project that has submitted a Development Application that the Department has determined to be complete, but has not been issued a First Construction Document.

"Principal ~~*p*~~*P*roject." A housing development on which a requirement to provide affordable housing units is imposed.

"Principal site." The total site proposed for development, including the portion of site proposed to be legally transferred to the City and County of San Francisco.

"Procedures Manual." The City and County of San Francisco Inclusionary Affordable Housing Program Monitoring Procedures Manual issued by ~~*the Mayor's Office of Housing and Community Development*~~ *MOHCD*, as amended from time to time.

"Program" or "Inclusionary Housing Program." The Inclusionary Affordable Housing

Program as detailed in Section~~s~~ 415*.1 et seq.* ~~*417*~~.

Q

* * * *

R

"Rent" or "rental." The total charges for rent, utilities, and related housing services to each household occupying an affordable unit *according to policies outlined in the Procedures Manual*.

"Rental Housing Project" or "Rental Project." A housing project consisting solely of units owned by a single entity and rented to individual tenants. Rental Housing Projects include all of the units in a housing development including Affordable and Market Rate Housing.

"Rental Unit." A unit Affordable to Qualifying Households that is not a condominium, *tenancy in common,* stock cooperative, or community apartment.

"Replacement of use." The total amount of Gross Floor Area, as defined in Section 102 of this Code, to be demolished and reconstructed by a development project. For purposes of calculating any impact fees, credits, or waivers under Article 4, if the Gross Floor Area to be demolished has no legally established use, the replacement of use shall consider the last legal use.

* * * *

S

~~*"Section 6932." Section 6932 of Title 25 of the California Code of Regulations as such section applies to the County of San Francisco.*~~

~~*"Significant increase in residential development potential" shall mean, for purposes of Charter Section 16.110(h) and the implementation of the Inclusionary Affordable Housing Program, for areas subject to a change in zoning enacted after November 6, 2012 that affects 40 or more acres or greater and results in a significant increase in residential development potential, where the area is not also*~~

~~*encompassed by a Special Use District adopted after November 6, 2012:*~~

~~*(a) a 20% or greater increase in developable residential gross floor area, as measured by a change in height limits, Floor Area Ratio limits, or use, over prior zoning, or*~~

~~*(b) a change in use permitting Residential Uses (either as a principally permitted use or with a Conditional Use authorization) where Residential Uses were not previously principally permitted or permitted with a Conditional Use authorization, or*~~

~~*(c For parcels with an existing residential development capacity of 10 units or greater, the lesser of*~~

~~*1. a 50% or greater increase in residential densities over prior zoning, or,*~~

~~*2. an increase in density of at least 15 additional units over the number of units allowed under prior zoning.*~~

~~*3. For the purposes of determining residential development capacity, the Planning Department shall use unit sizes and efficiency ratios typical (or the subject area at the time of the rezoning.*~~

~~*This definition was adopted by the Board of Supervisors in Motion M13-097 and may only be amended under Charter Section 16.110(h)(1)(B)(iv).*~~

*"*Small Family Daycare Home.*"* A Small Family Daycare Home is defined by California Health & Safety Code Section 1596.78(c), as amended from time to time.

* * * *

W

"Waiver Agreement." An agreement acceptable in form and substance to the City Attorney and the ~~*Planning*~~ Department under which the City agrees to waive all or a portion of the Community Improvements Impact Fee.

Section 4. Article 4 of the Planning Code is hereby amended by revising Sections

413.6, 414A.6, 415 (including 415.1, 415.2, 415.3, 415.4, 415.6, 415.7, 415.8, 415.9, and 415.10), 424.5, 425.4, and 436, and deleting Sections 415A, 415B, 416, 417, 419, 424.1 to 424.4, 425.1 to 425.3, and 428, to read as follows:

SEC. 413. JOBS-HOUSING LINKAGE PROGRAM; HOUSING REQUIREMENTS FOR LARGE-SCALE DEVELOPMENT PROJECTS.

Sections 413.1 through 413.11, hereafter referred to as Section 413.1 et seq., set forth the requirements and procedures for the Jobs-Housing Linkage Program. The effective date of these requirements shall be either March 28, 1996, which is the date that the requirements originally became effective, or the date a subsequent modification, if any, became effective.

* * * *

SEC. 413.6. COMPLIANCE BY LAND DEDICATION.

(a) **Controls**. Projects may satisfy all or a portion of the requirements of Section 413.1 et seq. via dedication of land to the City for the purpose of constructing units Affordable to Qualifying Households. Projects may receive a credit against such requirements up to the value of the land donated, calculated pursuant to subsection (b) below.

(b) **Requirements.**

(1) The value of the dedicated land shall be determined by the Director of Property pursuant to Chapter 23 of the Administrative Code, but shall not exceed the actual cost of acquisition by the project sponsor of the dedicated land in an arm's length transaction. Prior to issuance by DBI of the ~~*first site or building permit*~~ *First Construction Document* for a development project subject to Section 413.1 et seq. the sponsor shall submit to the Department, with a copy to MOHCD and the Director of Property, documentation sufficient to substantiate the actual cost of acquisition by the sponsor in an arm's length transaction of any land to be dedicated by the sponsor to the City, and any additional information that would

impact the value of the land.

(2) Projects are subject to the requirements of Section *415.7(a)(1), (2), and (4)-(9).* ~~*419.5(a)(2)(A) and (C)-(J).*~~

SEC. 414A.6. OPTION TO PROVIDE SMALL FAMILY CHILD CARE HOME IN LIEU OF FEE.

(a) Election to Provide Designated Child Care Units in Lieu of Residential Child Care Impact Fee. Consistent with the timing to elect the option to provide On- or Off-site Units under Section 415.5(~~*g*~~*e*), the sponsor of a development project subject to the requirements of Sections 414A.1 et seq., may elect to fulfill all or a portion of the Residential Child Care Impact Fee requirement by creating one or more Designated Child Care Units in the project, as follows:

* * * *

SEC. 415. HOUSING REQUIREMENTS FOR RESIDENTIAL AND LIVE/WORK DEVELOPMENT PROJECTS.

Sections 415.1 through 415.11, hereafter Section 415.1 *et seq.*, set forth the requirements and procedures for the Inclusionary Affordable Housing Program ("Program" or "Inclusionary Housing Program").

The Planning Department and MOHCD shall periodically publish a Procedures Manual containing procedures for monitoring and enforcement of the policies and procedures for implementation of this Program. The Procedures Manual must be made available on the Department's web site. The Procedures Manual shall not be amended, except for an annual update of the affordability housing guidelines, which reflect updated income limits, prices, and rents, without approval of the Commission or as otherwise specified herein.

The Procedures Manual in effect at the time of initial purchase or initial rental of an Affordable Unit shall govern the regulation of that unit until it is sold or re-rented unless an owner or current tenant chooses to be governed by all ~~*of the more up-to-date*~~ provisions of the then-current Procedures Manual. In that case, the owner or tenant must agree to be governed by the totality of the new regulations – an owner or tenant may not pick some provisions from the Procedures Manual in effect at the time of initial purchase or initial rental and some in effect in the then-current Procedures Manual. If the owner or tenant chooses to be governed by the then-current Procedures Manual, *the owner or tenant* ~~*he or she*~~ shall sign an agreement with the City to that effect, and the Department and MOHCD shall apply all of the rules and regulations in the then-current Procedures Manual to the unit.

SEC. 415.1. FINDINGS.

Affordable Housing. ~~:~~ The findings in former Planning Code Section 315.2 of the Inclusionary Affordable Housing Ordinance are hereby readopted and updated as follows:

(a) Affordable housing is a paramount statewide concern. ~~*In 1980, t*~~*The* California Legislature declared in Government Code Section 65580:

(1) The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every California family is a priority of the highest order.

(2) The early attainment of this goal requires the cooperative participation of government and the private sector in an effort to expand housing opportunities and accommodate the housing needs of Californians of all economic levels.

(3) The provision of housing affordable to low-and moderate-income households requires the cooperation of all levels of government.

(4) Local and state governments have a responsibility to use the powers vested

in them to facilitate the improvement and development of housing to make adequate provision for the housing needs of all economic segments of the community.

(b) The Legislature further stated in Government Code Section 65581 that:

It is the intent of the Legislature in enacting this article:

(1) To assure that counties and cities recognize their responsibilities in contributing to the attainment of the state housing goal.

(2) To assure that counties and cities will prepare and implement housing elements which will move toward attainment of the state housing goal.

(3) To recognize that each locality is best capable of determining what efforts are required to contribute to the attainment of the state housing goal.

(c) The California Legislature requires each local government agency to develop a comprehensive long-term general plan establishing policies for future development. As specified in the Government Code (at Sections 65300, 65302(c), and 65583(c)), the plan must (1) "encourage the development of a variety of types of housing for all income levels, including multifamily rental housing"; (2) "[a]ssist in the development of adequate housing to meet the needs of low- and moderate-income households"; and (3) "conserve and improve the condition of the existing affordable housing stock, which may include addressing ways to mitigate the loss of dwelling units demolished by public or private action."

(d) The Board of Supervisors adopted San Francisco's General Plan *2022* Housing Element *Update* in *January 2023* ~~*March 2015*~~, and the California Housing and Community Development Department certified it on *February 1, 2023* ~~*May 29, 2015*~~. The Housing Element states that San Francisco's share of the regional housing need for years ~~*2015*~~ *2023* through *2030* ~~*2022*~~ includes ~~*10,873*~~ *32,881* housing units for *extremely low,* very-low and low-income households and ~~*5,460*~~ *49,188* units for moderate *and above-moderate* ~~*/middle*~~ income households~~,~~ and a total production of ~~*28,870*~~ *82,069* net new units, with almost 60% to be

affordable for very-low, low- and moderate~~/middle~~-income San Franciscans. *The amendments to the Inclusionary Housing Program found in Board File No. 260538 implement policies in the 2022 Housing Element Update to assess Inclusionary Housing Program requirements, including rates, tiers, and density incentives, based on the Controller's Office triennial study of financial feasibility.*

SEC. 415.2. DEFINITIONS.

See Section*s 102 and* 401 of this ~~*Article*~~ *Code*.

~~*"Ownership Housing Project" shall mean a housing project consisting solely of units that are condominiums, stock cooperatives, community apartments, or detached single-family homes. Ownership Housing Projects include all of the units in a housing development including Affordable Units and Market Rate Housing.*~~

~~*"Rental Housing Project" shall mean a housing project consisting solely of units owned by a single entity and rented to individual tenants. Rental Housing Projects include all of the units in a housing development including Affordable and Market Rate Housing.*~~

SEC. 415.3. APPLICATION.

(a) Notwithstanding any other provision to the contrary in this Code, Section 415.1 et seq. shall apply to any housing project that consists of ~~*10*~~ *25* or more units where an individual project or a phased project is to be undertaken and where the total undertaking comprises a project with ~~*10*~~ *25* or more units, even if the development is on separate but adjacent lots. This provision also applies to housing projects that require~~s~~ Commission approval of replacement housing destroyed by earthquake, fire, or natural disaster only where the destroyed housing included units restricted under the Inclusionary Affordable Housing Program or the City's predecessor inclusionary housing policy, condominium conversion requirements, or other affordable housing program.

~~*(b) Except as provided in subsection (3) below, any development project that has submitted a complete Environmental Evaluation application prior to January 12, 2016 shall comply with the Affordable Housing Fee requirements, the on-site affordable housing requirements or the off-site affordable housing requirements, and all other provisions of Section 415.1 et seq., as applicable, in effect on January 12, 2016. For development projects that have submitted a complete Environmental Evaluation application on or after January 1, 2013, the requirements set forth in Planning Code Sections 415.5, 415.6, and 415.7 shall apply to certain development projects consisting of 25 dwelling units or more during a limited period of time as follows.*~~

~~*(1) If a development project is eligible and elects to provide on-site affordable housing, the development project shall provide the following amounts of on-site affordable housing.*~~

~~*(A) Any development project that has submitted a complete Environmental Evaluation application prior to January 1, 2014 shall provide affordable units in the amount of 13% of the number of units constructed on-site.*~~

~~*(B) Any development project that has submitted a complete Environmental Evaluation application prior to January 1, 2015 shall provide affordable units in the amount of 13.5% of the number of units constructed on-site.*~~

~~*(C) Any development project that has submitted a complete Environmental Evaluation application on or prior to January 12, 2016 shall provide affordable units in the amount of 14.5% of the number of units constructed on-site.*~~

~~*(D) Any development project that submits an Environmental Evaluation application after January 12, 2016, shall comply with the requirements set forth in Planning Code Sections 415.5, 415.6 and 415.7, as applicable.*~~

~~*(E) Notwithstanding the provisions set forth in subsections (b)(1)(A), (B) and (C) of this Section 415.3, if a development project is located in a UMU Zoning District or in the South of Market Youth and Family Zoning District, and is eligible and elects to provide on-site units pursuant*~~

~~*to Section 415.5(g), such development project shall comply with the on-site requirements applicable within such Zoning Districts, as they existed on January 12, 2016, plus the following additional amounts of on-site affordable units: (i) if the development project has submitted a complete Environmental Evaluation application prior to January 1, 2014, the Project Sponsor shall provide additional affordable units in the amount of 1% of the number of units constructed on-site; (ii) if the development project has submitted a complete Environmental Evaluation application prior to January 1, 2015, the Project Sponsor shall provide additional affordable units in the amount of 1.5% of the number of units constructed on-site; or (iii) if the development project has submitted a complete Environmental Evaluation application on or prior to January 12, 2016, the Project Sponsor shall provide additional affordable units in the amount of 2% of the number of units constructed on-site.*~~

~~*(F) Any development project that has submitted a complete Environmental Evaluation application on or before January 12, 2016 and seeks to utilize a density bonus under State Law shall use its best efforts to provide on-site affordable units in the amount of 25% of the number of units constructed on-site and shall consult with the Planning Department about how to achieve this amount of inclusionary affordable housing. An applicant seeking a density bonus under the provisions of State Law shall provide reasonable documentation to establish eligibility for a requested density bonus, incentives or concessions, and waivers or reductions of development standards.*~~

~~*(2) If a development project pays the Affordable Housing Fee or elects to provide off-site affordable housing, the development project shall provide the following fee amount or amounts of off-site affordable housing during the limited periods of time set forth below:*~~

~~*(A) Any development project that has submitted a complete Environmental Evaluation application prior to January 1, 2014, shall pay a fee or provide off-site housing in an amount equivalent to 25% of the number of units constructed on-site.*~~

~~*(B) Any development project that has submitted a complete Environmental Evaluation application prior to January 1, 2015, shall pay a fee or provide off-site housing in an*~~

~~*amount equivalent to 27.5% of the number of units constructed on-site.*~~

~~*(C) Any development project that has submitted a complete Environmental Evaluation application on or prior to January 12, 2016 shall pay a fee or provide off-site housing in an amount equivalent to 30% of the number of units constructed on-site.*~~

~~*(D) Any development project that submits an Environmental Evaluation application after January 12, 2016 shall comply with the requirements set forth in Sections 415.5, 415.6, and 415.7, as applicable.*~~

~~*(E) Notwithstanding the provisions set forth in subsections (b)(2)(A), (B) and (C) of this Section 415.3, for development projects proposing buildings over 120 feet in height, as measured under the requirements set forth in the Planning Code, except for buildings up to 130 feet in height located both within a special use district and within a height and bulk district that allows a maximum building height of 130 feet, such development projects shall pay a fee or provide off-site housing in an amount equivalent to 30% of the number of units constructed on-site. Any buildings up to 130 feet in height located both within a special use district and within a height and bulk district that allows a maximum building height of 130 feet shall comply with the provisions of subsections (b)(2)(A), (B) and (C) of this Section 415.3 during the limited periods of time set forth therein.*~~

~~*(F) Notwithstanding the provisions set forth in subsections (b)(2)(A), (B) and (C) of this Section 415.3, if a development project is located in a UMU Zoning District or in the South of Market Youth and Family Zoning District, and pays the Affordable Housing Fee or elects to provide off-site affordable housing pursuant to Section 415.5(g), or elects to comply with a Land Dedication Alternative, such development project shall comply with the fee, off-site or land dedication requirements applicable within such Zoning Districts, as they existed on January 12, 2016, plus the following additional amounts for the Affordable Housing Fee or for land dedication or off-site affordable units: (i) if the development project has submitted a complete Environmental Evaluation application prior to January 1, 2014, the Project Sponsor shall pay an additional fee, or provide*~~

~~*additional land dedication or off-site affordable units, in an amount equivalent to 5% of the number of units constructed on-site; (ii) if the development project has submitted a complete Environmental Evaluation application prior to January 1, 2015, the Project Sponsor shall pay an additional fee, or provide additional land dedication or off-site affordable units, in an amount equivalent to 7.5% of the number of units constructed on-site; or (iii) if the development project has submitted a complete Environmental Evaluation application on or prior to January 12, 2016, the Project Sponsor shall pay an additional fee, or provide additional land dedication or off-site affordable units, in an amount equivalent to 10% of the number of units constructed on-site. Notwithstanding the foregoing, a development project shall not pay a fee or provide off-site units in a total amount greater than the equivalent of 30% of the number of units constructed on-site.*~~

~~*(G) Any development project consisting of 25 dwelling units or more that has submitted a complete Environmental Evaluation application on or prior to January 12, 2016, and elects to provide off-site affordable housing, may provide off-site affordable housing by acquiring an existing building to fulfill all or part of the requirements set forth in this Section 415.3 and in Section 415.7 with an equivalent amount of units as specified in this Section 415.3(b)(2), as reviewed and approved by the Mayor's Office of Housing and Community Development and consistent with the parameters of its Small Sites Acquisition and Rehabilitation Program, in conformance with the income limits for the Small Sites Program.*~~

~~*(3) During the limited period of time in which the provisions of Section 415.3(b) apply, the following provisions shall apply:*~~

~~*(A) For any housing development that is located in an area with a specific affordable housing requirement set forth in an Area Plan or a Special Use District, or in any other section of the Code such as Section 419, with the exception of the UMU Zoning District or in the South of Market Youth and Family Zoning District, the higher of the affordable housing requirement set forth in such Area Plan or Special Use District or in Section 415.3(b) shall apply;*~~

~~*(B) Development projects that are within the Central SoMa Special Use District; that are designated as Central SoMa Development Tier A, B, or C, as defined in Section 423.2; and that submitted a complete Environmental Evaluation application prior to January 12, 2016 shall be subject to the affordable housing requirements set forth in Sections 415.5, 415.6, and 415.7 that apply to projects that submitted a complete Environmental Evaluation Application on or after January 13, 2016 and before December 31, 2017; and*~~

~~*(C) Any affordable housing impact fee paid pursuant to an Area Plan or Special Use District shall be counted as part of the calculation of the inclusionary housing requirements contained in Planning Code Sections 415.1 et seq. In the Divisadero Street NCT, the provisions of Section 415.3(b) shall not apply to certain sites, as set forth in the Divisadero Street NCT Affordable Housing Fee And Requirements, Planning Code Sections 428.1 et seq.*~~

~~*(4) Any development project that constructs on-site or off-site affordable housing units as set forth in subsection (b) of this Section 415.3 shall diligently pursue completion of such units.*~~

~~*(A) In the event the project has not been approved, which shall mean approval following any administrative appeal to the relevant City board, on or before December 7, 2018, the development project shall comply with the inclusionary affordable housing requirements set forth in Sections 415.5, 415.6, and 415.7, as applicable. Such deadline shall be extended in the event of any litigation seeking to invalidate the City's approval of such project, for the duration of the litigation.*~~

~~*(B) In the event the project has been approved on or before December 7, 2018, but the project sponsor does not procure a building permit or site permit for construction of the affordable housing units within 18 months of the project's approval, or by December 7, 2018, whichever is later, the development project shall comply with the inclusionary affordable housing requirements set forth in Section 415.5, 415.6, and 415.7 as applicable. Such deadline shall be extended in the event of any litigation seeking to invalidate the City's approval of such project, for the duration of the litigation. For purposes of this subsection (B), the date of approval shall be the date of*~~

~~*any administrative appeal to the relevant City board.*~~

~~*(c) The new inclusionary affordable housing requirements contained in Sections 415.5, 415.6, and 415.7, as well as the provisions contained in Section 415.3(b), shall not apply to (1) any mixed use project that is located in a special use district for which a height limit increase has been approved by the voters prior to January 12, 2016 to satisfy the requirements of Administrative Code Section 61.5.1, or (2) any mixed use project that has entered into a development agreement or other similar binding agreement with the City on or before January 12, 2016, or (3) any housing development project that has procured a final first discretionary development entitlement approval, which shall mean approval following any administrative appeal to the relevant City board, on or before January 12, 2016. The inclusionary housing requirements for these projects shall be those requirements contained in the projects' existing approvals.*~~

~~*(d) Notwithstanding the provisions set forth in Section 415.3(b), or the inclusionary affordable housing requirements contained in Sections 415.5, 415.6, and 415.7, such requirements shall not apply to any project, consisting of 25 dwelling units or more, that has not submitted a complete Environmental Evaluation Application on or before January 12, 2016, if the project is located within the Eastern Neighborhoods Mission Planning Area, the North of Market Residential Special Use District Subarea 1 or Subarea 2, or the SOMA Neighborhood Commercial Transit District, because inclusionary affordable housing levels for those areas will be addressed in forthcoming area plan processes or an equivalent community planning process. Until such planning processes are complete and new inclusionary housing requirements for projects in those areas are adopted, projects consisting of 25 units or more shall (1) pay a fee or provide off-site housing in an amount equivalent to 30% if the Principal Project is a Rental Housing Project, or 33% if the Proposed Project is an Ownership Housing Project, or (2) provide Affordable Units in the amount of 25% of the number of units constructed on-site in a Rental Housing Project, or 27% of the number of units constructed on-site in an Ownership Housing Project. For Rental Housing Projects, 15% of the on-site Affordable Units shall*~~

~~*be affordable to low-income households, 5% shall be affordable to moderate-income households and 5% shall be affordable to middle-income households. For Ownership Housing Projects, 15% of the on-site Affordable Units shall be affordable to low-income households, 6% shall be affordable to moderate-income households and 6% shall be affordable to middle-income households.*~~

~~*(e) The City may continue to enter into development agreements or other similar binding agreements for projects that provide inclusionary affordable housing at levels that may be different from the levels set forth in Sections 415.1 et seq.*~~

~~*(f)*~~*(b)* Section 415.1 *et seq.*, the Inclusionary Housing Program, shall not apply to:

(1) That portion of a housing project located on property owned by the United States or any of its agencies or leased by the United States or any of its agencies, for a period in excess of 50 years, with the exception of such property not used exclusively for a governmental purpose;

(2) That portion of a housing project located on property owned by the State of California or any of its agencies, with the exception of such property not used exclusively for a governmental or educational purpose; or

(3) That portion of a housing project located on property under the jurisdiction of the San Francisco Office of Community Investment and Infrastructure or the Port of San Francisco where the application of Section 415.1 et seq. is prohibited by California or local law.

(4) A ~~*100% affordable*~~ housing project in which *100% of the residential units satisfy the requirements under Section 406(b)(1)(A)-(C), excluding a unit reserved for the manager of the project.* ~~*rents are controlled or regulated by any government unit, agency or authority, excepting those unsubsidized and/or unassisted units which are insured by the United States Department of Housing and Urban Development.*~~ The *project sponsor shall obtain a certification from MOHCD* ~~*Mayor's Office of Housing and Community Development must*~~ represent*ing* to the Planning Commission or

Planning Department that the project ~~*meets*~~ *satisfies* this requirement*, subject to the following:*~~:~~

(A) ***Affordability*** **Restrictions.** If a *Housing Project* ~~*project sponsor takes advantage*~~ *satisfies the requirements* of this ~~*Subsection*~~ *subsection (b)(4)*, ~~*all of*~~ the rules and regulations of the *relevant* programs or recorded documents guaranteeing the affordability of the units shall govern the units and the requirements of this Program shall not apply.

(B) **Conditions**. In order to qualify for this provision, the project sponsor ~~*must*~~ *shall* record an NSR against the property that provides that, in the event of foreclosure or for any other reason, the project no longer qualifies as a project meeting the requirements of ~~*S*~~*s*ubsection ~~*(b)*~~(4) the project will either:

(i) pay the Affordable Housing Fee plus interest from the date the project received its ~~*first*~~ *First Certificate of Occupancy* ~~*construction document for the project*~~ if no affordable units were ever provided or, if affordable units were provided and occupied, then the Affordable Housing Fee with no interest is due on the date the units were no longer occupied by qualifying households; or

(ii) provide the required number of on-site affordable units required *by this Section 415.1 et seq.* at time of original project approval and *subject* ~~*that*~~ those units ~~*shall be subject*~~ to all ~~*of the*~~ requirements of this Program.

(C) ***Recordation***. In the event that there is a foreclosure or other event triggering the requirements of ~~*Subsection*~~ *subsection (b)(4)*(B) above, the project sponsor shall record a new NSR specifying the manner in which it complies with this Program, including but not limited to any specific units restricted as affordable under (B)(ii). The new NSR shall provide that the units must comply with all of the requirements of this Program.

(5) A Student Housing project that meets all of the following criteria:

(A) The building or space conversion does not result in loss or conversion of existing housing, including but not limited to rental housing and dwelling units;

(B) An institutional master plan (IMP) pursuant to Section 304.5, *when required,* is on file with the Planning Department prior to the issuance of any building permit or alteration permit in connection with the creation of the Student Housing project, and, in addition to the requirements of Section 304.5, such IMP shall describe:

(i) to the extent such information is available, the type and location of housing used by its students;

(ii) any plans for the provision of Student Housing;

(iii) the Educational Institution's need for student housing to support its program; and

(iv) the percentage of its students, on an average annual basis, that receive some form of need-based assistance.

~~*(C) MOHCD is authorized to monitor the Student Housing program described in this subsection (f)(5) and shall develop a monitoring form. An annual monitoring fee of $792 per building exempted from the Inclusionary Housing Program pursuant to this Section 415.3(f)(5) shall be paid to MOHCD by the owner of the real property or the Post-Secondary Educational Institution or Religious Institutions, as defined in Section 102 of this Code. Beginning with the setting of fees for fiscal year 2018-2019, the Controller shall annually adjust the base monitoring fee amount referenced in this subsection (f)(5)(C) without further action by the Board of Supervisors, to reflect changes in the two-year average Consumer Price Index (CPI) change for the San Francisco/San Jose Primary Metropolitan Area (PMSA). This process shall occur as follows:*~~

~~*(i) No later than April 15 of each year, MOHCD shall submit the current monitoring fee to the Controller, who shall apply the CPI adjustment to produce a new monitoring fee for the fiscal year beginning July 1. No later than May 15 of each year, the Controller shall file a report with the Board of Supervisors reporting the new monitoring fee and certifying that the fees to be collected will produce sufficient revenue to support the costs of providing the services for which the fee*~~

~~*is charged and will not produce revenue that exceeds the costs of providing the services for which the fee is paid.*~~

~~*(ii) No later than July 1 of each year, MOHCD will publish on its website the current monitoring fee amount inclusive of the annual adjustment, and also make the fee amount available upon request at MOHCD's main office.*~~

~~*(D) The owner of the real property and each Post-Secondary Educational Institution or Institutions shall agree to submit annual documentation to MOHCD and the Planning Department, along with the annual monitoring fee, on or before December 31 of each year, which addresses the following:*~~

~~*(i) Evidence that the Post- Secondary Educational Institution continues to own or otherwise control the Student Housing project under a master lease or other contractual agreement with at least a two-year term, including a certificate from the owner of the real property and the Post-Secondary Educational Institution attaching a true and complete copy of the master lease or other contractual agreement (financial information may be redacted to the extent permitted by law) and certifying that the lease or contract has not otherwise been amended or terminated; and*~~

~~*(ii) Evidence, on an average annualized basis, of the percentage of students in good standing enrolled at least half-time or more in the Post-Secondary Educational Institution or Institutions who are occupying the beds or accessory living space in the Student Housing project; and*~~

~~*(iii) The owner of the real property records a Notice of Special Restrictions (NSR) against fee title to the real property on which the Student Housing is located that states the following:*~~

~~*a. The Post-Secondary Educational Institution, or the owner of the real property on its behalf, must file a statement with the Department if it intends to terminate the Student Housing project at least 60 days before it terminates such use ("statement of termination");*~~

~~*b. The Student Housing project becomes subject to the Inclusionary Housing Ordinance requirements applicable to Housing Projects other than Qualified Housing Projects if (1) a Post-Secondary Educational Institution files a statement of termination with the Department and another Post-Secondary Educational Institution or Institutions have not been substituted or obligated to meet the requirements of this subsection (f)(5)3 ; or (2) the owner of the real property or the Post-Secondary Educational Institution fails to file a statement of termination and fails to meet the requirements for a Student Housing project, then within not more than one year of a Notice Of Violation issued by the Planning Department;*~~

~~*c. If units in a Student Housing project become subject to the Inclusionary Housing Ordinance then the owner of those units shall (1) pay the Affordable Housing Fee plus interest from the date the project received its first construction document for the project if there is no evidence the project ever qualified as Student Housing or, if Student Housing was provided and occupied, then the Affordable Housing Fee with no interest is due on the date the units were no longer occupied by qualifying households and interest would accrue from that date if the fee is not paid; or (2) provide the required number of on-site affordable units required at time of original project approval and that those units shall be subject to all of the requirements of this Program. In this event, the owner of the real property shall record a new NSR providing that the designated units must comply with all of the requirements of this Program.*~~

~~*d. The Post-Secondary Educational Institution is required to report annually as required in subsection (f)(5)(D)3 above;*~~

~~*e. The City may commence legal action against the owner and/or Post- Secondary Educational Institution to enforce the NSR and the terms of Article 4 of the Planning Code and Planning Code Section 415 et seq. if it determines that the project no longer meets the requirements for a Student Housing project; and*~~

~~*f. The Student Housing project may be inspected by any duly*~~

~~*authorized City employee to determine its status as a Student Housing project and its compliance with the requirements of this Code at any time upon at least 24 hours' prior notice to the owner of the real property or to the master lessee.*~~

SEC. 415.4. IMPOSITION OF REQUIREMENTS ***AND POST-APPROVAL PROJECT MODIFICATIONS*****.**

(a) **Determination of Requirements**. The Department shall determine the applicability of Section 415.1 et seq. to any development project requiring a ~~*first construction document*~~ *First Construction Document* and, if Section 415.1 *et seq.* is applicable, shall impose any such requirements as a condition of approval for issuance of the ~~*first construction document*~~*First Construction Document*. The project sponsor shall supply any information necessary to assist the Department in this determination. *Unless otherwise required by state law, and except as provided in Section 415.4(g), a development project shall comply with the requirements of this Section 415.1 et seq. in effect on the date the Development Application is deemed complete. Except as provided in Section 415.10(e), Pipeline Projects that receive a renewal or extension more than three years from the date of Final Approval, shall comply with the requirements of Section 415.1 et seq in effect on the date the project sponsor submits a complete Development Application for the extension or renewal request.*

(b) ***Compliance Through Payment of Fee or an Alternative.*** *A project sponsor may either pay the fee pursuant to Section 415.5 (Affordable Housing Fee), or choose to comply by electing to comply with an Alternative in Section 415.6 (On-site Alternative), or Section 415.7 (Land Dedication/Off-site Alternative) as set forth in Section 415.5(e).* ~~***Notice to Development Fee Collection Unit of Requirements.*** *After the Department has made its final determination regarding the application of the affordable housing requirements to a development project pursuant to Section 415.1 et seq., it shall immediately notify the Development Fee Collection Unit at DBI in addition to the other information*~~

~~*required by Section 402(b) of this Article.*~~

(c) The City may enter into development agreements or other similar binding agreements for projects that provide inclusionary affordable housing at levels that may be different from the levels set forth in Section 415.1 et seq.

(d) If a Housing Project is located in an area with an additional or specific affordable housing requirement, such as those set forth in a Special Use District or elsewhere in this Code, the additional or specific inclusionary housing requirement shall apply.

(~~*ee*~~) ***Timing of*** **Payment of Affordable Housing Fee** ~~***or Project Sponsor's Selection of Alternative***~~**.** *If the project sponsor elects to pay the Affordable Housing Fee set forth in Section 415.5 , the project sponsor shall pay the fee prior* ~~*Prior*~~ to issuance of ~~*first*~~ *the First Certificate of Occupancy.* ~~*construction document for a development project subject to the requirements of Section 415.1 et seq., the sponsor of the development project shall pay the Affordable Housing Fee set forth in Section 415.5, or shall select one of the options listed in Section 415.5(f)*~~. *The Director of DBI shall notify MOHCD when the project requests issuance of a First Certificate of Occupancy, and shall deny all Certificates of Occupancy until the subject project has complied with the requirements of 415.1 et seq.*

~~*(d) **Department Notice to Development Fee Collection Unit of Sponsor's Choice.** After the sponsor has filled out a Declaration of Intent and, if necessary, an Affidavit of Eligibility for an Alternative to the Affordable Housing Fee indicating how it will fulfill the affordable housing requirements of Section 415.1 et seq., the Department shall immediately notify the Development Fee Collection Unit at DBI of the sponsor's choice.*~~

~~*(e) **Development Fee Collection Unit Notice to Department Prior to Issuance of the First Certificate of Occupancy**.. The Development Fee Collection Unit at DBI shall provide notice in writing or electronically to the Department prior to issuing the first Certificate of Occupancy for any development project subject to Section 415.1 et seq. that has elected to fulfill all or part of its*~~

~~*requirement with an option other than payment of the Affordable Housing Fee. If the Department notifies the Unit at such time that the sponsor has not satisfied the requirements, the Director of DBI shall deny any and all Certificates of Occupancy until the subject project is brought into compliance with the requirements of Section 415.1 et seq.*~~

(f) **Process for Revisions of Determination of Program Requirements.** In the event that the Department or the Commission takes action affecting any development project subject to Section 415.1 *et seq.* and such action is subsequently modified, superseded, vacated, or reversed by the Board of Appeals, the Board of Supervisors, or by court action, the procedures of Section 402(c) shall be followed.

~~*(g) The Planning Department shall note the existence of any units provided under Section 415.6 in a Housing Development Project on a publicly-accessible website.*~~

*(g) **Requested Modifications After Final Approval.** The purpose of this Section 415.4(g) is to provide for the efficient review of requests to modify conditions of approval, conditions on a project permit, and/or Notice of Special Restrictions, related to requirements under Section 415.1 et seq., for projects that have been Finally Approved. Project sponsors may modify the number of residential units or Gross Floor Area of a project, change the selected Alternative, or modify whether the project is an Ownership Housing Project or a Rental Housing Project (change in tenure), as set forth below. The Commission may delegate review and approval of a request for modification to the Planning Director or their designee.*

*(1) **Modifications to Number of Residential Units or Gross Floor Area.** Unless otherwise required by state law, projects that modify the total Gross Floor Area or number of residential units by more than 20%, exclusive of any additional density, incentive, concession, or waiver under the State Density Bonus Law, Government Code Section 65915 et seq., shall comply with the requirements of this Section 415.1 et seq. in effect on the date the project sponsor submits a complete Development Application for the modified project.*

*(2) **Modifications to Selected Alternative or Tenure Prior to First Certificate of Occupancy.** If a project has been Finally Approved, but has not received a First Certificate of Occupancy, the project may modify the approved Alternative or the approved project tenure, if such request is consistent with the following:*

(A) A project may modify the selected Alternative from the Affordable Housing Fee to the On-site Alternative, or may modify the approved project tenure prior to the issuance of the architectural addendum or issuance of the building permit, whichever occurs first.

(B) A project may only modify the elected Alternative from the On-site Alternative to the Affordable Housing Fee if such modification is requested prior to MOHCD's commencement of marketing of the On-site Units to prospective tenants or buyers under Section 415.6(d).

(C) Acceptance by the City of land transferred under Section 415.7(a) shall be final.

*(3) **Modifications to the Selected Alternative or Tenure After Issuance of a First Certificate of Occupancy.** After issuance of a First Certificate of Occupancy, a project with On-site Affordable Units may modify the elected Alternative consistent with the following requirements:*

(A) Projects may convert from a Rental Housing Project to an Ownership Housing Project, or an Ownership Housing Project to a Rental Housing Project, only in accordance with the requirements and procedures in the Procedures Manual.

(B) A project with On-site Affordable Units subject to Section 415.6 may modify from the On-site Alternative to payment of the Affordable Housing Fee if the Project meets all the following:

(i) The On-site Affordable Units are vacant and have never been occupied.

(ii) The On-site Affordable Units are not required under state law.

(iii) The project sponsor has either (a) marketed the units in accordance with the Procedures Manual, has exhausted the applicant list, and there are no interested or qualified applicants; or (b) has never marketed the units.

(C) Projects that convert from the On-site Alternative to the Affordable Housing Fee must pay the fee within 60-days from the date the request is approved by the Department. Any Affordable Housing Fees paid after the required timeline in Section 415.5 due to a modification from the On-site Alternative to the Affordable Housing Fee pursuant to this subsection (g)(3) shall be subject to penalties and interest, as applicable.

(4) ***Modification Process.***

(A) If the Commission has delegated its authority to the Department to review and approve requests for modifications consistent with this Section 415.4(g) or Section 415.10(e), the modifications shall be reviewed and approved by the Director, and the Commission shall not hold a public hearing for discretionary review.

(B) The Commission or Director shall deny a request for modification under this Section 415.4(g) if the modified project will no longer comply with applicable Planning Code or state law requirements, including but not limited to Planning Code Sections 206.6, 206.10, 317.2, and 415.1 et seq.

SEC. 415.5. AFFORDABLE HOUSING FEE.

~~*The fees set forth in this Section 415.5 will be reviewed when the City completes an Economic Feasibility Study.*~~ Except as provided in Section 415.5(*~~g~~e*), all development projects subject to this Program shall be required to pay an Affordable Housing Fee subject to the following requirements:

(a) **Timing of Fee Payments**. The fee shall be paid to DBI for deposit into the Citywide Affordable Housing Fund at the time required by Section 402(d).

(b) **Amount of Fee.** The amount of the fee that may be paid by the project sponsor

subject to this Program shall be determined by ~~*MOHCD*~~ *Planning using* ~~*utilizing*~~ the following factors:

(1) The number of units equivalent to the applicable off-site percentage of the number of units in the Principal Project, *as specified in subsections (A) and (B) below*.

(A) Except as otherwise specified in subsection (b)(1)(B), the applicable percentage shall be 10%.

(B) The applicable percentage shall be 15% in the following areas or districts:

(i) Mission Area Plan (See San Francisco General Plan, Eastern Neighborhoods Area Plan, Map 1);

(ii) North of Market Residential Special Use District (Section 249.5);

(iii) SoMa Neighborhood Commercial Transit District (Section 753);

(iv) South of Market Youth and Family Special Use District (Section 249.38);

(v) Urban Mixed Use (UMU) District (Section 838); and

(vi) Western SoMa Special Use District (Section 249.39).

~~*(A) For housing development projects consisting of 10 units or more, but less than 25 units, the applicable percentage shall be 20%.*~~

~~*(B) For development projects consisting of 25 units or more, the applicable percentage shall be 33% if such units are Owned Units.*~~

~~*(C) For development projects consisting of 25 units or more, the applicable percentage shall be 30% if the development project is a Rental Housing Project. In the event a Rental Housing Project becomes an Ownership Housing Project, the Project Sponsor shall either (A) reimburse the City the proportional amount of the Inclusionary Affordable Housing Fee, which would be equivalent to the current Inclusionary Affordable Housing Fee requirement for Ownership Housing Projects, or (B) provide additional on-site or off-site Affordable Units equivalent to the current*~~

~~*inclusionary requirements for Ownership Housing Units, apportioned among the required number of units at various income levels in compliance with the requirements in effect at the time of conversion. Any additional Affordable Units provided on-site or off-site shall comply with Section 415 and the Procedures Manual.*~~

(2) The affordability gap, using data on MOHCD's cost of construction of affordable residential housing. ~~*No later than January 31, 2018, the Controller, with the support of consultants as necessary, and in consultation with the Inclusionary Housing Technical Advisory Committee (TAC) established in Planning Code Section 415.10, shall conduct a study to develop an appropriate methodology for calculating, indexing, and applying the appropriate amount of the Inclusionary Affordable Housing Fee. To support the Controller's study, and annually thereafter, MOHCD shall provide the following documentation: (1) schedules of sources and uses of funds and independent auditor's reports ("Cost Certifications") for all MOHCD-funded developments completed within three years of the date of reporting to the Controller; and, (2) for any MOHCD-funded development that commenced construction within three years of the reporting date to the Controller but for which no Cost Certification is yet complete, the sources and uses of funds approved by MOHCD and the construction lender as of the date of the development's construction loan closing. Cost Certifications completed in years prior to the year of reporting to the Controller may be increased or decreased by the applicable annual Construction Cost Index percentage(s) for residential construction for San Francisco reported in the Engineering News Record. MOHCD, together with the Controller and TAC, shall evaluate the cost-to-construct data, including actual and appraised land costs, state and/or federal public subsidies available to MOHCD-funded projects, and determine MOHCD's average costs. Following completion of this study, the Board of Supervisors, in its sole and absolute discretion, and within the legal allowances of the Residential Nexus Analysis, will review the analyses, methodology, fee application, and the proposed fee schedule; and may consider adopting legislation to revise the Inclusionary Affordable Housing fees. The method of calculating, indexing, and applying the*~~

~~*fee shall be published in the Procedures Manual. The Department and MOHCD shall update the fee methodology and technical report every three years, with analysis from the Technical Advisory Committee, in order to ensure that the affordability gap remains current, consistent with the requirements set forth below in Section 415.5(b)(3) and Section 415.10.*~~

(3) **Annual Fee Update.** For all housing developments, no later than January 1 of each year, MOHCD shall adjust the fee based on the cost of constructing affordable housing, including development and land acquisition costs. MOHCD shall provide the Planning Department, DBI, and the Controller with current information on the adjustment to the fee so that it can be included in the Planning Department's and DBI's website notice of the fee adjustments and the Controller's Citywide Development Fee and Development Impact Requirements Report described in Section 409(a). ~~*The method of indexing shall be published in the Procedures Manual.*~~

~~*(4) **Specific Geographic Areas.** For any housing development that is located in an area with a specific affordable housing requirement set forth in a Special Use District, or in any other section of the Code such as Section 419, the higher affordable housing requirement shall apply.*~~

~~*(5) The applicable amount of the inclusionary housing fee shall be determined based upon the date that the project sponsor has submitted a complete Environmental Evaluation application. In the event the project sponsor does not procure a building permit or site permit for construction of the principal project within 30 months of the project's approval, the development project shall comply with the inclusionary affordable housing requirements applicable thereafter at the time when the project sponsor does proceed with pursuing a building permit. Such time period shall be extended in the event of any litigation seeking to invalidate the City's approval of such project, for the duration of the litigation.*~~

~~*(6) The fee shall be imposed on any additional units or square footage authorized and developed under California Government Code Sections 65915 et seq.*~~

~~*(7) If the principal project has resulted in demolition of affordable housing units that are subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate-, low- or very low-income, or housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power and determined to be affordable housing, the project sponsor shall comply with Section 317.2.*~~

~~*(c) **Notice to Development Fee Collection Unit of Amount Owed.** Prior to issuance of the first construction document for a development project subject to Section 415.5, the Planning Department shall notify the Development Fee Collection Unit at DBI electronically or in writing of its calculation of the amount of the fee owed.*~~

~~*(d)*~~*(c)* **Lien Proceedings.** If, for any reason, the Affordable Housing Fee imposed pursuant to Section 415.5 remains unpaid following issuance of the ~~*first*~~ *First* Certificate of Occupancy *for the Residential Use*, the Development Fee Collection Unit at DBI shall institute lien proceedings to make the entire unpaid balance of the fee, plus interest and any deferral surcharge, a lien against all parcels used for the development project in accordance with Section 408 of this Article and Section 107A.13.15 of the San Francisco Building Code.

~~*(e) If a housing project is located in an Area Plan with an additional or specific affordable housing requirements such as those set forth in a special use district or Sections 416, 417, and 419 or elsewhere in this code, the higher housing requirement shall apply.*~~

~~*(f)*~~*(d)* **Use of Fees.** All monies contributed pursuant to the Inclusionary Affordable Housing Program shall be deposited in the Citywide Affordable Housing Fund ("Fund"), established in Administrative Code Section 10.100-49~~*, except as specified below*~~. MOHCD shall use the funds collected under this Section 415.5 in the following manner:

(1) Except as provided in subsection (2) below, the funds collected under this Section shall be used to:

(A) increase the supply of housing Affordable to Qualifying Households

subject to the conditions of this Section; ~~*and*~~

(B) provide assistance to low- and moderate-income homebuyers; and

(C) pay the expenses of MOHCD in connection with monitoring and administering compliance with the requirements of the Program. MOHCD is authorized to use funds in an amount not to exceed $200,000 every 5 years to ~~*conduct follow-up studies under Section 415.9(e) and to*~~ update the ~~*a*~~*A*ffordable ~~*h*~~*H*ousing ~~*f*~~*F*ee amounts as described above in Section 415.5(b). All other monitoring and administrative expenses shall be appropriated through the annual budget process or supplemental appropriation for MOHCD.

~~*(D) Funds from this fee collected from projects within the Central SoMa Special Use District shall be accounted for separately and expended only within the area bounded by Market Street, the Embarcadero, King Street, Division Street, and South Van Ness Avenue.*~~

(2) ~~**"**~~**Small Sites Funds.**~~**"**~~

(A) **Designation of Funds.** MOHCD shall designate and separately account for 10% of all fees that it receives under Section 415.1 et seq. that are deposited into the Fund~~*, excluding fees that are geographically targeted such as those referred to in Sections 249.78(e)(1), 415.5(b)(1), and 827(b)(1),*~~ to support acquisition and rehabilitation of Small Sites ("Small Sites Funds"). When the total amount of fees paid to the City under Section 415.1 et seq. ~~*totals*~~ is less than $10 million over the preceding 12-month period, MOHCD is authorized to temporarily divert funds from the Small Sites Funds for other purposes. MOHCD shall keep track of the diverted funds, however, such that when the amount of fees paid to the City under Section 415.1 et seq. meets or exceeds $10 million over the preceding 12-month period, MOHCD shall commit all of the previously diverted funds and 10% of any new funds to the Small Sites Funds.

(B) **Use of Small Sites Funds.** The funds shall be used exclusively to acquire or rehabilitate "Small Sites" defined as properties consisting of 2-25 units. ~~*Units*~~

~~*supported by monies from the fund shall be designated as housing affordable to qualified households for the life of the project. Properties supported by the Small Sites Funds must be:*~~

~~*(i) rental properties that will be maintained as rental properties;*~~

~~*(ii) vacant properties that were formerly rental properties as long as those properties have been vacant for a minimum of two years prior to the effective date of this legislation;*~~

~~*(iii) properties that have been the subject of foreclosure; or*~~

~~*(iv) a Limited Equity Housing Cooperative as defined in Subdivision Code Sections 1399.1 et seq. or a property owned or leased by a non-profit entity modeled as a Community Land Trust.*~~

~~*(C) **Initial Funds.** If, within 18 months from April 23, 2009, MOHCD dedicates an initial one-time contribution of other eligible funds to be used initially as Small Sites Funds, MOHCD may use the equivalent amount of Small Sites Funds received from fees for other purposes permitted by the Citywide Affordable Housing Fund until the amount of the initial one-time contribution is reached.*~~

~~(D)~~(C) **Annual Report.** At the end of each fiscal year, MOHCD shall issue a report to the Board of Supervisors regarding the amount of Small Sites Funds received from fees under this legislation, and a report of how those funds were used.

~~(E)~~(D) **Intent.** In establishing guidelines for Small Sites Funds, the Board of Supervisors does not intend to preclude MOHCD from expending other eligible sources of funding on Small Sites as described in this Section 415.5.

(3) For all projects funded by the Citywide Affordable Housing Fund, MOHCD requires the project sponsor or its successor in interest to give preference as provided in Administrative Code Chapter 47.

~~*(4) Pursuant to Section 249.78(e)(1), all monies contributed pursuant to the*~~

~~*Inclusionary Affordable Housing Program and collected within the Central SoMa Special Use District shall be paid into the Citywide Affordable Housing Fund, but the funds shall be separately accounted for. Such funds shall be expended within the area bounded by Market Street, the Embarcadero, King Street, Division Street, and South Van Ness Avenue.*~~

(~~g~~e) **Alternatives to Payment of Affordable Housing Fee.**

(1) ~~***Eligibility:***~~ A project sponsor must pay the Affordable Housing Fee unless it chooses to meet the requirements of the Program though an Alternative provided in *Section 415.6 (On-site Alternative) or Section 415.7 (Land Dedication/Off-site Alternative)* ~~*this subsection (g)*~~. The project sponsor may *satisfy the requirements of the Program through a combination of Alternatives, provided that the project sponsor constructs, dedicates, or pays the fee at the appropriate percentage or fee level required for that option.* ~~*choose one of the following Alternatives:*~~

~~*(A) **Alternative #1: On-Site Units.** Project sponsors may elect to construct units Affordable to Qualifying Households on-site of the Principal Project pursuant to the requirements of Section 415.6.*~~

~~*(B) **Alternative #2: Off-Site Units.** Project sponsors may elect to construct units Affordable to Qualifying Households at an alternative site within the City and County of San Francisco pursuant to the requirements of Section 415.7.*~~

~~*(C) **Alternative #3: Small Sites.** Qualifying project sponsors may elect to fund buildings as set forth in Section 415.7-1.*~~

~~*(D) **Alternative #4: Combination.** Project sponsors may elect any combination of payment of the Affordable Housing Fee as provided in Section 415.5, construction of on-site units as provided in Section 415.6, or construction of off-site units as provided in Section 415.7, provided that the project applicant constructs or pays the fee at the appropriate percentage or fee level required for that option. Development Projects that are providing on-site units under Section 415.6 and that qualify for and receive additional density under California Government Code Sections 65915 et seq. shall use*~~

~~*Alternative #4 to pay the Affordable Housing Fee on any additional units or square footage authorized under Section 65915.*~~

(2) A project sponsor who elects to satisfy Section 415.1 et seq. *by choosing* ~~*through one of the alternatives described*~~ *an Alternative set forth* in Section *415.6 or* *415.7*~~*415.5(g)(1)*~~, must provide written notice of their election 30 days prior to project approval by the ~~*Planning*~~ Commission or Department, as applicable. The ~~*Planning*~~ Commission or the Department may not require a project sponsor to select a specific Alternative. The Alternative will be a condition of project approval and recorded against the property in a Notice of Special Restrictions.

~~*(3) **Modification of Elected Alternative**. Except as specified below, after project approval, any proposed change in the alternative elected by a project sponsor under Section 415.5(g)(1), or any proposed change from an Ownership Project to a Rental Project, or from a Rental Project to an Ownership Project, shall require public notice for a hearing and approval from the Planning Commission to amend the conditions of approval. Public notice shall be as required by the original entitlement.*~~

~~*(4) Notwithstanding subsection (g)(3), if such modification is requested prior to issuance of a first construction document, the Zoning Administrator or the Zoning Administrator's designee may modify conditions of approval to allow a project that had elected to pay the Affordable Housing Fee to change from an Ownership Project to a Rental Project or a Rental Project to an Ownership Project, or to allow a project that had elected to pay the Affordable Housing Fee to provide on-site units under Section 415.6.*~~

~~*(5) If a project sponsor requests a modification to its conditions of approval for the sole purpose of complying with this Section 415.5(g)(3), the Planning Commission shall be limited to considering issues related to Section 415 et seq. in considering the request for modification. The Planning Commission shall approve such modification if it finds all of the following:*~~

~~*(A) The project sponsor complied with the applicable requirements for modification set forth in the Procedures Manual including protections for current occupants, if any, of Rental Units or Owned Units;*~~

~~*(B) The modification will not result in a delay in marketing any On-Site Units at the same time as the market-rate housing in the project;*~~

~~*(C) If a Rental Housing Project was granted a density bonus pursuant to Section 206, the change from a Rental Housing Project to an Ownership Housing Project provides On-Site Units in an amount such that the Ownership Housing Project qualifies for the same density bonus, waivers, and/or incentives and concessions that were granted to the Rental Housing Project;*~~

~~*(D) If a Rental Housing Project is converting to an Ownership Housing Project, the amount of Affordable Housing Fee or number of On-Site Units complies with Section 415.6(a)(7);*~~

~~*(E) For projects that chose to provide On-site or Off-site units and seek a modification of the conditions of approval to pay the Affordable Housing Fee prior to the issuance of the first construction permit, the project sponsor shall pay the Affordable Housing Fee equivalent to the loss of On-site or Off-site Affordable Housing units that were approved in the original conditions of approval; and*~~

~~*(F) For projects that chose to provide On-site or Off-site units and seek a modification of the conditions of approval to pay the Affordable Housing Fee after the issuance of the first construction document, the project sponsor or its successor shall pay the Affordable Housing Fee equivalent to the loss of On-site or Off-site Affordable Housing units that were approved in the original conditions of approval, plus interest and any applicable penalties provided for under this Code.*~~

SEC. 415.6. ON-SITE AFFORDABLE HOUSING ALTERNATIVE.

If a project sponsor elects to provide ~~*on-site*~~ *On-site* units pursuant to Section 415.5(~~*g*~~*e*), the development project shall meet the following requirements:

(a) **Number of Units.** The number of units constructed on-site shall be as follows:

~~*(1) For housing development projects consisting of 10 dwelling units or more, but less than 25 dwelling units, the number of affordable units constructed on-site shall generally be 12% of all units constructed on the project site. The affordable units shall all be affordable to low-income households. Owned Units shall be affordable to households earning up to 100% of Area Median Income, with an affordable sales price set at 80% of Area Median Income or less. Rental Units shall be affordable to households earning up to 65% of Area Median Income, with an affordable rent set at 55% of Area Median Income or less.*~~

(~~2~~1) For any Ownership Housing Project ~~*consisting of 25 or more units*~~, the number of Affordable Units constructed on-site shall ~~*generally*~~ be ~~*20%*~~ *5%* of all units constructed on the project site. A minimum of ~~*10%*~~ *4%* of the units shall be affordable to low-income households*, and 1%*~~, 5%~~ of the units shall be affordable to moderate-income households*., and 5% of the units shall be affordable to middle-income households.* ~~*In no case shall the total number of Affordable Units required exceed the number required as determined by the application of the applicable on-site requirement rate to the total project units.*~~ Owned Units for low-income households shall have an affordable purchase price set at 80% of Area Median Income or less, with households earning up to 100% of Area Median Income eligible to apply for low-income units. Owned Units for moderate-income households shall have an affordable purchase price set at ~~*105*~~*100*% of Area Median Income or less, with households earning ~~*from 95%*~~ *more than 100% and up* to 120% of Area Median Income eligible to apply for moderate-income units. ~~*Owned Units for middle-income households shall have an affordable purchase price set at 130% of Area Median Income or less, with households earning from 120% to 150% of Area Median Income eligible to apply for middle-income units. For any Affordable Units with purchase prices set at 130% of Area Median Income, the units shall have a minimum occupancy of two persons. This unit requirement shall be outlined within the Mayor's Office of Housing Preferences and Lottery*~~

~~*Procedures Manual no later than February 26, 2018.*~~ MOHCD may reduce Area Median Income pricing and the minimum income required for eligibility in each ownership category.

(~~*3*~~*2*) For any Rental Housing Project ~~*consisting of 25 or more units*~~, the number of Affordable Units constructed on-site shall ~~*generally*~~ be ~~*18%*~~ *5%* of all units constructed on the project site, with a minimum of ~~*10%*~~*4%* of the units affordable to low-income households, ~~*4%*~~ *and 1%* of the units affordable to moderate-income households*.*~~*, and 4% of the units affordable to middle-income households. In no case shall the total number of Affordable Units required exceed the number required as determined by the application of the applicable on-site requirement rate to the total project units.*~~ Rental Units for low-income households shall have an affordable rent set at 55% of Area Median Income or less, with households earning up to 65% of Area Median Income eligible to apply for low-income units. Rental Units for moderate-income households shall have an affordable rent set at 80% of Area Median Income or less, with households earning ~~*from 65%*~~ *up* to 90% of Area Median Income eligible to apply for moderate-income units. ~~*Rental Units for middle-income households shall have an affordable rent set at 110% of Area Median Income or less, with households earning from 90% to 130% of Area Median Income eligible to apply for middle-income units. For any Affordable Units with rental rates set at 110% of Area Median Income, the units shall have a minimum occupancy of two persons. This unit requirement shall be outlined within the Mayor's Office of Housing Preferences and Lottery Procedures Manual no later than February 26, 2018.*~~ MOHCD may reduce Area Median Income pricing and the minimum income required for eligibility in each rental category*, and may apply the income eligibility ranges set forth in this subsection (a)(2) to previously approved Rental Units*.

~~*(4)*~~*(3)* Notwithstanding the foregoing Area Median Income limits for Rental Units and Owned Units, the maximum affordable rents or sales price shall be no higher than 20% below market rents or sales prices for the neighborhood within which the project is located, which shall be defined *as within one mile of the project site.* ~~*in accordance with the American*~~

~~*Community Survey Neighborhood Profile Boundaries Map.*~~ MOHCD shall adjust the allowable rents and sales prices~~*, and the eligible households for such units,*~~ accordingly, *and consistent with the Procedures Manual,* and such potential readjustment shall be a condition of approval upon project entitlement. The City shall *periodically* review the updated data on neighborhood rents and sales prices ~~*on an annual basis*~~.

*(4) **Method of Calculation.** The on-site inclusionary requirement shall be calculated by applying the on-site rate to the total number of Residential Units in the project, or for projects seeking approval under California Government Code Section 65915, by applying the On-site rate to the total number of Residential Units in the base project prior to any bonus units allowed. If the total number of units is not a whole number, the project sponsor shall round up to the nearest whole number for any portion that is .5 or above. In no case shall the total number of Affordable Units required exceed the number required as determined by the application of the applicable On-site rate to the total project units. If rounding each of the AMI levels results in more Affordable Units than required, the number with the lowest remainder will not be rounded up. If the rounding of each of the AMI levels results in fewer Affordable Units than required, then the number of with the highest remainder shall be rounded up.*

~~*(5) Starting on January 1, 2018, and no later than January 1 of each year thereafter, MOHCD shall increase the percentage of units required on-site for projects consisting of 10 - 24 units, as set forth in Section 415.6(a)(1), by increments of 0.5% each year, until such requirement is 15%. For all development projects with 25 or more units, the required on-site affordable ownership housing to satisfy this Section 415.6 shall increase by 1% annually for two consecutive years starting January 1, 2018. The increase shall be apportioned to units affordable to low-income households, as defined above in subsection 415.6(a)(3). Starting January 1, 2020, the increase to on-site housing developments with 25 or more units shall increase by 0.5% annually, with such increases allocated equally to moderate and middle income households, as defined above in subsection 415.6(a)(3). The*~~

~~*total on-site inclusionary affordable housing requirement shall not exceed 26% for Ownership Housing Projects or 24% for Rental Housing Projects, and the increases shall cease at such time as these limits are reached. MOHCD shall provide the Planning Department, DBI, and the Controller with information on the adjustment to the on-site percentage so that it can be included in the Planning Department's and DBI's website notice of the fee adjustments and the Controller's Citywide Development Fee and Development Impact Requirements Report described in Section 409(a).*~~

~~*(6) The Department shall require as a condition of Department approval of a project's building permit, or as a condition of approval of a Conditional Use Authorization or Planned Unit Development or as a condition of Department approval of a live/work project, that 12%, 18%, or 20%, as applicable, or such percentage that has been adjusted annually by MOHCD, of all units constructed on the project site shall be Affordable to Qualifying Households so that a project sponsor must construct .12, .18, or .20 times, or such current number as adjusted annually by MOHCD, as applicable, the total number of units produced in the Principal Project. If the total number of units is not a whole number, the project sponsor shall round up to the nearest whole number for any portion of .5 or above. In no case shall the total number of Affordable Units required exceed the number required as determined by the application of the applicable on-site requirement rate to the total project units.*~~

~~*(7) A project seeking to convert from a Rental Housing Project to an Ownership Housing Project, or from an Ownership Housing Project to a Rental Housing Project, shall require public notice for a hearing and approval from the Planning Commission to amend the conditions of approval for the Principal Project.*~~

~~*(8) In the event that a Rental Housing Project converts to an Ownership Housing Project, the project sponsor shall either (A) reimburse the City the proportional amount of the inclusionary affordable housing fee, which would be equivalent to the then-current inclusionary affordable fee requirement for Ownership Housing Projects, or (B) provide additional on-site or off-site Affordable Units equivalent to the then-current inclusionary requirements for Ownership Housing*~~

~~*Projects, apportioned among the required number of units at various income levels in compliance with the requirements in effect at the time of conversion.*~~

~~*(9) Notwithstanding subsection 415.6(a)(10) below, Affordable Units in Rental Housing Projects shall be Rental Units, and Affordable Units in Ownership Housing Projects shall be Owned Units. In the event an Ownership Housing Project converts to a Rental Housing Project, or more than 50% of the total units in the Principal Project operate as a Rental Housing Project, on-site Affordable Units shall be offered as Rental Units. Affordable Units may only be sold as Owned Units if more than 50% of the units in the building shall be sold to unaffiliated third-party homebuyers and are operated as an Ownership Housing Project*~~.

~~*(10) A development project consisting of multiple buildings may include both a Rental Housing Project and an Ownership Housing Project with written notice to the Department and MOHCD, at least 30 days prior to approval of the project by the Planning Commission or the Planning Department.*~~

*(5) **Mixed Tenure Projects**. If a project complying with this Section 415.1 et seq. by providing On-site Units under this Section 415.6 will provide both Rental Units and Ownership Units (a "Mixed-Tenure Project"), the Mixed-Tenure Project shall satisfy the following minimum requirements:*

(A) If more than 50% of the total units within the Mixed-Tenure Project are Rental Units, all Affordable Units shall be Rental Units. If more than 50% of the total units within the Mixed-Tenure Project are sold to unaffiliated third-party homebuyers for Owner occupancy, all Affordable Units shall be Owned Units.

(B) Leasing of residential units within a Mixed-Tenure Project shall comply with applicable requirements published (and as amended or updated from time to time) by the Federal National Mortgage Association (known as Fannie Mae), Federal Home Loan Mortgage Corporation (known as Freddie Mac), and/or the Federal Housing Financing Agency (FHFA), including, but not

limited to investor ownership and owner-occupancy thresholds. Any leasing of units within a Mixed-Tenure Project shall not inhibit (1) mortgage financing eligibility for buyers and/or homeowners, including, but not limited to Qualified Households, under Fannie Mae, Freddie Mac, and/or FHFA, or (2) the purchase, sale, or refinancing of any ownership units, including Owned Units.

(C) To protect the eligibility of Owned Units for conventional mortgage financing, project sponsors or owners of units proposed for leasing, as applicable, in a Mixed Tenure Project shall demonstrate to MOHCD and the Department that the project satisfies the applicable condominium eligibility requirements published by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and/or the Federal Housing Financing Agency, or any successor agency, prior to marketing such units.

(D) MOHCD and the Department are authorized to adopt any rules and/or regulations for the approval of Mixed-Tenure Projects.

~~*(11) **Specific Geographic Areas.** For any housing development that is located in an area with a specific affordable housing requirement set forth in a Special Use District or in any other section of the Code such as Section 419, the higher housing requirement shall apply. The Planning Department, in consultation with the Controller, shall undertake a study of areas greater than five acres in size, where an Area Plan, Special Use District, or other re-zoning is being considered for adoption or has been adopted after January 1, 2015, to determine whether a higher on-site inclusionary affordable housing requirement is feasible on sites that have received a 20% or greater increase in developable residential gross floor area or a 35% or greater increase in residential density over prior zoning, and shall submit such information to the Planning Commission and Board of Supervisors.*~~

~~*(12) If the Principal Project has resulted in demolition, conversion, or removal of affordable housing units that are subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate-, low- or very-low-income, or housing that is*~~

~~*subject to any form of rent or price control through a public entity's valid exercise of its police power and determined to be affordable housing, the Commission or the Department shall require that the project sponsor replace the number of Affordable Units removed with units of a comparable number of bedrooms and sales prices or rents, in addition to compliance with the requirements set forth in this Section.*~~

~~*(13) The applicable amount of the percentage required for the on-site housing units shall be determined based upon the date that the project sponsor has submitted a complete Environmental Evaluation application. Any development project that constructs on-site affordable housing units as set forth in this Section 415.6 shall diligently pursue completion of such units. In the event the project sponsor does not procure a building permit or site permit for construction of the Principal Project within 30 months of the project's approval, the development project shall comply with the inclusionary affordable housing requirements applicable thereafter at the time when the project sponsor procures a building permit. Such deadline shall be extended in the event of any litigation seeking to invalidate the City's approval of such project, for the duration of the litigation.*~~

(6) Affordable Units Provided Consistent with State or Federal Law.

(A) Any On-site Units provided through this Section 415.6 may be used to qualify for a density bonus under California Government Code Section 65915 or any of the Affordable Housing Bonus Programs contained in Planning Code Section 206 et seq. An applicant seeking a density bonus under any State Law shall provide reasonable documentation to establish eligibility for the requested density bonus, incentive or concession, or waiver or reduction of development standards, as provided for under that law.

(B) On-site Units provided through this Section 415.6 may be used to satisfy or partially satisfy requirements for deed-restricted units required by Planning Code Section 317.2, or any state or local streamlining program that requires the provision of on-site affordable units, including, but not limited to, Government Code Sections 65913.4, 65912.100 et seq., and 65658. To qualify as an

Inclusionary Unit through both this Section 415.6 and under any state law or Section 317.2, such unit shall meet the requirements of Section 415.1 et seq. ~~*(b) Any On-site units provided through this Section 415.6 may be used to qualify for a density bonus under California Government Code Section 65915, any ordinance implementing Government Code Section 65915, or one of the Affordable Housing Bonus Programs contained in Planning Code Section 206 et seq. An applicant seeking a density bonus under State Law shall provide reasonable documentation to establish eligibility for a requested density bonus, incentive or concession, and waiver or reduction of development standards, as provided for under State Law and as consistent with the process and procedures detailed in a locally adopted ordinance implementing the State Law.*~~

~~*(c) Beginning in January 2018, the Planning Department shall prepare an annual report to the Planning Commission about the number of density bonus projects under California Government Code Section 65915, the number of density bonus units, and the types of concessions and incentives and waivers provided to each density bonus project.*~~

~~*(d) In the event the project sponsor is eligible for and elects to receive additional density under California Government Code Section 65915, the Sponsor shall pay the Affordable Housing Fee on any additional units or square footage authorized under that section in accordance with the provisions in Section 415.5(g)(1)(D).*~~

~~*(e)*~~*(b)* **Timing of Construction**. On-site affordable housing required by this Section 415.6 shall be constructed, completed, *and* ready for occupancy, ~~*and marketed*~~ no later than the market rate units in the Principal Project. *Affordable Rental Units shall be marketed concurrently with Market Rate Rental Units. Affordable Owned Units shall comply with the presale and marketing requirements set forth in the Procedures Manual, as amended from time to time.* A project shall not receive its ~~*first certificate of occupancy*~~ *First Certificate of Occupancy* until MOHCD has approved the marketing plan.

(*fc*) ~~***Type of Housing***~~ ***Affordable Unit Designation Standards.*** *Except for Housing Projects*

consisting of more than 20% of total units as Affordable Units, Affordable Units constructed under this Section 415.6 shall comply with the following requirements:

(1) **Equivalency of Units.** ~~*In general,*~~ Affordable Units ~~*constructed*~~ *required* under this Section 415.6 shall ~~*be comparable in number of bedrooms, exterior appearance, and overall quality of construction to market rate units in the Principal Project. A Notice of Special Restrictions shall be recorded prior to issuance of the architectural addendum to the Site Permit for the project or building permit for the project, whichever is earlier and shall specify the number, location, and sizes for all Affordable Units required under this subsection (f). The Affordable Units shall be evenly distributed throughout the building. For buildings over 120 feet in height, as measured under the requirements set forth in the Planning Code, the Affordable Units may be distributed throughout the lower 2/3 of the building, as measured by the number of residential floors*~~ *comply with the following equivalency criteria:*

(A) Reflect the Principal Project's unit mix, calculated by multiplying the number of each unit type by the required On-site percentage.

(B) Be evenly distributed throughout the building. For the purposes of this subsection (B), "evenly distributed" shall mean that the Affordable Units are distributed proportionally throughout the Principal Project based on the total units per floor. For buildings over 120 feet in height, as measured under the requirements set forth in this Code, the Affordable Units may be evenly distributed throughout the lower 2/3 of the building, as measured by the number of residential floors. For buildings at or under 120 feet in height, the Affordable Units must be evenly distributed throughout the residential floors of the entire building.

(C) Be proportional in the number of bedrooms and bathrooms, and be comparable in exterior appearance and overall quality of construction to the market rate units in the Principal Project. An Affordable Unit shall include at least one private bathroom.

(D) ~~*The*~~ *I*~~*i*~~nterior features ~~*in Affordable Units*~~ should be generally the same

as those of the market rate units in the Principal Project, but need not be the same make, model or type of such item as long as they are of good and new quality and are consistent with then-current standards for new housing.

(E) If the Principal Project is required to provide a mix of income levels, the income levels shall be proportionally distributed throughout all of the unit types. The Zoning Administrator shall provide the methodology for compliance with this subsection.

(F) Where applicable, parking shall be offered to the Affordable Units subject to the terms and conditions of the Department's policy on ~~*unbundled*~~ parking for affordable housing units as specified in the Procedures Manual and amended from time to time.

(G) If a Housing Project is constructed in multiple phases or consists of multiple buildings, On-site Affordable Units shall be distributed proportionally throughout the buildings or phases.

(2) **Minimum Size of Affordable Units.** The Affordable Units are not required to be the same size as the market rate units. For buildings over 120 feet in height, as measured under the requirements set forth in the Planning Code, the average size of the unit type may be calculated for the lower 2/3 of the building, as measured by the number of residential floors. All units shall be no smaller than the minimum unit sizes set forth by the California Tax Credit Allocation Committee as of May 16, 2017 as indicated in the table below, and no smaller than 300 square feet for studios.

Unit Type	**Minimum Unit Size in Square Feet**
One-bedroom	450
Two-bedroom	700
Three-bedroom	900

Four-bedroom	1,000

The total residential floor area devoted to the affordable units shall not be less than the applicable percentage applied to the total residential floor area of the Principal Project, provided that a 10% variation in floor area is permitted.

(~~g~~*d*) **Marketing the Units.** MOHCD shall be responsible for overseeing and monitoring the marketing of Affordable Units by the Project Sponsor under this Section 415.6. In general, the marketing requirements and procedures shall be contained in the Procedures Manual as amended from time to time and shall apply to the Affordable Units in the project. MOHCD may develop occupancy standards for units of different bedroom sizes in the Procedures Manual in order to promote an efficient allocation of Affordable Units. MOHCD may require in the Procedures Manual that prospective purchasers complete homebuyer education training or fulfill other requirements. MOHCD shall develop a list of minimum qualifications for marketing firms that market Affordable Units under Section 415.6 *et seq.*, referred to in the Procedures Manual as Below Market Rate (BMR units). Developers marketing Affordable Units under Section 415.6 shall market the Affordable Units through a marketing firm meeting all of the minimum qualifications. The Notice of Special Restrictions or conditions of approval shall specify that the marketing requirements and procedures contained in the Procedures Manual as amended from time to time, shall apply to the Affordable Units in the project.

(1) **Notice of Special Restrictions.** The Notice of Special Restrictions ("NSR") required pursuant to this Section 415.6 shall be completed and recorded by the project sponsor ~~*no later than*~~ *prior to* the issuance of the architectural addendum for the site permit*, or the building permit, whichever is earlier, and in all events not less than* ~~*and at least*~~ 12 months prior to the *issuance of the First Certificate of Occupancy.* ~~*first certificate of occupancy.*~~ *The NSR shall specify the unit number, location, square footage, and AMI level for each Affordable Unit required under this Section 415.6.*

(2) **Pricing Determination.** The project sponsor shall submit a request for a pricing determination from MOHCD at least 8 months prior to issuance of a *First Certificate of Occupancy.* ~~*first certificate of occupancy.*~~

(3) **Timeline for Construction.** After the project has been *Finally Approved* ~~*approved by the Planning Commission or Department*~~, the project sponsor ~~*must*~~ *shall respond* ~~*submit an update*~~ to the Department and MOHCD*'s Construction Survey,* which includes an estimated timeline for the construction of the project*, within 30 days of receipt of such survey*. The estimated construction timeline must assume the requirements of subsections (~~*g*~~*d*)(1) and (~~*g*~~*d*)(2) above. Failure to finalize the NSR or initiate marketing within the time frames set forth in this Section 415.6(~~*g*~~*d*), or to submit an estimated construction timeline will be deemed a violation of the Planning Code subject to enforcement and penalties.

(4) **Lottery.** At the initial offering of Affordable Units in a housing project and when Affordable Units become available for re-sale or re-rent in any housing project subject to this Program after the initial offering, MOHCD must require the use of a public lottery approved by MOHCD to select purchasers or tenants.

(5) **Preferences.** MOHCD shall create a lottery system that gives preference according to the provisions of Administrative Code Chapter 47. MOHCD shall ~~*propose*~~ *create* policies and procedures for implementing these preferences*.* ~~*to the Planning Commission for inclusion as an addendum to the Procedures Manual.*~~ *In accordance with Administrative Code Chapter 47, MOHCD shall provide an annual report on implementation of this subsection (d)(5).* Otherwise, it is the policy of the City to treat all households equally in allocating affordable units under this Program.

(~~*h*~~*e*) **Use of Subsidies.**

(1) **Generally Prohibited.** Individual affordable units constructed under Section 415.6 as part of an on-site project shall not have received development subsidies from any

Federal, State, or local program established for the purpose of providing affordable housing~~,~~. Units that have received such development subsidies shall not be counted to satisfy any affordable housing requirement.

(2) **Exceptions:** *Notwithstanding subsection (e)(1), subsidies may be used to:*

(A) ~~*Notwithstanding subsection (h)(1), subsidies may be used to*~~ deepen the affordability of an affordable unit beyond the level of affordability required by this Program with the express written permission of MOHCD*; or*~~.~~

(B) ~~***CDLAC and TCAC.** Notwithstanding the provisions of subection subsection 415.6(h)(1) and (h)(2)(A) above, a project may use California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing, 4% tax credits under the Tax Credit Allocation Committee (TCAC), and tax credits allocated under the TCAC guidelines to help fund its obligations under Section 415.1 et seq. as long as the project provides at least one of the following: (i) 20% of the units as affordable to households at 50% of Area Median Income for on-site housing; (ii) 10% of the units as affordable to households at 50% of Area Median Income and 30% of the units as affordable to households at 60% of Area Median Income for on-site housing; or (iii)*~~ *provide* the same number of ~~*on-site affordable units*~~ *On-site Affordable Units* as required by the applicable ~~*on-site*~~ *On-site* affordable housing requirement in this Section 415*.1* et seq. ~~*or any temporary reduction as set forth in Sections 415A et seq. or 415B et seq.*~~, plus an additional number of ~~*on-site affordable units*~~ *On-site Affordable Units* equal to 25% of the *number of required* ~~*applicable on-site affordable units*~~ *On-site Affordable Units,* as ~~*affordable*~~ *Affordable* to ~~*households*~~ *Households* at or below 80% of Area Median Income.~~.~~ The income table to be used for such projects when the units are priced at 50%, 60%, or 80% of Area Median Income is the income table used by MOHCD for the Inclusionary Affordable Housing Program~~*, not that used by TCAC or CDLAC*~~. Except as provided in this subsection (~~*he*~~)(2)(B), all *Affordable Units* ~~*units*~~ provided under this Section must meet all of the requirements of Section 415.1 et seq. and the Procedures Manual for on-

site housing.

~~*(3) **Reporting.** MOHCD shall monitor state and federal funding for 100% affordable housing projects, awards made by TCAC and CDLAC to 100% affordable housing projects in San Francisco, and any changes to the regulations of TCAC and CDLAC. MOHCD shall provide to the Inclusionary Housing Technical Advisory Committee, established in Administrative Code Chapter 5 Article XXIX, a written report of projects approved under Section 415.6(h)(2)(B), 100% affordable housing projects applying for tax exempt bond financing under CDLAC and tax credits under TCAC, and challenges for 100% affordable housing projects to obtain an award from CDLAC and TCAC.*~~

~~*(j) **Benefits.** If the project sponsor elects to satisfy the affordable housing requirements through the production of on-site affordable housing in this Section 415.6, the project sponsor shall be eligible to receive a refund for only that portion of the housing project which is affordable for the following fees: a Conditional Use authorization or other fee required by Section 352 of this Code, if applicable; an environmental review fee required by Administrative Code Section 31.22, if applicable; a building permit fee required by Section 355 of this Code for the portion of the housing project that is affordable. The project sponsor shall pay the building fee for the portion of the project that is market-rate. An application for a refund must be made within six months from the issuance of the first certificate of occupancy.*~~

~~*The Controller shall refund fees from any appropriated funds to the project sponsor on application by the project sponsor. The application must include a copy of the Certificate of Occupancy for all units affordable to a qualifying household required by the Inclusionary Housing Program. It is the policy of the Board of Supervisors to appropriate money for this purpose from the General Fund.*~~

*(f) **Public Notice.** The Planning Department shall note the existence of any Affordable Units provided under this Section 415.6 on a publicly-accessible website.*

SEC. 415.7. *LAND DEDICATION AND* OFF-SITE *ALTERNATIVES TO THE*

AFFORDABLE HOUSING *FEE. ~~ALTERNATIVE.~~*

A project sponsor may elect to satisfy the requirements of Section 415.1 et seq. by dedicating land for affordable housing to the City, or by providing Affordable Off-site Units as set forth below.

*(a) **Land Dedication Alternative.** A project sponsor may dedicate a parcel of land to the City and County of San Francisco for the purpose of constructing units Affordable to Qualifying Households. To meet the requirements of this Alternative, the developer must convey title to land in fee simple absolute to the City according to the Procedures Manual, provided the dedicated site is deemed of equivalent or greater value to the Principal Site per those procedures, and is in line with the following requirements:*

(1) The dedicated site will result in a total amount of Affordable Units of not less than 70 units, as determined by MOHCD. MOHCD may approve and accept dedicated sites which result in fewer units, but no less than the number of units set forth in subsection (a)(3), at its sole discretion.

(2) The dedicated site is located within one mile of the Principal Project, except that for Principal Projects located in one of the areas listed in Section 415.7(a)(3), or in a Well-Resourced Neighborhood as defined in Section 436, the dedicated site may be located within one mile of the Principal Project or anywhere within that area.

(3) The dedicated site will result in a total number of Affordable Units as follows:

(A) Except as otherwise specified in subsection (a)(3)(B), equivalent to or greater than 10% of the units that will be provided on the Principal Site;

(B) Equivalent to or greater than 15% of the units that will be provided on the Principal Site if the Principal Site is in the following areas or districts:

(i) Mission Area Plan (See San Francisco General Plan, Eastern Neighborhoods Area Plan, Map 1);

(ii) SoMa Neighborhood Commercial Transit District (Section 753);

(iii) North of Market Residential Special Use District (Section 249.5);

(iv) South of Market Youth and Family Special Use District (Section 249.38);

(v) Urban Mixed Use (UMU) District (See Section 838);

(vi) Western SoMa Special Use District (Section 249.39) and

(vii) Central South of Market (Central SOMA) Special Use District (Section 249.78).

(4) The dedicated site is deemed suitable by MOHCD based on size, configuration, physical characteristics, physical and environmental constraints, access, location, adjacent use, and other relevant planning criteria.

(5) The dedicated site includes infrastructure necessary to serve the Affordable Units, including sewer, utilities, water, light, street access, and sidewalks.

(6) The developer must submit full environmental clearance, including any required remediation, for the dedicated site before the land can be considered for conveyance, and before a first site or building permit may be conferred upon the Principal Project.

(7) The City may accept dedicated sites that vary from the minimum threshold, provided such a dedication is deemed generally equivalent to the original requirement by MOHCD.

(8) The City may accept dedicated sites that meet the above requirements in accordance with the Procedures Manual, in combination with fees or On-site Units, provided such a combination is deemed generally equivalent by MOHCD to the original requirement.

(9) The project applicant has a letter from MOHCD verifying acceptance of the dedicated site before the project is Finally Approved, which shall be used to verify land dedication as a condition of approval.

(b) ***Off-Site Affordable Housing Alternative.*** *Project Sponsors may elect to construct units Affordable to Qualifying Households at an alternative location within the City and County of San Francisco pursuant to this Section 415.7(b).* If the project sponsor elects pursuant to Section

415.5(~~g~~e) to provide ~~*off-site units*~~ *Off-site Units* to satisfy the requirements of Sections 415.1 et seq., the project sponsor shall notify the ~~*Planning*~~ Department and MOHCD of its intent prior to *Final Approval.*~~*approval of the project by the Planning Commission or Department.*~~ The ~~*Planning*~~ Department and MOHCD shall provide an evaluation of the project's compliance with this Section 415.7 prior to *Final Approval.* ~~*approval by the Planning Commission or Planning Department.*~~ The development project shall meet the following requirements:

(~~a~~1) **Number of Units.**~~:~~ The number of units constructed off-site shall be as follows:

(A) Except as otherwise specified in subsection (b)(1)(B), the applicable percentage shall be 10%.

(B) The applicable percentage shall be 15% in the following areas or districts:

(i) Mission Area Plan (See San Francisco General Plan, Eastern Neighborhoods Area Plan, Map 1);

(ii) SoMa Neighborhood Commercial Transit District (Section 753);

(iii) North of Market Residential Special Use District (Section 249.5);

(iv) South of Market Youth and Family Special Use District (Section 249.38);

(v) Urban Mixed Use (UMU) District (See Section 838); and

(vi) Western SoMa Special Use District (Section 249.39).

~~*(1) For any housing development that is located in an area or Special Use District with a specific affordable housing requirement, or in any other Planning Code provision, such as Section 419, the higher off-site housing requirement shall apply.*~~

~~*(2) For housing development projects consisting of 10 units or more but less than 25 units, the number of Affordable Units constructed off-site shall be 20%, so that a project applicant shall construct .20 times the total number of units produced in the Principal Project.*~~ ~~*If the*~~

~~*total number of units is not a whole number, the project applicant shall round up to the nearest whole number for any portion of .5 or above. In no case shall the total number of Affordable Units required exceed the number required as determined by the application of the applicable off-site requirement rate to the total project units. Owned Units shall be affordable to households earning up to 100% of Area Median Income, with an affordable sales price set at 80% of Area Median Income or less. Rental Units shall be affordable to households earning up to 65% of Area Median Income, with an affordable rent set at 55% of Area Median Income or less.*~~

(~~*3*~~*2*) For any Ownership Housing Project *not listed in an area or district set forth in subsection (b)(1)(B),* ~~*consisting of 25 or more units, the number of Affordable Units constructed off-site shall be 33% of all units constructed on the project site, with*~~ a minimum of *8%* ~~*18%*~~ of the units *shall be* affordable to low-income households~~*, 8%*~~ *and 2%* of the units *shall be* affordable to moderate-income households~~*, and 7% of the units affordable to middle income households*~~. *For any Ownership Housing Project in an area or district listed in subsection (b)(1)(B), a minimum of 12% of the units shall be affordable to low-income households and 3% of the units shall be affordable to moderate-income households.* In no case shall the total number of Affordable Units required exceed the number required as determined by the application of the applicable off-site requirement rate to the total project units. Owned Units for low-income households shall have an affordable purchase price set at 80% of Area Median Income or less, with households earning up to 100% of Area Median Income eligible to apply for low-income units. Owned Units for moderate-income households shall have an affordable purchase price set at ~~*105*~~*100*% of Area Median Income or less, with households earning from 95% to 120% of Area Median Income eligible to apply for moderate-income units. ~~*Owned Units for middle-income households shall have an affordable purchase price set at 130% of Area Median Income or less, with households earning from 120% to 150% of Area Median Income eligible to apply for middle-income units. For any Affordable Units with purchase prices set at 100% of Area Median Income or above, the*~~

~~*units shall have a minimum occupancy of two persons. This unit requirement shall be outlined within the Mayor's Office of Housing Preferences and Lottery Procedures Manual no later than February 26, 2018.*~~ MOHCD may reduce Area Median Income pricing and the minimum income required for eligibility in each rental category.

(~~*4*~~*3*) For any Rental Housing Project *not listed in an area or district set forth in subsection (b)(1)(B),* ~~*consisting of 25 or more Rental Units, the number of affordable units constructed off-site shall generally be 30% of all units constructed on the project site, with*~~ a minimum of ~~*18%*~~ *8%* of the units *shall be* affordable to low-income households~~*, 6%*~~ *and 2%* of the units *shall be* affordable to moderate-income households~~*, and 6% of the units affordable to middle-income households*~~. *For any Rental Housing Project in an area or district listed in subsection (b)(1)(B), a minimum of 12% of the units shall be affordable to low-income households and 3% of the units shall be affordable to moderate-income households.* In no case shall the total number of affordable units required exceed the number required as determined by the application of the applicable off-site requirement rate to the total project units. Rental Units for low-income households shall have an affordable rent set at 55% of Area Median Income or less, with households earning up to 65% of Area Median Income eligible to apply for low-income units. Rental Units for moderate-income households shall have an affordable rent set at 80% of Area Median Income or less, with households earning ~~*from 65%*~~ *up* to 90% of Area Median Income eligible to apply for moderate-income units.~~*Rental Units for middle-income households shall have an affordable rent set at 110% of Area Median Income or less, with households earning from 90% to 130% of Area Median Income eligible to apply for middle-income units. For any affordable units with rental rates set at 100% of Area Median Income or above, the units shall have a minimum occupancy of two persons. This unit requirement shall be outlined within the Mayor's Office of Housing Preferences and Lottery Procedures Manual no later than 6 months following the effective date of the Ordinance contained in Board of Supervisors File No. 161351.*~~ MOHCD may reduce Area Median Income

pricing and the minimum income required for eligibility in each rental category, *and may apply the income eligibility ranges set forth in this subsection (b)(3) to previously approved Off-site Rental Units*. ~~*MOHCD shall set forth in the Procedures Manual the administration of rental units within this range.*~~

~~*(5) In the event that a Rental Housing project converts to an Ownership Housing project, the Project Sponsor shall either (A) reimburse the City the proportional amount of the Inclusionary Affordable Housing Fee, which would be equivalent to the then-current Inclusionary Affordable Housing Fee requirement for Ownership Housing Projects, or (B) provide additional on-site or off-site Affordable Units equivalent to the then-current inclusionary requirements for Ownership Housing Projects, apportioned among the required number of units at various income levels in compliance with the requirements in effect at the time of conversion.*~~

~~*(6) The applicable amount of the percentage required for the off-site housing units shall be determined based upon the date that the project sponsor has submitted a complete Environmental Evaluation application. Any development project that constructs off-site affordable housing units as set forth in this Section 415.6 shall diligently pursue completion of such units. In the event the project sponsor does not procure a building permit or site permit for construction of the principal project or the off-site affordable housing project within 30 months of the project's approval, the development project shall comply with the inclusionary affordable housing requirements applicable thereafter at the time when the project sponsor procures a building permit. Such deadline shall be extended in the event of any litigation seeking to invalidate the City's approval of the principal project or off-site affordable housing project for the duration of the litigation.*~~

~~*(7) If the principal project or the off-site project has resulted in demolition of affordable housing units that are subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate-, low- or very low-income, or housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power and*~~

~~*determined to be affordable housing, the project sponsor shall comply with Section 317.2.*~~

(~~*b*~~*4*) **Timing of Construction.** ~~:~~ The project sponsor shall ensure that the ~~*off-site units*~~ *Off-site Units* are constructed, completed, ready for occupancy, and marketed no later than the market rate units in the principal project. In no case shall the Principal Project receive its ~~*f*~~*F*irst ~~*c*~~*C*ertificate of ~~*o*~~*O*ccupancy until the off-site project has received its ~~*f*~~*F*irst ~~*c*~~*C*ertificate of ~~*o*~~*O*ccupancy. *If a Housing Project is constructed in multiple phases or consists of multiple buildings, Off-site Units shall be constructed prior to or concurrently with the first building or phase that contains market rate units.*

(~~*c*~~*5*) **Location of ~~*off-site*~~ *Off-Site* housing.** ~~:~~

~~*(1) Except as specified in subsection (ii) below, the off-site units*~~ *Off-site Units* shall be located within one mile of the ~~*principal project*~~ *Principal Project. If the Principal Project is located in an area or district listed in 415.7(b)(1)(B), or in a Well-Resourced Area as defined in Section 436, Off-site Units may be located within one mile of the Principal Project or anywhere within that area or district.*~~;~~

~~*(2) Projects within the Central SoMa SUD must be located within the area bounded by Market Street, the Embarcadero, King Street, Division Street, and South Van Ness Avenue.*~~

(~~*d*~~*6*) **Type of Housing.** ~~:~~ Nothing in this Section shall limit a project sponsor from meeting the requirements of this Section *415.7* through the construction of units in a limited equity or land trust form of ownership if such units otherwise meet all of the requirements for *O*~~*o*~~ff-site ~~*housing*~~*Units*. ~~*In general, affordable units constructed or otherwise provided under this Section shall be comparable in number of bedrooms, exterior appearance and overall quality of construction to market rate units in the principal project.*~~ The total square footage of the off-site affordable units constructed or otherwise provided under this Section shall be no less than the calculation of the total square footage of the on-site market-rate units in the principal project multiplied by the relevant on-site percentage requirement for the project specified in this

Section. The Notice of Special Restrictions or conditions of approval shall include a specific number of units at specified unit sizes – including number of bedrooms and minimum square footage – for affordable units. The interior features in affordable units should generally be the same as those of the market rate units in the principal project but need not be the same make, model, or type of such item as long as they are of new and good quality and are consistent with then-current standards for new housing and so long as they are consistent with the "Quality Standards for Off-Site Affordable Housing Units" found in the Procedures Manual. Where applicable, parking shall be offered to the affordable units subject to the terms and conditions of the Department's policy on unbundled parking for affordable housing units as specified in the Procedures Manual and amended from time to time. ~~*If the residential units in the principal project are live/work units which do not contain bedrooms or are other types of units which do not contain bedrooms separated from the living space, the off-site units shall be comparable in size according to the following equivalency calculation between live/work and units with bedrooms:*~~

~~***Number of Bedrooms (or for live/work units square foot equivalency)***~~	~~***Number of Persons in Household***~~
~~*0 (Less than 600 square feet)*~~	~~*1*~~
~~*1 (601 to 850 square feet)*~~	~~*2*~~
~~*2 (851 to 1,100 square feet)*~~	~~*3*~~
~~*3 (1,101 to 1,300 square feet)*~~	~~*4*~~
~~*4 (More than 1,300 square feet)*~~	~~*5*~~

(*e*7) **Marketing the Units.** ~~:~~ The Project Sponsor shall submit a proposed marketing plan to MOHCD to begin marketing the Affordable Units at least six months prior to the beginning of marketing for any unit in the Principal Project. MOHCD shall approve the marketing plan for the Affordable Units prior to the Project Sponsor marketing any unit in the

Principal Project. Failure to comply shall be deemed a violation of the Planning Code subject to enforcement and penalties as set forth in Section 415.9. MOHCD shall be responsible for overseeing and monitoring the marketing of Affordable Units under this Section 415.7. In general, the marketing requirements and procedures shall be contained in the Procedures Manual as amended from time to time and shall apply to the Affordable Units in the project. MOHCD may develop occupancy standards for units of different bedroom sizes in the Procedures Manual in order to promote an efficient allocation of Affordable Units. MOHCD may require in the Procedures Manual that prospective purchasers complete homebuyer education training or fulfill other requirements. MOHCD shall develop a list of minimum qualifications for marketing firms that market Affordable Units under Section 415.1 et seq., referred to in the Procedures Manual as Below Market Rate (BMR units). No project sponsor marketing units under the Program shall be able to market BMR units except through a firm meeting all of the minimum qualifications. The Notice of Special Restrictions or conditions of approval shall specify that the marketing requirements and procedures contained in the Procedures Manual as amended from time to time, shall apply to the Affordable Units in the project.

(~~*1*~~*A*) **Lottery:** At the initial offering of affordable units in a housing project and when Affordable Units become available for resale or re-lease in any housing project subject to this Program after the initial offering, MOHCD must require the use of a public lottery approved by MOHCD to select purchasers or tenants.

(~~*2*~~*B*) **Preferences:** MOHCD shall create a lottery system that gives preference according to the provisions of Administrative Code Chapter 47. MOHCD shall ~~*propose*~~ *create* policies and procedures for implementing these preferences*. In accordance with Administrative Code Chapter 47, MOHCD shall provide an annual report on implementation of this subsection (b)(7)(B).* ~~*to the Planning Commission for inclusion in the Procedures Manual.*~~ Otherwise,

it is the policy of the City to treat all households equally in allocating affordable units under this Program.

~~*(f) Individual affordable units constructed as part of a larger off-site project under this Section 415.7 shall not receive development subsidies from any Federal, State or local program established for the purpose of providing affordable housing, and shall not be counted to satisfy any affordable housing requirement for the off-site development. Other units in the same off-site project may receive such subsidies. In addition, subsidies may be used, only with the express written permission by MOHCD, to deepen the affordability of an affordable unit beyond the level of affordability required by this Program.*~~

~~*(g) Notwithstanding the provisions of Section 415.7(f) above, a project may use California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and 4% credits under the Tax Credit Allocation Committee (TCAC) to help fund its obligations under this ordinance as long as the project provides at least 60% of the off-site affordable units as affordable at 55% of area median income and the balance of the off-site affordable units using these funds at affordability rates that comply with the requirements of TCAC, CDLAC, and this Section 415. The income table to be used for such projects when the units are priced at 55% of area median income is the income table used by MOHCD for the Inclusionary Housing Program, not that used by TCAC or CDLAC. Except as provided in this subsection (g), all units provided under this Section 415.7 must meet all of the requirements of the Inclusionary Affordable Housing Program and the Procedures Manual for off-site housing.*~~

~~***SEC. 415.7-1. SMALL SITES AFFORDABLE HOUSING ALTERNATIVE.***~~

~~*A project sponsor of a principal project comprised of 24 or fewer residential units may elect under Section 415.5(g) to meet its Inclusionary Affordable Housing requirement by designating its payment of the Affordable Housing Fee due under Section 415.5 for a Small Sites program that MOHCD shall establish for this purpose. Affordable Housing Fees designated for this program shall*~~

~~*not be considered part of the designated funds specified by Section 415.5(f). MOHCD shall expend the program funds from a principal project on a Small Sites Project that meets the requirements set forth in Section 415.5(f)(2)(B) and that is within the same neighborhood as the principal project. The neighborhood of the principal project shall be determined by the Planning Department's Neighborhood Groups Map. If MOHCD is unable to identify and apply the fee to a qualifying Small Sites Project within the same neighborhood as the principal project within two years of the payment of the fee, such fee shall be released into the Affordable Housing Fund to fund other qualifying Small Sites Projects in San Francisco.*~~

SEC. 415.8. DURATION AND MONITORING OF AFFORDABILITY.

(a) For any units permitted under the Program:

(1) All units constructed pursuant to Sections 415.6 (On-site Affordable Housing Alternative) and 415.7 (Off-site Affordable Housing Alternative) must be owner-occupied, as defined in the Procedures Manual, in the case of Owned Units, or occupied by qualified households in the case of Rental Units.

(2) Units shall not remain vacant for a period exceeding 60 days without the written consent of MOHCD *in accordance with the Procedures Manual*.

(3) All units constructed pursuant to Sections 415.6 and 415.7 must remain Affordable to Qualifying Households for the life of the project.

(4) The income levels specified in the Notice of Special Restrictions and/or conditions of approval for the project shall be the required income percentages for the life of the project. Notwithstanding the foregoing sentence, if approved by MOHCD and as provided in the Procedures Manual, an exception to the required income percentage may be made in the following cases:

(A) a rental unit that converts to an Owned Unit with Qualifying Income up to a maximum of 150% of AMI and a sales price established pursuant to Section

415.8(b)(5);

(B) where there is an existing tenant who has undergone re-certification as defined in the Procedures Manual, the existing tenant's household income may increase up to a maximum of 200% of AMI;

(C) new Owned Units where the project sponsor has used good faith efforts to secure a contract with a qualified buyer but is unable to secure such a contract in a timely manner from the initiation of marketing;

(D) resale Owned Units where the owner has used good faith efforts to secure a contract with a qualified buyer but is unable to secure a buyer contract at a maximum resale price specified by MOHCD in a timely manner;

(E) the Qualifying Income level for new or resale Owned Units may be set at 20% above the income level stated in the Notice of Special Restrictions or conditions of approval; or

(F) resale Owned Units where the owner has requested an adjustment to the maximum income limit stated in the existing Notice of Special Restrictions or other document establishing affordability requirements for the unit and/or has requested an increase to the Qualifying Income level, pursuant to subsection (b)(9).

(5) The Commission or the Department shall require all housing projects subject to Section 415.1 et seq. to record a Notice of Special Restrictions in the official records of the City and County of San Francisco. The Notice of Special Restrictions must incorporate the affordability restrictions*, including the requirements of Section 415.8*. ~~*All projects described in Section 415.3(a) must incorporate all of the requirements of this Section 415.8 into the Notice for Special Restrictions, including any provisions required to be in the conditions of approval for housing projects described in Section 415.3(a). These Section 415.3(a) projects which are housing projects that go through the conditional use or planned unit development process shall have conditions of approval.*~~

The conditions of approval shall specify that project applicants shall adhere to the marketing, monitoring, and enforcement procedures outlined in the Procedures Manual, as amended from time to time, in effect at the time of project approval. ~~*The Commission shall file the Procedures Manual in the case file for each project requiring inclusionary housing pursuant to this Program.*~~ The Procedures Manual will be referenced in the Notice of Special Restrictions for each project.

(b) For any units permitted to be Owned Units under the Program, ~~*the*~~ MOHCD shall:

(1) Establish and implement a process for reselling an affordable unit in the Procedures Manual.

(2) Provide that owners may not change title on the unit without review and approval by MOHCD and according to guidelines published in the Procedures Manual, as amended from time to time.

(3) Provide that owners must comply with refinancing procedures and limitations as published in the Procedures Manual, as amended from time to time.

(4) Provide that, in order to retain all units restricted as affordable under this Program within the City's affordable housing stock, the specific procedures for passing an affordable unit through inheritance are contained in the Procedures Manual. All transfers through inheritance must be reviewed and approved by MOHCD and, in all cases, the heir must acknowledge and agree to the provisions of the Program. The following households may inherit the ability to occupy a unit restricted under this Program: (i) a spouse or registered domestic partner, regardless of income; or (ii) a child of the owner if the child is a qualifying household for the unit. If the heir qualifies under one of these categories, the heir must occupy the unit or the heir must market and sell the unit at the restricted price through a public lottery process and retain the proceeds from the sale. If the heir does not qualify to occupy the unit, the heir must market and sell the unit at the restricted price to a qualified buyer through a

public lottery process. The heir would retain the proceeds of such sale.

(5) Require that affordable Rental Units permitted by the Commission to be converted to Owned Units satisfy the requirements of the Procedures Manual, as amended from time to time, including that the units shall be sold at restricted sales prices to households meeting the income qualifications specified in the Notice of Special Restrictions or conditions of approval, with a right of first refusal for the occupant(s) of such units at the time of conversion. If the current tenant qualifies for and purchases the unit, the unit shall be sold at a sales price corresponding to the affordability level required for the unit as a Rental Unit as specified in the Notice of Special Restrictions or conditions of approval, with a maximum allowable Qualifying Income level up to 150% of AMI. If the unit is sold to a buyer who is not a current tenant, the sales price shall correspond to the affordability level required for the unit as an Owned Unit as specified in the Notice of Special Restrictions or conditions of approval. Upon conversion to ownership, the units are subject to the resale and other restrictions of this Program for the life of the project, as defined in the Notice of Special Restrictions or conditions of approval for the Project.

(6) For Owned Units approved pursuant to Section~~s~~ 415.6 ~~*or 415.7*~~, the Notice of Special Restrictions or conditions of approval will include provisions restricting resale prices and purchaser income levels according to the formula specified in the Procedures Manual, as amended from time to time. All amenities and parking spaces that were purchased with the initial sale of the Owned Unit must be sold with the Owned Unit upon resale and shall be included in the resale price. In the event subordination of the Affordability Conditions contained in a recorded Notice of Special Restrictions may be necessary to ensure the project applicant's receipt of adequate construction and/or permanent financing for the project, or to enable first-time home buyers to qualify for mortgages, the project applicant may follow the procedures for subordination of affordability restrictions as described in the Principal Project's

conditions of approval or in the Procedures Manual. A release following foreclosure or other transfer in lieu of foreclosure may be authorized if required as a condition to financing pursuant to the procedures set forth in the Procedures Manual.

(7) Purchasers of Affordable Units shall secure the obligations contained in the Notice of Special Restrictions or conditions of approval by executing and delivering to the City a promissory note secured by a deed of trust encumbering the applicable affordable unit as described in the Procedures Manual or by an alternative means if so provided for in the Procedures Manual, as amended from time to time.

(8) **Procedures for Units Unable to Resell.** The Board of Supervisors finds that certain requirements of this Program and the Procedures Manual may create hardship for owners of Affordable Units restricted under this Program. However, the Board also recognizes that the requirements of this Program are important to preserve the long-term affordability of units restricted under the Program. In order to allow some relief for owners of Affordable Units during a time of economic downturn, but to provide the maximum protection for the long-term affordability of the units, the Board directs MOHCD to analyze the following issues and, if it deems appropriate, to propose amendments to the Procedures Manual to address the issues:

(A) **Waiver of Resale Requirements and Maximum Qualifying Income Level for New Buyers of Resale BMR Units.** The Board recognizes that the risk to low- and moderate-income homeowners during times of economic downturn can increase the risk of default and foreclosure of units restricted under this Program. The Board directs MOHCD to study ways to reduce such risks in the below market rate unit context and, if it deems appropriate, to make recommendations to the ~~*Planning*~~ Commission to amend the Procedures Manual to allow MOHCD discretion, in certain limited circumstances, to waive requirements for owners of Affordable Units who have used good faith efforts to secure a contract with a qualified buyer but are unable to resell their unit in a timely manner. Such

amendments to the Procedures Manual may include, but are not limited to, authorizing MOHCD to make one or more allowances for owners of Affordable Units unable to resell, such as: (i) a one-time waiver of the first-time homebuyer rule for the purchasing household; (ii) a one-time waiver of qualifying household size requirements for the purchasing household; (iii) a one-time waiver of owner occupancy rules to allow a temporary rental; (iv) a one-time modification of the asset test for the new buyer household; and (v) allowing MOHCD discretion to increase the Qualifying Income level for the unit by up to 20% above the maximum income limit currently allowed by the Use Restrictions for the unit but at no time higher than 150% of AMI. MOHCD and the Commission shall set forth criteria for granting such allowances such as establishing a minimum time that the units must have been advertised by MOHCD without selling; establishing criteria related to unusual economic or personal circumstances of the owner; providing a maximum percentage for the increase above the maximum income limit currently allowed; providing that the increase may only be granted on a one-time basis; and requiring the owner to clearly establish that the BMR unit is being resold at the maximum resale price specified in the Procedures Manual, as amended from time to time.

(B) **Waiver of Maximum Qualifying Income Level for New Buyers of Initial Sale BMR Units.** The Board of Supervisors recognizes that the current Program provides that the income of a new buyer of a below market rate household cannot exceed the maximum income stated in the Planning Approval or Notice of Special Restrictions for the BMR Unit. Due to less desirable developments or geographic areas, a project sponsor is sometimes unable to find a buyer for a BMR Unit within the maximum income stated in the Planning Approval or Notice of Special Restrictions for the unit. This situation makes it difficult, if not impossible, for certain current owners of below market rate units to resell their units. In order to minimize this situation, the Board of Supervisors directs MOHCD to study

ways to address this issue and, if it deems appropriate, to make recommendations to the ~~*Planning*~~ Commission to amend the Procedures Manual to allow MOHCD to assist project sponsors who have used good faith efforts as determined by MOHCD to secure a contract with a qualified buyer but who are unable to secure such a contract in a timely manner from the initiation of marketing. Such amendments may include allowing MOHCD discretion to increase the Qualifying Income level for the unit by up to 20% above the maximum income limit currently allowed by the Use Restrictions for the unit but at no time higher than 150% of AMI. MOHCD and the ~~*Planning*~~ Commission shall establish limits to this or a similar proposal such as: providing a maximum percentage for the increase above the maximum income limit currently allowed; requiring that a certain period without securing a buyer would pass before such an allowance would be made; and providing that the increase may only be granted on a one-time basis.

(9) **Adjustment of Pricing and Income Limits for Owned Units Purchased at a Price Above the Affordable Price Determined at the Time of Resale.**

(A) **Findings and Purposes.** The Board of Supervisors finds that the requirements of this Program and the Procedures Manual may create financial hardship for certain Owners of Affordable Units who could suffer a financial loss if said Owners sold their units at a price in compliance with the existing Notice of Special Restrictions or other affordability restrictions for the unit. However, the Board also recognizes that the requirements of this Program are important to preserve the long-term affordability of units restricted under the Program. To provide flexibility while protecting the long-term affordability of the Affordable Units and viability of the Program, this subsection (b)(9) provides options to allow some relief for Owners of Affordable Units that are re-selling at a time when the Affordable Price would be lower than the price at which they originally purchased their Affordable Unit.

(B) **Authorization to Reset Pricing and Income Limits.** The Board

authorizes MOHCD to adjust the Affordable Price at the time of resale and to establish the corresponding maximum income limit or income range for eligible Owned Units, as further specified and limited in this subsection (b)(9). This authorization and adjustment procedure shall be available only once per eligible Owned Unit and shall result in an Affordable Price that is based on a permanent increase to the restrictions on Affordable Price and maximum income limit for the Owned Unit. For the resale and any subsequent resale of the Owned Unit, the Maximum Purchase Price shall be determined by MOHCD based on the new, increased maximum percentage of AMI established pursuant to this subsection (b)(9).

(C) **Eligibility.** An Owned Unit is eligible for an increase in the Affordable Price and corresponding maximum income limit or income range for the Owned Unit if: 1) the Owner purchased the unit at a price above the Affordable Price at the time of resale, which Affordable Price shall be determined by MOHCD based on the existing Notice of Special Restrictions or other document establishing affordability requirements for the unit at the time MOHCD processes the Owner's resale request; and 2) the Owner submits a resale request for the unit to MOHCD ~~*within three years from*~~ *by December 14, 2027.*~~*the effective date of the ordinance in Board File No. 240802, enacting this subsection (b)(9).*~~ The Owner is not required to attempt to sell the unit prior to the adjustment described in this subsection (b)(9) to qualify for said adjustment.

(D) **Maximum Allowable Adjustment.** For the resale of an Owned Unit eligible for an adjustment under this subsection (b)(9), MOHCD may establish an adjusted Affordable Price up to the original purchase price paid by the current Owner. MOHCD may increase the maximum income limit or income range for the unit to reflect the adjusted Affordable Price, up to a maximum of 130% AMI. In addition, once per eligible Owned Unit, MOHCD may increase the maximum Qualifying Income level for the unit by up to 20% above the maximum income limit or income range in the new Notice of Special Restrictions or other

document establishing affordability requirements for the unit, provided that the increased maximum Qualifying Income level does not exceed 150% of AMI. The ultimate resale price may be lower or higher than the adjusted Affordable Price. Nothing in this subsection (b)(9) ensures or entitles an Owner to a resale price equal to the adjusted Affordable Price when reselling their Owned Unit.

(E) **Procedures.**

(i) MOHCD shall propose policies and procedures for implementing price and AMI level adjustments consistent with this subsection (b)(9) to the ~~*Planning*~~ Commission for inclusion in the Procedures Manual.

(ii) MOHCD may establish an adjusted Affordable Price and increase the maximum AMI level consistent with this subsection (b)(9) for the purposes of processing the resale, including marketing the Affordable Unit. If approved pursuant to subsections (b)(9)(E)(iii) through (vi), the increased maximum AMI level shall be established for all other purposes by the recording of a new Notice of Special Restrictions upon closing the resale of the Owned Unit that reflects the increased AMI level. As a condition of MOHCD's approval of the adjustments under this subsection (b)(9), the Owner shall execute and authorize the recordation of the new Notice of Special Restrictions in senior lien priority upon closing the resale of the Owned Unit.

(iii) For units in principal projects that required ~~*Planning*~~ Commission approval, the ~~*Planning*~~ Commission, in consultation with MOHCD, may modify any original conditions of approval for the principal project related to the maximum price or income levels consistent with this subsection (b)(9), including, but not limited to, modification to the required terms of a Notice of Special Restrictions recorded or to be recorded against the project or the Owned Unit. If the ~~*Planning*~~ Commission has delegated its authority to the Planning Department to review and approve requests for pricing and AMI level adjustments,

such adjustments shall be reviewed and considered for approval by the Director of the Planning Department, and the ~~*Planning*~~ Commission shall not hold a public hearing for discretionary review.

(iv) For units in principal projects that required ~~*Planning*~~ Department approval but not ~~*Planning*~~ Commission approval, the ~~*Planning*~~ Department, in consultation with MOHCD, may modify any original conditions of approval for the principal project related to the maximum price or income levels including but not limited to modification to the required terms of a Notice of Special Restrictions recorded or to be recorded against the project or the Owned Unit.

(v) For units in principal projects that did not require ~~*Planning*~~ Commission or ~~*Planning*~~ Department approval, the ~~*Planning*~~ Department, in consultation with MOHCD, may modify the required terms of a Notice of Special Restrictions recorded or to be recorded against the project or the Owned Unit.

(vi) Any other City approval required prior to modifying the terms of a Notice of Special Restrictions, such as amending a development agreement, shall be obtained.

(vii) Modifications under this subsection (b)(9) shall not be subject to review under any other Planning Code provision applicable to a change of use or change of condition including but not limited to Sections 303(e), 309(f), or 329(f)(7).

(F) **Reporting.** MOHCD shall provide a report to the Inclusionary Housing Technical Advisory Committee, Planning Commission, and Board of Supervisors or a committee thereof after 10 adjustments are approved under this subsection (b)(9), and after every tenth adjustment approved thereafter. In addition, MOHCD shall provide a report to the Inclusionary Housing Technical Advisory Committee, Planning Commission, and Board of Supervisors or a committee thereof ~~*within twelve months from*~~ *by December 14, 2025* ~~*the effective*~~

~~*date of the ordinance in Board File No. 240802 enacting this subsection (b)(9)*~~, and every ~~*twelve*~~ *12* months thereafter. The Board of Supervisors or a committee thereof shall hold a public hearing on the first annual report; accordingly, that report must be accompanied by a draft resolution for the Board to accept the report. Each report provided pursuant to this subsection (F) shall include at least the following information for each approved adjustment:

(i) The location of the Affordable Unit;

(ii) The date the adjustment was approved; and

(iii) Pricing and AMI level information before and after the adjustment.

(G) **Expiration of this Subsection and Related Subsection.** This subsection (b)(9), and the related subsection (a)(4)(F), shall expire by operation of law *on December 14, 2028.* ~~*four years from the effective date of the ordinance in Board File No. 240802 enacting those two subsections.*~~ Upon expiration of those subsections, the City Attorney is authorized to cause their removal from the Planning Code, which removal may include as appropriate nonsubstantive modifications in subsection lettering, numbering, punctuation, and language.

(c) For any units permitted to be Rental Units under the Program, MOHCD shall establish*, and set forth in the Procedures Manual, the following*:

(1) ~~*r*~~*R*estrictions on lease changes ~~*and propose such restrictions to the Commission for inclusion in the Procedures Manual*~~.

(2) ~~*a*~~*A*dditional eligibility criteria for sub-leasing ~~*and propose such restrictions to the Commission for inclusion in the Procedures Manual*~~.

(3) ~~*c*~~*C*riteria for continued eligibility for occupied rental units ~~*and propose such restrictions to the Commission for inclusion in the Procedures Manual*~~.

(4) ~~*c*~~*C*riteria for homeownership status ~~*and propose such restrictions to the*~~

~~*Commission for inclusion in the Procedures Manual*~~.

(5) ~~*c*~~*C*riteria for granting affordable rental households the right of first refusal in purchasing an Affordable Unit that is converted from a Rental Unit to an Owned Unit ~~*and propose such restrictions to the Commission for inclusion in the Procedures Manual*~~.

(6) ~~*t*~~*T*hat at no time shall an annual *rent* increase exceed the actual allowable increase for that year. ~~*In cases where the rent has decreased, the tenant's rent must be decreased.*~~ In cases where the annual adjustments have not been applied year to year, the Project Owner may not take advantage of any increases that were not applied until the Unit is vacant and re-rented.

SEC. 415.9. ENFORCEMENT PROVISIONS AND MONITORING OF PROGRAM.

(a) A ~~*first construction document*~~ *First Construction Document* or ~~*first*~~ *First* Certificate of Occupancy, whichever applies, shall not be issued by the Director of DBI to any unit in the Principal Project until all of the affordable housing requirements of Section~~s~~ 415.1 et seq. are satisfied.

(b) If, after issuance of the ~~*first*~~ *First* Certificate of Occupancy, the Commission or Department determines that a project sponsor has failed to comply with any requirement in Section 415.1 et seq. or any reporting requirements detailed in the Procedures Manual, or has violated the Notice of Special Restrictions, the Commission, Department, or DBI may, until the violation is cured, (1) revoke the Certificate of Occupancy for the Principal Project or required Affordable Units, (2) impose a penalty on the project pursuant to Section 176(c) of this Code, and/or (3) the Zoning Administrator or MOHCD may enforce the provisions of Section 415.1 et seq. through any means provided for in Section 176 of this Code.

(c) The Department shall notify MOHCD of any housing project subject to the requirements of Section 415.1 et seq.~~*, including the name of the project sponsor and the number*~~

~~*and location of the Affordable Units, within 30 days of the Department's approval of a building or site permit for the project.*~~ MOHCD shall provide all project sponsors with information concerning the City's first time homebuyer assistance programs and any other related programs MOHCD shall deem relevant to the Inclusionary Affordable Housing Program.

~~*(d) The Department shall, as part of the annual Housing Inventory, report to the Board of Supervisors on the results of Section 415.1 et seq. including, but not limited to, a report on the following items:*~~

~~*(1) The number of, location of, and project applicant for, housing projects which came before the Commission for a Conditional Use Authorization or Planned Unit Development, and the number of, location of, and project applicant for, housing projects which were subject to the requirements of Section 415.1 et seq.;*~~

~~*(2) The number of, location of, and project sponsor for, housing projects which applied for a waiver, adjustment, or reduction from the requirements of Section 415.1 et seq. pursuant to Section 406 of this Article, and the number of, location of, and project sponsor for, housing projects which were granted such a waiver, adjustment, or reduction and, if a reduction, to what percentage; and*~~

~~*(3) The number of, location of, and project sponsor for, every housing project to which Section 415.1 et seq. applied and the number of market rate units and the number of affordable on- and off-site units provided, including the location of all of the affordable units.*~~

~~*(e) A study is authorized to be undertaken under the direction of MOHCD approximately every five years to update the requirements of Section 415.1 et seq. MOHCD shall make recommendations to the Board of Supervisors and the Commission regarding any legislative changes. MOHCD shall specifically evaluate the different inclusionary housing requirements for developments of over 120 feet approximately five years from the enactment of the requirement or as deemed appropriate by MOHCD. MOHCD shall coordinate this report with the five-year evaluation by the Director of Planning required*~~

~~*by Section 410 of this Article.*~~

(*f*d) ~~***Annual or Bi-annual***~~ **Monitoring** ***of Affordable Units*****.**

(1) MOHCD shall monitor and require occupancy certification for Owned Units and Rental Units on an annual or bi-annual basis, as outlined in the Procedures Manual.

(2) MOHCD may require the owner of a Rental Unit, *or* the owner's designated representative, ~~*or the tenant in an affordable unit*~~ to verify the income levels of the tenant *in an Affordable Unit* on an annual or bi-annual basis, as outlined in the Procedures Manual.

(e) ***Monitoring and Enforcement of Affordable Student Housing.***

(1) MOHCD is authorized to monitor the Student Housing program described in Section 415.3(b)(5) and shall develop a monitoring form. An annual monitoring fee of $792 per building exempted from the Inclusionary Housing Program pursuant to this Section 415.9(e)(1) shall be paid to MOHCD by the owner of the real property or the Post-Secondary Educational Institution or Religious Institutions, as defined in Section 102 of this Code. Beginning with the setting of fees for fiscal year 2018-2019, the Controller shall annually adjust the base monitoring fee amount referenced in this subsection (e)(1) without further action by the Board of Supervisors, to reflect changes in the two-year average Consumer Price Index (CPI) change for the San Francisco/San Jose Primary Metropolitan Area (PMSA). This process shall occur as follows:

(A) No later than April 15 of each year, MOHCD shall submit the current monitoring fee to the Controller, who shall apply the CPI adjustment to produce a new monitoring fee for the fiscal year beginning July 1. No later than May 15 of each year, the Controller determine the new monitoring fee and certify to the Board of Supervisors that the fees to be collected will produce sufficient revenue to support the costs of providing the services for which the fee is charged and will not produce revenue that exceeds the costs of providing the services for which the fee is paid.

(B) No later than July 1 of each year, MOHCD will publish on its website the current monitoring fee amount inclusive of the annual adjustment, and also make the fee amount

available upon request at MOHCD's main office.

(2) The owner of the real property and each Post-Secondary Educational Institution or Institutions shall agree to submit annual documentation to MOHCD and the Department, along with the annual monitoring fee, on or before January 31 of each year, which addresses the following:

(A) Evidence that the Post- Secondary Educational Institution continues to own or otherwise control the Student Housing project under a master lease or other contractual agreement with at least a two-year term, including a certificate from the owner of the real property and the Post-Secondary Educational Institution attaching a true and complete copy of the master lease or other contractual agreement (financial information may be redacted to the extent permitted by law) and certifying that the lease or contract has not otherwise been amended or terminated; and

(B) Evidence, on an average annualized basis, of the percentage of students in good standing enrolled half-time or more in the Post-Secondary Educational Institution or Institutions who are occupying the beds or accessory living space in the Student Housing project; and

(3) The Post-Secondary Educational Institution, or the owner of the real property on its behalf, shall submit a statement that it intends to terminate the Student Housing project at least 60 days before it terminates such use ("statement of termination"), and shall be subject to the following:

(A) The Student Housing project becomes subject to the Inclusionary Housing Program requirements if (1) a Post-Secondary Educational Institution files a statement of termination with the Department and another Post-Secondary Educational Institution or Institutions have not been substituted or obligated to meet the requirements of Section 415.3(d)(5); or (2) the owner of the real property or the Post-Secondary Educational Institution fails to file a statement of termination and fails to meet the requirements for a Student Housing project within not more than one year of a Notice Of Violation issued by the Department;

(B) If units in a Student Housing project become subject to the Inclusionary Housing Program requirements then the owner of those units shall (1) pay the Affordable Housing Fee

plus interest from the date the project received its First Construction Document for the project if there is no evidence the project ever qualified as Student Housing or, if Student Housing was provided and occupied, then the Affordable Housing Fee with no interest is due on the date the units were no longer occupied by qualifying households and interest would accrue from that date if the fee is not paid; or (2) provide the required number of on-site affordable units required at time of original project approval and that those units shall be subject to all of the requirements of this Program. In this event, the owner of the real property shall record a new NSR providing that the designated units must comply with all of the requirements of this Program.

(4) The Post-Secondary Educational Institution is required to report annually as required in subsection (e)(2) above.

(5) The Student Housing project may be inspected by any duly authorized City employee to determine its status as a Student Housing project and its compliance with the requirements of this Code at any time upon at least 24 hours prior notice to the owner of the real property or to the master lessee. The City may commence legal action against the owner and/or Post- Secondary Educational Institution to enforce the NSR and the terms of Article 4 of the Planning Code if it determines that the project no longer meets the requirements for a Student Housing project.

SEC. 415.10. *TRIENNIAL ECONOMIC FEASIBILITY ANALYSIS;* REPORTING TO BOARD OF SUPERVISORS.

(a) **Findings.**

San Francisco continues to experience a housing crisis that requires a broad spectrum of land use and financing tools to address. The 2022 Housing Element Update of the City's General Plan calls for 40% of all new housing production to be affordable for lower income households below 80% of area median income and 17% of new housing affordable to be built for moderate~~*/middle*~~ income households up to 120% of area median income. San Francisco's

inclusionary housing program, which requires housing developers to provide affordable units as part of their projects, is a critical component of the City's programs to expand affordable housing options. The Inclusionary Housing program is one of the City's tools for increasing affordable housing dedicated to lower income San Franciscans without using public subsidies, and in particular it is a useful tool for creating any affordable housing to meet the growing need of moderate~~/middle~~ income households.

The City adopted an Inclusionary Housing ordinance in 2002 that set requirements on market rate development to include affordable units at 12% of the total for the first time. *As of 2025, the* ~~*The*~~ inclusionary program has successfully resulted in more than ~~*3,330*~~ *3,600* units of below-market, permanently affordable housing since its adoption. The City prepared a Nexus Study in 2007 in support of the program, which was updated in 2016. The reports demonstrated the necessary affordable housing in order to mitigate the impacts of market rate housing. The City's inclusionary housing requirements, which have been set at various levels since 2002 in response to changing economic conditions, are codified in Section 415 *et seq.* of the Planning Code.

The purpose of this Section 415.10 is to provide for the ongoing study of how to set inclusionary housing obligations in San Francisco at the maximum economically feasible amount in market rate housing development to create housing for low and moderate~~/middle~~ income households, at the income levels set forth in Section 415.10(d), and with guidance from the City's Nexus Study, which shall be periodically updated.

(b) **Triennial Economic Feasibility Analysis.** With the support of independent consultants as deemed appropriate by the Controller and with advice on setting qualifications and criteria for consultant selection from the Inclusionary Housing Technical Advisory Committee established in Administrative Code Chapter 5, Article XXIX, the Controller, in consultation with relevant City Departments and the Inclusionary Housing Technical Advisory

Committee, shall conduct a feasibility study of the City's inclusionary affordable housing obligations set forth in Planning Code Section 415 et seq., including but not limited to the affordable housing fee and On- site and Off-site Alternatives, and shall submit a report to the Board of Supervisors by *September 1, 2029.* ~~*July 31, 2016 and by October 31 for subsequent years.*~~ Thereafter, the Controller, in consultation with the Department and the Inclusionary Housing Technical Advisory Committee, shall repeat this process at least every 36 months, or more frequently as deemed necessary by the Controller in response to a significant shift in economic or market conditions.

(c) **Elements of the Economic Feasibility Analysis.** The economic feasibility analysis required by subsection (b) of this Section 415.10 shall include sensitivity analyses of key economic parameters that can vary significantly over time, such as, but not limited to: interest rates; capitalization rates; equity return rates; land prices; construction costs; project scale, available state and federal housing finance programs including Low Income Housing Tax Credits readily available for market rate housing; tax-exempt bond financing; Federal Housing Administration and U.S. Department of Housing and Urban Development mortgage insurance; available City or local housing finance programs, such as Enhanced Infrastructure District (EIFD) and tax increments; zoning changes that increase or decrease development potential; variable City exactions, including community benefit fees, capacity charges, community facilities districts; the value of state density bonus, concessions and incentives under California Government Code Section 65915 and any other state law that confers value to development and which project sponsors may attempt to avail themselves of and public-private partnership development agreements where applicable and other factors as deemed reasonably relevant.

(d) **Report to Board of Supervisors.** The Board of Supervisors may review the feasibility analyses, as well as the periodic updates to the City's Nexus Study evaluating the

necessary affordable housing in order to mitigate the impacts of market rate housing. The Board of Supervisors will review the feasibility analyses within three months of completion and may consider legislative amendments to the City's Inclusionary *Affordable* Housing ~~*in-lieu*~~ fees, On-site or *Land Dedication/*Off-site Alternatives, and in so doing will seek consultation from the ~~*Planning*~~ Commission, adjusting levels of inclusionary or affordable housing obligations and income levels ~~*up to maximums as defined in Section 415.2*~~, based on the feasibility analyses, with the objective of maximizing affordable Inclusionary Housing in market rate housing production, and with guidance from the City's Nexus Study. Any adjustment in income levels shall be adjusted commensurate with the percentage of units required so that the obligation for inclusionary housing is not reduced by any change in income levels. The Board of Supervisors may also utilize the Nexus Study in considering legislative amendments to the Inclusionary Housing requirements. Updates to the City's Inclusionary Housing requirements shall address affordable housing fees, On-site affordable housing and *Land Dedication/*Off-site affordable housing, as well as the provision of affordable housing available to low-income households at or below 55% of Area Median Income for Rental Units and up to 80% of Area Median Income for Owned Units, and moderate/middle-income households from 80% to 120% of Area Median Income.

(e) ***Permitted Modifications to Pipeline Projects Following Legislative Amendments to the Inclusionary Affordable Housing Program.*** *If any of the requirements of Section 415.1 et seq., are amended by the Board of Supervisors following recommendation by the Technical Advisory Committee or otherwise, Pipeline Projects may request a modification of conditions of approval, conditions on a project permit, Notice of Special Restrictions, or other requirements that have been so amended pursuant to requirements of Section 415.1 et seq.. Modifications shall be requested under the process set forth in Planning Code section* ~~415.4(e)(4)~~415.4(g)(4)*. In addition to the modifications allowed in Section* ~~415.4(e)(2)~~415.4(g)(2)*, a Pipeline Project may seek the following additional modifications:*

(1) A reduction in the Affordable Housing Fee, or On-site Unit, Off-site Unit or Land Dedication percentages or other requirements in effect at the time of the modification request.

(2) An extension of up to three years of the performance standards for the Final Approval, including the entitlement validity, expiration, and renewal.

(3) Removal of Planning Code requirements no longer applicable to the Pipeline Project at the time of the request for modification.

~~***SEC. 415A. TEMPORARY REDUCTION OF INCLUSIONARY REQUIREMENTS FOR RESIDENTIAL AND LIVE/WORK DEVELOPMENT PROJECTS APPROVED PRIOR TO NOVEMBER 1, 2023.***~~

~~***SEC. 415A.1. PURPOSE.***~~

~~*In order to encourage the construction of residential and live/work development projects that have been Finally Approved prior to November 1, 2023, but have not procured a First Construction Document, the City hereby establishes a temporary program to: (1) reduce certain inclusionary affordable housing fees and obligations; (2) extend the time such developments have to obtain a site permit after project approval; and (3) allow the modification of certain findings required by Planning Code Section 206.6 ("State Density Bonus Program: Individually Requested.")*~~

~~***SEC. 415A.2. DEFINITIONS.***~~

~~*The following terms shall have the following definitions:*~~

~~*"Pipeline Project" means a residential or live/work project that (1) is subject to the Inclusionary Affordable Housing Ordinance, Planning Code Section 415.1 et seq., and (2) was Finally Approved prior to November 1, 2023, and (3) has not been issued a First Construction Document prior to November 1, 2023.*~~

~~*"Finally Approved" or "Final Approval" shall mean (1) approval of a project's first Development Application, unless such approval is appealed; or (2) if a project only requires a building*~~

~~*permit, planning approval of the first site or building permit, unless such permit is appealed; or (3) if the first Development Application or first site or building permit is appealed, then the final decision upholding the Development Application, or first site or building permit, on the appeal by the relevant City Board or Commission. "Finally Approved" or "Final Approval" shall not include any modification of the approval under Section 415A.5.*~~

~~***SEC 415A.3. APPLICATION.***~~

~~*This Section 415A shall apply to Pipeline Projects. This Section 415A shall not apply to (1) any mixed-use project that has entered into a development agreement executed pursuant to Chapter 56 of the Administrative Code or other similar binding agreement with the City on or before November 1, 2023, or (2) projects that have chosen to comply with affordable housing requirements by dedicating land, including but not limited to projects meeting the requirements set forth in Sections 419.5(a)(2) or 249.33(b)(16), or (3) projects that have paid development impact fees, including inclusionary impact fees, on or before November 1, 2023.*~~

~~***SEC. 415A.4. MODIFICATION OF PIPELINE PROJECTS.***~~

~~*On or before November 1, 2026, project sponsors of Pipeline Projects shall be entitled to request a modification under Section 415A.5 to that project's conditions of approval, conditions on a project permit, notice of special restrictions, or other requirements related to: (1) specified requirements of the Inclusionary Affordable Housing Program, Planning Code Section 415.1 et seq., or other applicable inclusionary housing requirement; (2) conditions that require a project sponsor to obtain a site permit within a certain timeframe after project approval; and (3) findings required by Planning Code Section 206.6. Except as specifically set forth herein, or as modified under the procedure set forth in subsection 415A.5, Pipeline Projects shall comply with all other conditions of approval, conditions on a project permit, or notice of special restrictions and any applicable requirements of the Planning Code, including the requirements set forth in Sections 415.1 through 415.11. Project sponsors may request the following modifications:*~~

~~*(a) **Affordable Housing Fee.** If a project sponsor of a Pipeline Project elected to pay the inclusionary housing fee pursuant to Section 415.5, the project shall be entitled to a modification of the inclusionary housing requirements set forth in Section 415.5(b)(1)(A), 415.5(b)(1)(B) or 415.5(b)(1)(C), or if applicable 415.3(b)(2)(A) through (2)(C), as follows:*~~

~~*(1) For Ownership or Rental Housing Pipeline Projects consisting of 10 units or more, the applicable percentage shall be 16.4%.*~~

~~*(2) For any Pipeline Project consisting of 10 units or more located in an area with a specific affordable housing requirement set forth in a Special Use District, Area Plan, or in any other section of the Code, including 415.3(d), 419, or 428, the applicable percentage shall be 54.5% of the rate for Rental Housing Projects in the specific area, rounded to the nearest tenth of one percent. This reduction shall not apply to fees subject to the Temporary Fee Reduction Program set forth in Section 403.*~~

~~*(3) Notwithstanding subsection (2), in no case shall a Pipeline Project be entitled to a modification of an affordable housing fee that would result in an applicable percentage lower than 16.4%.*~~

~~*(b) **On-site Affordable Housing Alternative.** If a project sponsor of a Pipeline Project elected to provide on-site affordable units pursuant to Section 415.5(g), the development project shall be entitled to the following modifications to the on-site percentages in Sections 415.6(a)(1), 415.6(a)(2), or 415.6(a)(3), or if applicable, the on-site percentages set forth in Sections 415.3(b)(1)(A) to (b)(1)(D), or Section 206.3:*~~

~~*(1) For Pipeline Projects consisting of 10 units or more, but less than 25 units, the applicable percentage shall be 12%.*~~

~~*(2) For Pipeline Projects consisting of 25 units or more, the number of Affordable Units constructed on-site shall be 12% of all units constructed on the project site. Such projects shall ensure that a minimum of 8% of the units are affordable to low-income households, 2% are affordable*~~

~~*to moderate-income households, and 2% are affordable to middle-income households.*~~

~~*(3) For any Pipeline Project consisting of 10 units or more that is located in an area with a specific affordable housing on-site requirement set forth in a Special Use District, Area Plan, or in any other section of the Code, including Sections 415.3(b)(1)(E), 415.3(d), 419, or 428, the applicable percentage shall be 54.5% of the rate for Rental Housing Projects in that specific area, rounded to the nearest tenth of one percent. For any Pipeline Project consisting of 10 units or more that was approved pursuant to Section 206.3, the applicable percentage shall be 54.5% of the rate in Section 206.3(f).*~~

~~*(4) Notwithstanding subsection (3), in no case shall a Pipeline Project be entitled to a modification of an on-site affordable housing obligation that would result in an applicable percentage lower than 12%.*~~

~~*(c) Off-Site Affordable Housing Alternative. If a project sponsor of a Pipeline Project elected to provide off-site units pursuant to Section 415.5(g), the development project shall be entitled to a modification of the requirements in Section 415.7(a) as follows:*~~

~~*(1) For Pipeline Projects consisting of 25 units or more, the applicable percentage shall be 16.4%. Such projects shall ensure that a minimum of 9.4% of the units are affordable to low-income households, 4% are affordable to moderate-income households, and 3% are affordable to middle-income households.*~~

~~*(2) For any Pipeline Project consisting of 25 units or more located in an area or Special Use District or in any other section of the Code, including Sections 415.3(d), 419, and 428 with a specific affordable housing requirement, the applicable percentage shall 54.5% of the rate for Rental Housing Projects in the specific area, rounded to the nearest tenth of one percent.*~~

~~*(3) Notwithstanding subsections (1) and (2), in no case shall a Pipeline Project be entitled to a modification of the off-site affordable housing alternative that would result in a percentage lower than 16.4%.*~~

~~*(d) Site Permit and First Construction Document Timing Requirements; Conditions of Approval.*~~

~~*(1) Notwithstanding any contrary provision in this Code, project sponsors of Pipeline Projects shall be entitled to a modification under Section 415A.5 of any conditions of approval or conditions on a project permit, requiring procurement of a site permit within a specified time, but in no event may such a deadline be extended past May 1, 2029.*~~

~~*(2) Notwithstanding any contrary provision in this Code, any modification under Section 415A.5 shall require as a condition that the project sponsor procure a First Construction Document on or before May 1, 2029. Failure to meet this condition shall invalidate the modification. Pipeline Projects that fail to procure a First Construction Document on or before May 1, 2029 shall be subject to the Inclusionary Affordable Housing requirements in effect on May 1, 2029 that are applicable to a project at the same location, size, and tenure.*~~

~~*(e) Density Bonus Projects: Affordability Levels, Concessions, Incentives and Waivers. If a Pipeline Project elected to proceed under the State Density Bonus law, Government Code section 65915 and/or Planning Code section 206.6. (State Density Bonus Program: Individually Requested), the project sponsor may request the following modifications to a condition of approval or regulatory agreement pursuant to Section 415A.5, provided that the project continues to meet the requirements of the State Density Bonus law and/or Section 206.6:*~~

~~*(1) the number of units to be restricted as affordable units and the affordability levels of those units;*~~

~~*(2) the number and type of concessions, incentives, and waivers granted under 206.6(e).*~~

~~***SEC. 415A.5. PROCESS FOR MODIFICATION OF INCLUSIONARY AFFORDABLE HOUSING PROGRAM REQUIREMENTS.***~~

~~*The purpose of this Section 415A.5 is to provide for the efficient review and approval of*~~

~~*requests for modifications to conditions of approval, conditions on a project permit, or notice of special restrictions, for projects eligible for such modifications under Section 415A. The Planning Commission shall be responsible for reviewing and approving such requests, or may delegate those functions to the Planning Director.*~~

~~*(a) Planning Commission Review. Notwithstanding Section 415A.5(b), any modification of the conditions of approval, conditions on a project permit, or notice of special restrictions consistent with Section 415A that would result in the significant modification of approved plans shall require review and approval by the Planning Commission under the modification process otherwise applicable to the project, including but not limited to Planning Code Sections 303(e), 309(j) or 329(f)(7)). All modifications pursuant to this subsection 415A.5(a), including any appeal of such modifications, shall be granted prior to November 1, 2026. A significant modification shall include, but is not limited to:*~~

~~*(1) a change in the number of Residential or Group Housing units by more than 20%, or a change of more than 10% in Gross Floor Area; or,*~~

~~*(2) a change of use from Dwelling Units to Group Housing.*~~

~~*(b) Administrative Modifications. Notwithstanding Section 415A.5(a), if the Planning Commission has delegated its authority to the Planning Department to review and approve requests for modifications consistent with Section 415A.5, the following modifications shall be reviewed and approved by the Director of the Planning Department, and the Planning Commission shall not hold a public hearing for discretionary review. Modifications under this subsection 415A.5(b) shall not be subject to review under Planning Code sections 303(e), 309(f), 309(j) or 329(f)(7). Any modifications pursuant to this Section 415A.5(b) must be granted prior to November 1, 2026. If so delegated, the Planning Director shall be authorized to modify:*~~

~~*(1) the applicable inclusionary fee required consistent with Section 415A.4(a).*~~

~~*(2) the applicable percentage of off-site units required consistent with Section 415A.4(b).*~~

~~*(3) the applicable percentage of on-site units required, consistent with Section 415A.4(c).*~~

~~*(4) for projects that elected to develop using the State Density Bonus Law, Government Code section 65915 or State Density Bonus Program: Individually Requested, under Planning Code section 206.6, the number of on-site Affordable Units, and the affordability levels of those units if such levels require modification for the project to continue to qualify for the same amount of density bonus previously approved, and findings required by Section 206.6(e) related to eligibility for a density bonus, concessions and incentives and/or waivers of development standards, consistent with Section 415A.4(e). Notwithstanding the previous sentence, modifications to a density bonus project that are significant as set forth in subsection (a), shall be reviewed by the Planning Commission.*~~

~~*(5) performance standards consistent with Section 415A.4(d), including the time of validity, expiration and renewal.*~~

~~*(c) Additional Conditions. Any modification to conditions of approval under this Section 415A.5 shall include a condition that a project must secure a First Construction Document on or before May 1, 2029 and if a project sponsor fails to secure a First Construction Document on or before May 1, 2029, the inclusionary requirements applicable to the project shall be those requirements in place at the time a First Construction Document is secured applicable to a project of the same size, location, and tenure.*~~

~~***SEC. 415A.6. SUNSET PROVISION.***~~

~~*This Section 415A shall expire by operation of law on May 1, 2029, unless extended by an ordinance effective on or before that date. Upon expiration of this Section 415A, the City Attorney shall cause the section to be removed from the Planning Code.*~~

~~***SEC. 415B. TEMPORARY REDUCTION IN REQUIREMENTS FOR NEW RESIDENTIAL AND LIVE/WORK DEVELOPMENT PROJECTS.***~~

~~*In order to encourage construction of residential and live/work development projects subject to*~~

~~*the Inclusionary Affordable Housing Program, Planning Code Sections 415.1 et seq, this Section 415B shall apply to housing and live/work development projects that are Finally Approved, as defined in Planning Code Section 415A.2, between November 1, 2023 and November 1, 2026, provided that such projects receive a First Construction Document within 30 months from Final Approval. Such deadline shall be extended in the event of any litigation seeking to invalidate the City's approval of such project, for the duration of the litigation. Housing development projects that fail to obtain a First Construction Document within 30 months of Final Approval shall be subject to the requirements of Section 415.1 et seq. in effect on the date a First Construction Document is finally obtained. Except as specifically set forth herein, all other Inclusionary Affordable Housing requirements in Sections 415.1 et seq shall continue to apply.*~~

~~***SEC. 415B.1. AFFORDABLE HOUSING FEE.***~~

~~*If a project sponsor elects to pay the affordable housing fee under Section 415.5, the project shall comply the requirements set forth in Section 415.6(b)(1), except as follows:*~~

~~*(a) For any housing development consisting of 25 units or more, the applicable percentage shall be 20.5%.*~~

~~*(b) For any housing development located in an area with a specific affordable housing requirement set forth in a Special Use District, Area Plan, or in any other section of the Code, including 415.3(d), 419, or 428, the percentage shall be 68% of the rate applicable to Rental Housing Projects, rounded to the nearest tenth of one percent. This section shall not apply to fees subject to the Temporary Fee Reduction Program set forth in Section 403.*~~

~~***SEC. 415B.2. ON-SITE AFFORDABLE HOUSING ALTERNATIVE.***~~

~~*If a project sponsor elects to provide on-site Affordable Units pursuant to Section 415.5(g), the housing development shall be subject to the following required percentages rather than the percentage of units set forth in Section 415.6(a):*~~

~~*(a) For any housing development consisting of 25 or more units, the number of Affordable*~~

~~*Units constructed on-site shall be 15% of all units constructed on the project site. Project sponsors shall ensure that a minimum of 10% of the Affordable Units shall be affordable to low-income households, 2.5% of the Affordable Units shall be affordable to moderate-income households, and 2.5% of the Affordable Units shall be affordable to middle-income households.*~~

~~*(b) For any housing development located in an area with a specific affordable housing requirement set forth in a Special Use District, Area Plan, or in any other section of the Code such as Section 415.3(d), 419, or 428, the percentage shall be 68% of the rate applicable to Rental Housing Projects in such area, rounded to the nearest tenth of one percent.*~~

~~***SEC. 415B.3. OFF-SITE AFFORDABLE HOUSING ALTERNATIVE.***~~

~~*If a project sponsor elects to provide off-site units to satisfy the requirements of Section 415.1 et seq. pursuant to 415.5(g)(1)(B), the housing development project shall be subject to the requirements of Section 415.7(a), except as follows:*~~

~~*(a) For any housing development consisting of 25 units or more, the applicable percentage shall be 20.5%. Project sponsors shall ensure that a minimum of 11.5% of the Affordable Units shall be affordable to low-income households, 5% of the Affordable Units shall be affordable to moderate-income households, and 4% of the Affordable Units shall be affordable to middle-income households.*~~

~~*(b) For any housing development that is located in an area with a specific off-site affordable housing requirement set forth in a Special Use District, Area Plan, or in any other section of the Code including Section 415.3(d), 419, or 428, the percentage shall be 68% of the applicable rate for Rental Housing Projects in the area, rounded to the nearest tenth of one percent.*~~

~~***SEC. 415B.4. INCLUSIONARY FEE ANNUAL FEE UPDATES.***~~

~~*Notwithstanding any other provision of the Code, during the period that this Section 415B applies:*~~

~~*(a) the amount of the inclusionary housing fee shall be adjusted consistent with the factors set forth in Sections 415.5(b)(2) and 415.5(b)(3), but in no case shall the fee be increased by more than 2%*~~

~~*annually; and*~~

~~*(b) the provisions of 415.6(a)(5) shall not apply.*~~

~~***SEC. 415B.5. SUNSET PROVISION.***~~

~~*This section 415B shall expire by operation of law on November 1, 2026, unless extended by an ordinance on or effective before that date. Upon expiration of this Section 415B, the City Attorney shall cause the section to be removed from the Planning Code.*~~

~~***[AFFORDABLE HOUSING: MARKET AND OCTAVIA AREA PLAN; UPPER MARKET NEIGHBORHOOD COMMERCIAL DISTRICT]***~~

~~***SEC. 416. MARKET AND OCTAVIA AREA PLAN AND UPPER MARKET NEIGHBORHOOD COMMERCIAL DISTRICT AFFORDABLE HOUSING FEE.***~~

~~*Sections 416.1 through 416.5, hereafter referred to as Section 416.1 et seq., set forth the requirements and procedures for the Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee. The effective date of these requirements shall be either May 30, 2008, which is the date that the requirements originally became effective, or the date a subsequent modification, if any, became effective.*~~

~~***SEC. 416.1. FINDINGS.***~~

~~*The Board of Supervisors hereby finds that:*~~

~~*A. The additional affordable housing requirements of this Section are supported by the Nexus Study performed by Keyser Marston and Associates referenced in Section 415.1(11) and found in Board File No. 081152. The Board of Supervisors has reviewed the study and staff analysis and report of the study and, on that basis, finds that the study supports the current inclusionary affordable housing requirements combined with the additional affordable housing fee. Specifically, the Board finds that the study: (1) identifies the purpose of the additional fee to mitigate impacts on the demand for affordable housing in the City; (2) identifies the use to which the additional fee is to be put as being to increase the*~~

~~*City's affordable housing supply; and (3) establishes a reasonable relationship between the use of the additional fee for affordable housing and the need for affordable housing and the construction of new market rate housing. Moreover, the Board finds that the current inclusionary affordable requirements combined with the additional fee are less than the cost of mitigation and do not include the costs of remedying any existing deficiencies. The Board also finds that the study establishes that the current inclusionary affordable requirements and additional fee do not duplicate other City requirements or fees.*~~

~~*B. Furthermore, the Board finds that generally an account has been established, funds appropriated, and a construction schedule adopted for affordable housing projects funded through the Inclusionary Affordable Housing program. The Affordable Housing Fee will reimburse the City for expenditures on affordable housing that have already been made.*~~

~~*C. A major Market and Octavia Area Plan objective is to direct new market rate housing development to the area. That new market rate development will greatly outnumber both the number of units and potential new sites within the plan area for permanently affordable housing opportunities. The City and County of San Francisco has adopted a policy in its General Plan to meet the affordable housing needs of its general population and to require new housing development to produce sufficient affordable housing opportunities for all income groups, both of which will not be met by the projected housing development in the plan area. In addition, the "Draft Residential Nexus Analysis City and County of San Francisco" of December 2006 indicates that market rate housing itself generates additional lower income affordable housing needs for the workforce needed to serve the residents of the new market rate housing proposed for the plan area. In order to meet the demand created for affordable housing by the specific policies of the Plan and to be consistent with the policy of the City and County of San Francisco it is found that an additional affordable housing fee need be included on all market rate housing development in the Plan Area with priority for its use being given to the Plan area.*~~

~~***SEC. 416.2. DEFINITIONS.***~~

~~*See Section 401 of this Article.*~~

~~***SEC. 416.3. APPLICATION OF AFFORDABLE HOUSING FEE REQUIREMENT.***~~

~~*The requirements of Sections 415.1 through 415.9 shall apply in the Market and Octavia Plan Area and the entirety of the Upper Market NCT District in addition to the following affordable housing requirement:*~~

~~*(a) Amount of Fee. Development projects that are subject to the Residential Inclusionary Affordable Housing Program shall pay an additional affordable housing fee per the fee schedule in Table 416.3A, except as provided under Section 406(k).*~~

~~*TABLE 416.3A*~~

~~*AFFORDABLE HOUSING FEE SCHEDULE IN THE MARKET AND OCTAVIA PROGRAM AREA*~~

	~~*Van Ness and Market Special Use District*~~	~~*NCT*~~	~~*RTO*~~
~~*Net addition of residential use or change of use to residential use*~~	~~*$7.20/gross square foot*~~	~~*$3.60/gross square foot*~~	~~*$0.00/gross square foot*~~
~~*Replacement of, or change of use from, non-residential to residential*~~	~~*$3.80/gross square foot*~~	~~*$0.20/gross square foot*~~	~~*$0.00/gross square foot*~~
~~*Replacement of, or change of use from, PDR to residential use*~~	~~*$5.50/gross square foot*~~	~~*$1.90/gross square foot*~~	~~*$0.00/gross square foot*~~

~~*(b) Other Fee Provisions. This additional affordable housing fee shall be subject to the inflation adjustment provisions of Section 409 and the waiver and reduction provisions of Section 406. This additional affordable housing fee may not be met through the in-kind provision of community improvements or Community Facilities (Mello Roos) financing options of Sections 421.3(d) and (e). Pursuant to Section 249.33, in the Van Ness & Market Residential Special Use District this fee may be paid in any of the Alternatives set forth in Section 415.5(g).*~~

~~*(c) Exemption for Affordable Housing. A project applicant shall not pay a supplemental affordable housing fee for any square foot of space designated as a below market rate unit under Section 415.1 et seq., the Citywide Inclusionary Affordable Housing Program, or any other residential unit that is designated as an affordable housing unit under a Federal, State, or local restriction in a manner that maintains affordability for a term no less than 50 years.*~~

~~*(d) Timing of Fee Payments. The Market and Octavia Plan Area and Upper Market NCD Affordable Housing Fee shall be paid to DBI for deposit into the Citywide Affordable Housing Fund at the time required by Section 402(d).*~~

~~***SEC. 416.4. IMPOSITION OF AFFORDABLE HOUSING FEE REQUIREMENT.***~~

~~*(a) Determination of Requirements. The Department shall determine the applicability of Section 416.1 et seq. to any development project requiring a first construction document and, if Section 416.1 et seq. is applicable, shall impose any such requirements as a condition of approval for issuance of the first construction document. The project sponsor shall supply any information necessary to assist the Department in this determination.*~~

~~*(b) Department Notice to Development Fee Collection Unit of Fee Requirements. After the Department has made its final determination regarding the application of the affordable housing requirements to a development project pursuant to Section 416.1 et seq., it shall immediately notify the*~~

~~*Development Fee Collection Unit at DBI of the applicable affordable housing fee amount in addition to the other information required by Section 402(b) of this Article.*~~

~~*(c) Process for Revisions of Determination of Requirements. In the event that the Department or the Commission takes action affecting any development project subject to Section 416.1 et seq. and such action is subsequently modified, superseded, vacated, or reversed by the Board of Appeals, the Board of Supervisors, or by court action, the procedures of Section 402(c) of this Article shall be followed.*~~

~~***SEC. 416.5. USE OF FUNDS.***~~

~~*The additional affordable housing requirement specified in this Section 416.5 for the Market and Octavia Plan Area and the Upper Market NCT District shall be paid into the Citywide Affordable Housing Fund, established in Administrative Code Section 10.100-49, but the funds shall be separately accounted for. MOHCD shall expend the funds according to the following priorities: First, to increase the supply of housing Affordable to Qualifying Households in the Market and Octavia Plan Area and the Upper Market NCT District; second, to increase the supply of housing Affordable to Qualifying Households within one mile of the boundaries of the Plan Area and the Upper Market NCT District; third, to increase the supply of housing affordable to qualifying households in the City and County of San Francisco. The funds may also be used for monitoring and administrative expenses subject to the process described in Section 415.5(f)*~~

~~***[AFFORDABLE HOUSING: EASTERN NEIGHBORHOODS AREA PLAN]***~~

~~***SEC. 417. EASTERN NEIGHBORHOODS AREA PLAN AFFORDABLE HOUSING REQUIREMENT.***~~

~~*(Formerly Section 315.4(a)(1)(ii)).*~~

~~*Sections 417.1 through 417.5, hereafter referred to as Section 417.1 et seq., set forth the*~~

~~*requirements and procedures for the Eastern Neighborhoods Area Plan Alternate Affordable Housing Fee. The effective date of these requirements shall be either January 19, 2009, which is the date that the requirements originally became effective, or the date a subsequent modification, if any, became effective.*~~

~~***SEC. 417.1. FINDINGS.***~~

~~*The Board of Supervisors hereby finds that:*~~

~~*A. The fee provisions of this Section are equivalent to or less than the fees for developments of over 20 units previously adopted by the Board in Ordinance No. 051685 and 060529 and are also supported by the Nexus Study performed by Keyser Marston and Associates referenced in Section 415.1(11) and found in Board File No. 081152. The Board of Supervisors has reviewed the study and staff analysis prepared by the MOH dated July 24, 2008 in Board File No. 081152 and, on that basis, finds that the study supports the current proposed changes to the inclusionary housing requirements for projects of 20 units or less in the Eastern Neighborhood Area Plan. Specifically, the Board finds that the study and staff memo: (1) identifies the purpose of the additional fee to mitigate impacts on the demand for affordable housing in the City; (2) identifies the use to which the additional fee is to be put as being to increase the City's affordable housing supply; and (3) establishes a reasonable relationship between the use of the additional fee for affordable housing and the need for affordable housing and the construction of new market rate housing. Moreover, the Board finds that the new inclusionary affordable housing requirements are less than the cost of mitigation and do not include the costs of remedying any existing deficiencies. The Board also finds that the study establishes that the inclusionary requirements do not duplicate other City requirements or fees.*~~

~~*B. Furthermore, the Board finds that generally an account has been established, funds appropriated, and a construction schedule adopted for affordable housing projects funded through the Inclusionary Affordable Housing program and the in lieu fees will reimburse the City for expenditures on affordable housing that have already been made.*~~

~~*C. The Board finds that small scale development faces a number of challenges in the current development climate, including limited access to credit and often, a higher land cost per unit for the small sites on which they develop. Because of these and other variations from larger-scale development, they operate under a somewhat unique development model which cannot be fully encapsulated within the constraints of the Eastern Neighborhoods Financial Analysis, prepared to assess the financial feasibility of increasing housing requirements and impact fees in the Plan Areas. To address these challenges, the Board finds that a number of slight modifications to the affordable housing requirements of the Eastern Neighborhoods, to apply to small projects (defined as 20 units or fewer, or less than 25,000 gross square feet) are appropriate.*~~

~~***SEC. 417.2. DEFINITIONS***~~*.*

~~*See Section 401 of this Article.*~~

~~*"Gross Square Footage" shall have the meaning set forth in Section 102.*~~

~~*"Eastern Neighborhood Controls" shall have the meaning set forth in Section 175.6(c)(1).*~~

~~***SEC. 417.3. APPLICATION OF AFFORDABLE HOUSING FEE REQUIREMENT.***~~

~~*(a) **Application**. The alternate Affordable Housing Fee described in this Section shall only apply to development projects that are subject to the Eastern Neighborhood Controls, consist of 20 units or less or less than 25,000 gross square feet, and are subject to the requirements of Sections 415 through 415.9 and 419, and any stated exceptions elsewhere in this Code, including the specific provisions in Section 419.*~~

~~*(b) **Amount of Fee.** Any sponsor of a development projects subject to this Section may choose to pay an alternate fee equal to $40.00 per gross square foot of net new residential development instead of the standard Affordable Housing Fee requirements set forth in Section 415.5 as follows.*~~

~~*(c) **Calculation of Gross Square Feet of Residential Area**. The calculation of gross square feet shall not include nonresidential uses, including any retail, commercial, or PDR uses, and all other space used only for storage and services necessary to the operation or maintenance of the building*~~

~~*itself.*~~

~~*(d) **Timing of Fee Payments**. The Eastern Neighborhoods Alternate Affordable Housing Fee shall be paid to DBI for deposit into the Citywide Affordable Housing Fund at the time required by Section 402(d).*~~

~~***SEC. 417.4. IMPOSITION OF AFFORDABLE HOUSING FEE REQUIREMENT**.*~~

~~*(a) **Determination of Requirements**. The Department shall determine the applicability of Section 417.1 et seq. to any development project requiring a first construction document and, if Section 417.1 et seq. is applicable, shall impose any such requirements as a condition of approval for issuance of the first construction document for the development project. The project sponsor shall supply any information necessary to assist the Department in this determination.*~~

~~*(b) **Department Notice to Development Fee Collection Unit at DBI**. After the Department has made its final determination regarding the application of the affordable housing requirements to a development project pursuant to Section 417.1 et seq., it shall immediately notify the Development Fee Collection Unit at DBI of the applicable affordable housing fee amount in addition to the other information required by Section 402(b) of this Article.*~~

~~*(c) Process for Revisions of Determination of Requirements. In the event that the Department or the Commission takes action affecting any development project subject to Section 417.1 et seq. and such action is subsequently modified, superseded, vacated, or reversed by the Board of Appeals, the Board of Supervisors, or by court action, the procedures of Section 402(c) shall be followed.*~~

~~***SEC. 417.5. USE OF FUNDS**.*~~

~~*The Eastern Neighborhoods Area Plan Alternate Affordable Housing Fee shall be paid into the Citywide Affordable Housing Fund, but the funds shall be separately accounted for. MOH shall expend the funds according to the following priorities: First, to increase the supply of housing Affordable to Qualifying Households in the Eastern Neighborhoods Project Areas; second, to increase the supply of housing Affordable to Qualifying Households within one mile of the boundaries of the Eastern*~~

~~*Neighborhoods Project Areas; third, to increase the supply of housing Affordable to Qualifying Households in the City and County of San Francisco. The funds may also be used for monitoring and administrative expenses subject to the process described in Section 415.5(e). All monies contributed pursuant to the Eastern Neighborhoods Area Plan Alternate Affordable Housing Fee and collected within the Central SoMa Special Use District shall be paid into the Citywide Affordable Housing Fund, but the funds shall be separately accounted for. Such funds shall be expended within the area bounded by Market Street, the Embarcadero, King Street, Division Street, and South Van Ness Avenue.*~~

~~***[HOUSING REQUIREMENTS, UMU ZONING DISTRICTS OF THE EASTERN NEIGHBORHOODS; LAND DEDICATION ALTERNATIVE IN THE MISSION NCT DISTRICT]***~~

~~***SEC. 419. HOUSING REQUIREMENTS FOR RESIDENTIAL DEVELOPMENT PROJECTS IN THE UMU ZONING DISTRICTS OF THE EASTERN NEIGHBORHOODS AND THE LAND DEDICATION ALTERNATIVE IN THE UMU DISTRICT, MISSION NCT DISTRICT, AND CENTRAL SOMA SPECIAL USE DISTRICT.***~~

~~*Sections 419.1 through 419.6, hereafter referred to as Section 419.1 et seq., set forth the housing requirements for residential development projects in the UMU Zoning Districts of the Eastern Neighborhoods and the Land Dedication Alternative in the UMU District, Mission NCT District, and Central SoMa Special Use District. The effective date of these requirements shall be either December 19, 2008, which is the date that the requirements originally became effective, or the date a subsequent modification, if any, became effective.*~~

~~***SEC. 419.1. FINDINGS.***~~

~~*(a)* **Need for New Housing and Other Land Uses.** *San Francisco is experiencing a severe shortage of housing available to people at all income levels. In addition, San Francisco has an ongoing affordable housing crisis. Many future San Francisco workers will be earning below 80% of the area's median income, and even those earning moderate or middle incomes, above the City's median, are*~~

~~*likely to need assistance to continue to live in San Francisco. In 2007, the median income for a family of four in the City was about $86,000. Yet median home prices suggest that nearly twice that income is needed to be able to afford a dwelling suitable for a family that size. Only an estimated 10% of households in the City can afford a median-priced home.*~~

~~*The Association of Bay Area Governments' (ABAG) Regional Housing Needs Determination (RHND) forecasts that San Francisco must produce over 31,000 new units in the next five years, or over 6,000 new units of housing annually, to meet projected needs. At least 60%, or over 18,000, of these new units should be available to households of very low, low, and moderate incomes. With land in short supply in the City, it is increasingly clear that the City's formerly industrial areas offer a critical source of land where this great need for housing, particularly affordable housing, can be partially addressed.*~~

~~*(b) **Target Area For New Housing.** San Francisco's Housing Element establishes the Eastern Neighborhoods as a target area for development of new housing to meet San Francisco's identified housing targets. The release of some of the area's formerly industrial lands, no longer needed to meet current industrial or PDR needs, offers an opportunity to achieve higher affordability, and meet a greater range of need. The Mission, Showplace Square - Potrero Hill, East SoMa and Central Waterfront Area Plans of the General Plan (Eastern Neighborhoods Plans) thereby call for creation of new zoning intended specifically to meet San Francisco's housing needs, through higher affordability requirements and through greater flexibility in the way those requirements can be met.*~~

~~*New affordable units are currently funded through a variety of sources, including inclusionary housing and in lieu fees leveraged by new market rate residential development pursuant to Sections 413 and 415; as well as City, State, and federal funding. Using these existing sources, the Planning Department projects that approximately 1,000 to 1,500 new units of affordable housing will be developed in the Eastern Neighborhoods.*~~

~~*Recognizing that this number of affordable units is not sufficient, the Plans call for further*~~

~~*measures beyond the existing inclusionary requirements and Citywide funding, including new funding sources for affordable housing programs such as an impact fee; and new zoning districts in formerly industrial areas which require deeper affordability.*~~

~~*(c) **Requirements for New Development To Contribute Towards Housing Objectives.** A key policy goal of the Eastern Neighborhoods Plans is to provide a significant amount of new housing affordable to low, moderate, and middle income families and individuals, along with "complete neighborhoods" that provide appropriate amenities for these new residents. The Plans obligate all new development within the Eastern Neighborhoods to contribute towards these goals, by providing a contribution towards affordable housing needs and by paying for a reasonable share of their impact on the neighborhood's infrastructure. They further require new development in transitioning formerly industrial areas to contribute a higher share towards the City's exponentially high affordability needs.*~~

~~*To address the full range of housing needs of all income categories, including low, moderate, and middle income families and individuals, the Plans provide programs which address all of these income levels, as follows:*~~

~~*(1) **Low**: Current housing programs funded by federal and State funds, private equity raised through Low-Income Housing Tax Credits, and local funds such as inclusionary in-lieu and Jobs-Housing Linkage fees and run by MOHCD and the San Francisco Redevelopment Agency fund affordable housing primarily at very low and low income levels, to households making below 80% of the area median income; but due to the low supply and high costs of land in the City, are at a disadvantage for sites upon which to provide such housing. An alternative to the city's Inclusionary Housing Program will allow developers to dedicate sites for very low and low income level units.*~~

~~*(2) **Moderate**: The City's Inclusionary Housing Program funds affordable housing primarily at the moderate income levels through on-site provision of below-market rate units, to households making between 80% and 120% of the San Francisco median income. Continuation and expansion of the Inclusionary Housing Program will allow provision of these moderate income units to increase.*~~

~~*(3) **Middle**: The City has no current programs to fund affordable housing to those at "middle" income levels, below the 200% area median income level estimated to be required to purchase market rate housing yet above the 120% threshold required for the City's Inclusionary Housing Program. An alternative to the city's Inclusionary Housing Program will allow developers to provide "middle" income level units.*~~

~~*The Eastern Neighborhoods Plans structure requirements and fees by tiers to ensure feasibility. This feasibility amount remains below the nexus established in the Residential Nexus Analysis, April 2007, on file with the Planning Department. Within these districts, new development of market-rate housing will be required to meet affordable housing requirements above the City's ordinary affordable housing requirements for Residential and Live/Work Development Projects (Section 415), as described in Sections 419.2-419.4. These housing requirements may be met through increased inclusionary requirements under the City's traditional Inclusionary Program, or through alternative methods contained herein.*~~

~~***SEC. 419.2. DEFINITIONS.***~~

~~*(a) In addition to the definitions set forth in Section 401 of this Article:*~~

~~*(1) "Tier A."*~~

~~*(i) All development on sites within the UMU District which received a height increase of eight feet or less, or received a reduction in height, as part of the Eastern Neighborhoods Plan (on file with the Clerk of the Board of Supervisors in File No. 081154), and all sites within the Mission NCT District utilizing the land dedication alternative specified in Section 419.5(a)(2).*~~

~~*(ii) All changes of use within existing structures.*~~

~~*(2) "Tier B." All development on sites within the UMU District which received a height increase of nine to 28 feet as part of the Eastern Neighborhoods Plan (on file with the Clerk of the Board of Supervisors in File No. 081154).*~~

~~*(3) "Tier C." All development on sites within the UMU District which received a*~~

~~*height increase of 29 feet or more as part of the Eastern Neighborhoods Plan (on file with the Clerk of the Board of Supervisors in file No. 081154).*~~

~~***SEC. 419.3. APPLICATION OF UMU AFFORDABLE HOUSING REQUIREMENTS.***~~

~~*(a) Section 419.1 et seq. shall apply to any housing project located in the UMU Zoning District of the Eastern Neighborhoods, that is subject to the requirements of Sections 415 et seq.*~~

~~*(b) **Additional UMU Affordable Housing Requirements to the Section 415 Inclusionary Affordable Housing Program Requirements.** The requirements of Section 415 through 415.9 shall apply subject to the following exceptions:*~~

~~*(1) For all projects sites designated as Tier A, a minimum of 14.4 percent of the total units constructed shall be affordable to and occupied by qualifying persons and families as defined elsewhere in this Code, so that a project sponsor must construct .144 times the total number of units produced in the principal project beginning with the construction of the tenth unit. If the total number of units is not a whole number, the sponsor shall round up to the nearest whole number for any portion of .5 or above.*~~

~~*(A) If the project sponsor is eligible for and elects pursuant to Section 415.5(g) to build off-site units to satisfy the requirements of this program, the sponsor shall construct 23 percent so that a sponsor must construct .23 times the total number of units produced in the principal project beginning with the construction of the tenth unit. If the total number of units is not a whole number, the sponsor shall round up to the nearest whole number for any portion of .5 or above.*~~

~~*(B) If the project sponsor elects pursuant to Section 415.5 to pay the fee to satisfy the requirements of this program, the sponsor shall meet the requirements of Section 415 according to the number of units required above if the project applicant were to elect to meet the requirements of this Section by off-site housing development. For the purposes of this Section, the City shall calculate the fee using the direct fractional result of the total number of units multiplied by the percentage of off-site housing required, rather than rounding up the resulting figure.*~~

~~*(2) For all project sites designated Tier B, a minimum of 16 percent of the total units constructed shall be affordable to and occupied by qualifying persons and families as defined elsewhere in this Code, so that a project sponsor must construct .16 times the total number of units produced in the principal project beginning with the construction of the tenth unit. If the total number of units is not a whole number, the sponsor shall round up to the nearest whole number for any portion of .5 or above.*~~

~~*(A) If the project sponsor is eligible for and elects pursuant to Section 415.5(g) to build off-site units to satisfy the requirements of this program, the sponsor shall construct 25 percent so that a sponsor must construct .25 times the total number of units produced in the principal project beginning with the construction of the tenth unit. If the total number of units is not a whole number, the sponsor shall round up to the nearest whole number for any portion of .5 or above.*~~

~~*(B) If the project sponsor elects pursuant to Section 415.5(g) to pay the fee to satisfy the requirements of this program, the sponsor shall meet the requirements of Section 415 according to the number of units required above if the sponsor were to elect to meet the requirements of this Section by off-site housing development. For the purposes of this Section, the City shall calculate the fee using the direct fractional result of the total number of units multiplied by the percentage of off-site housing required, rather than rounding up the resulting figure.*~~

~~*(3) For all project sites designated Tier C, a minimum of 17.6 percent of the total units constructed shall be affordable to and occupied by qualifying persons and families as defined elsewhere in this Code, so that a project sponsor must construct .176 times the total number of units produced in the principal project beginning with the construction of the tenth unit. If the total number of units is not a whole number, the sponsor shall round up to the nearest whole number for any portion of .5 or above.*~~

~~*(A) If the project sponsor is eligible for and elects pursuant to Section 415.5(g) to build off-site units to satisfy the requirements of this program, the sponsor shall construct 27 percent*~~

~~*so that a sponsor must construct .27 times the total number of units produced in the principal project beginning with the construction of the tenth unit. If the total number of units is not a whole number, the sponsor shall round up to the nearest whole number for any portion of .5 or above.*~~

~~*(B) If the project sponsor elects pursuant to Section 415.5 to pay the fee to satisfy the requirements of this program, the sponsor shall meet the requirements of Section 415 according to the number of units required above if the sponsor were to elect to meet the requirements of this Section by off-site housing development. For the purposes of this Section, the City shall calculate the fee using the direct fractional result of the total number of units multiplied by the percentage of off-site housing required, rather than rounding up the resulting figure.*~~

~~*(c) **Timing of Fee Payments.** Any fee required by Section 419.1 et seq. shall be paid to DBI for deposit into the Citywide Affordable Housing Fund at the time required by Section 402(d).*~~

~~***SEC. 419.4. IMPOSITION OF UMU AFFORDABLE HOUSING REQUIREMENTS.***~~

~~*(a) The Department shall determine the applicability of Section 419.1 et seq. to any development project requiring a first construction document and, if Section 419.1 et seq. is applicable, the additional affordable housing required pursuant to Section 419.1 et seq. and shall impose these requirements as condition on the approval for issuance of the first construction document for the development project. The project sponsor shall supply any information necessary to assist the Department in this determination.*~~

~~*(b) **Notice to Development Fee Collection Unit at DBI.** After the Department has made its final determination of the additional affordable housing required pursuant to Section 419.1 et seq., it shall immediately notify the Development Fee Collection Unit at DBI of its determination in addition to the other information required by Section 402(b) of this Article.*~~

~~*(c) **Sponsor's Choice to Fulfill Requirements.** Prior to issuance of a building or site permit for a development project subject to the requirements of Section 419.1 et seq., the sponsor of the development project shall select one of the options described in Section 419.3 above or the Alternatives*~~

~~*described in Section 419.5 below to fulfill the affordable housing requirements and notify the Department of their choice.*~~

~~*(d) **Department Notice to Development Fee Collection Unit of Sponsor Choice.** After the sponsor has notified the Department of their choice to fulfill the additional affordable housing requirements of Section 419.1 et seq., the Department shall immediately notify the Development Fee Collection Unit at DBI of the sponsor's choice.*~~

~~*(e) **The Development Fee Collection Unit Notice to Department Prior to Issuance of the First Certificate of Occupancy**. The Development Fee Collection Unit at DBI shall provide notice in writing or electronically to the Department prior to issuing the first certificate of occupancy for any development project subject to Section 419.1 et seq. that has elected to fulfill its requirement with an option other than payment of an in-lieu fee. If the Department notifies the Unit at such time that the sponsor has not satisfied the requirements, the Director of DBI shall deny any and all certificates of occupancy until the subject project is brought into compliance with the requirements of Section 419.1 et seq.*~~

~~*(f) **Process for Revisions of Determination of Requirements.** In the event that the Department or the Commission takes action affecting any development project subject to Section 419.1 et seq. and such action is subsequently modified, superseded, vacated, or reversed by the Department or the Commission, Board of Appeals, the Board of Supervisors, or by court action, the procedures of Section 402(c) of this Article shall be followed.*~~

~~***SEC. 419.5. ALTERNATIVES TO THE INCLUSIONARY HOUSING COMPONENT.***~~

~~*(a) **Alternatives to the Inclusionary Housing Component.** In addition to the Alternatives specified in Section 415.5(g) the project sponsor may elect to satisfy the requirements of Section 415.5 by one of the Alternatives specified in this Section. The project sponsor has the choice between the Alternatives and the Planning Commission may not require a specific Alternative. The project sponsor*~~

~~*must elect an Alternative before it receives project approvals from the Planning Commission or Planning Department and that Alternative will be a condition of project approval. The Alternatives are as follows:*~~

~~*(1) **Middle Income Alternative**. On sites with less than 50,000 square feet of total developable area, applicants may provide units as affordable to qualifying "middle income" households as follows:*~~

~~*(A) A minimum percent of the total units constructed shall be affordable to and occupied affordable to qualifying "middle income" households upon initial sale, according the schedule in Table 419.5. If the total number of units is not a whole number, the project applicant shall round up to the nearest whole number for any portion of .5 or above. Units shall be affordable to households between 120% and 150% of the San Francisco Area Median Income, with an average affordability level of 135% for all units provided through this Alternative.*~~

~~*(B) Where market rate sales prices exceed restricted sales prices, the difference between the market rate sales prices and the restricted sales prices shall be held by the MOHCD as a silent second mortgage according to the Procedures Manual. The City shall hold a deed of trust and promissory note for the second mortgage. MOHCD shall hold this mortgage and shall release it when the original note and proportional share of the appreciation are paid in full to the City.*~~

~~*(C) Units shall initially be sold at or below prices to be determined by MOHCD in the Conditions of Approval or Notice of Special Restrictions according to the formula specified in the Procedures Manual to make them affordable to middle income households. Upon resale, the seller shall be permitted to sell the units at their market price. The City will waive its right of first refusal to the seller when the promissory note and deed of trust are paid, along with the City's share of the appreciation of the unit. The promissory note shall accrue no interest and shall require no monthly payments.*~~

~~*(D) Upon first resale, the seller shall have a right to keep a percentage of the*~~

~~*total appreciation of the unit proportional to every year the original seller owns the unit as an owner occupant. The remainder of the proceeds of the sale, after the first mortgage, the second mortgage, and any other subordinate financing is paid off, shall be repaid to MOHCD. Detailed resale procedures shall be specified in the Middle Income Housing Procedures Manual published by MOHCD and approved by the Planning Commission. The Director of MOHCD shall amend the Procedures Manual as needed with the Commission's approval.*~~

~~*(E) The City shall monitor units provided under this option during the 2- and 5-year Monitoring Report specified in Section 342 of this Code and in separate resolution. Should this monitoring report indicate that units constructed under this program do not meet the programs program's stated goals of providing affordable housing to Middle Income Households, the Planning Department and MOHCD shall consider changes to this program, including, but not limited to, legislative changes.*~~

~~*(F) If the project sponsor elects to satisfy the requirements of Section 415.5 and of this Section by the Alternative specified above, the dwelling unit mix required by Section 207.6 may be waived provided the minimum percent of total units affordable to qualifying "middle income" households as required by Table 419.5 is increased by 10%.*~~

~~*(2) **Land Dedication Alternative.** Applicants may dedicate a portion of the total developable area of the principal site to the City and County of San Francisco for the purpose of constructing units Affordable to Qualifying Households. A minimum percentage of developable area, representing an equivalent percent of total potential units to be constructed, shall be dedicated to the City according the schedule in Table 419.5 . To meet the requirements of this Alternative, the developer must convey title to land in fee simple absolute to MOHCD according to the Procedures Manual, provided the dedicated site is deemed of equivalent or greater value to the principal site per those procedures and is in line with the following requirements:*~~

~~*(A) The dedicated site will result in a total amount of inclusionary units not less*~~

~~*than 40 units. MOHCD may conditionally approve and accept dedicated sites which result in no less than 25 units at its discretion.*~~

~~*(B) The dedicated site will result in a total amount of inclusionary units that is equivalent or greater than the minimum percentage of the units that will be provided on the principal site, as required by Table 419.5. MOHCD may also accept dedicated sites that represent the equivalent of or greater than the required percentage of units for all units that could be provided on a collective of sites within a one-mile radius, provided the total amount of inclusionary units provided on the dedicated site is equivalent to or greater than the total requirements for all principal sites participating in the collective, according to the requirements of Table 419.5.*~~

~~*(C) The dedicated site is suitable from the perspective of size, configuration, physical characteristics, physical and environmental constraints, access, location, adjacent use, and other relevant planning criteria. The site must allow development of affordable housing that is sound, safe, and acceptable.*~~

~~*(D) The dedicated site includes infrastructure necessary to serve the inclusionary units, including sewer, utilities, water, light, street access, and sidewalks.*~~

~~*(E) The developer must submit full environmental clearance for the dedicated site before the land can be considered for conveyance, and before a first site or building permit may be conferred upon the Principal Project.*~~

~~*(F) The City may accept dedicated sites that vary from the minimum threshold, provided such a dedication is deemed generally equivalent to the original requirement by the MOHCD.*~~

~~*(G) The City may accept dedicated sites that meet the above requirements in accordance with the Procedures Manual, in combination with fees or on-site units, provided such a combination is deemed generally equivalent by MOHCD to the original requirement.*~~

~~*(H) The project applicant has a letter from MOHCD verifying acceptance of site before it receives project approvals from the Planning Commission or Planning Department, which*~~

~~*shall be used to verify dedication as a condition of approval.*~~

~~*(I) If the project sponsor elects to satisfy the requirements of Section 415.5 and of this Section by the Alternative specified above, the dwelling unit mix required by Section 207.6 may be waived.*~~

~~*(J) The Land Dedication Alternative may be satisfied through the dedication to the City of air space above or adjacent to the project, upon the approval of MOHCD, or a successor entity, and provided the other requirements of subsection (a)(2)(A)-(I) are otherwise satisfied.*~~

~~*TABLE 419.5*~~

~~*HOUSING REQUIREMENTS FOR THE UMU DISTRICT*~~

~~*Tier*~~	~~*On-Site Housing Requirement*~~	~~*Off-Site/In-Lieu Requirement*~~	~~*Middle Income Alternative*~~	~~*Land Dedication Alternative for sites that have less than 30,000 square feet of developable area*~~	~~*Land Dedication Alternative for sites that have at least 30,000 square feet of developable area*~~
~~*A*~~	~~*14.4%*~~	~~*23%*~~	~~*30%*~~	~~*35%*~~	~~*30%*~~
~~*B*~~	~~*16%*~~	~~*25%*~~	~~*35%*~~	~~*40%*~~	~~*35%*~~
~~*C*~~	~~*17.6%*~~	~~*27%*~~	~~*40%*~~	~~*45%*~~	~~*40%*~~

~~**Requirement increases by 5% if dwelling unit mix required by Section 207.6 is waived.*~~

~~*(b) **Adjustments to Requirements for the Inclusionary Housing Component.** This Section is intended to incorporate, rather than supersede, any changes made to Planning Code Section 415. In the instance that the base requirements of Section 415 are amended, the above-noted requirements shall be reviewed, and if appropriate, amended and/or increased accordingly.*~~

~~***SEC. 419.6. LAND DEDICATION ALTERNATIVE IN THE MISSION NCT DISTRICT AND CENTRAL SOMA SPECIAL USE DISTRICT.***~~

~~*(a) **Mission NCT District**. The Land Dedication Alternative is available for any project within the Mission NCT District under the same terms and conditions as provided for in Section 419.5(a)(2)(A)-(J).*~~

~~*(b) **Central SoMa Special Use District.** The Land Dedication Alternative is available for projects within the Central SoMa Special Use District under the same terms and conditions as provided for in Section 419.5 (a)(2), except that in lieu of the Land Dedication Alternative requirements of Table 419.5, projects may satisfy the requirements of Section 415.5 by dedicating land for affordable housing if the dedicated site will result in a total amount of dedicated Gross Floor Area that is equal to or greater than 45% of the potential Gross Floor Area that could be provided on the principal site, as determined by the Planning Department. Land dedicated for affordable housing that results in less than 45% of such potential Gross Floor Area may be counted in partial satisfaction of the requirements of Section 415.5, so long as the land dedicated is at least 10,000 square feet or has a minimum capacity of 75 units of affordable housing; provided that the project satisfies any remaining obligations under Section 415.5 through the alternatives described in Section 415.5(g)(1). Any dedicated land shall be within the area bounded by Market Street, the Embarcadero, King Street, Division Street, and South Van Ness Avenue.*~~

~~***[VAN NESS & MARKET AFFORDABLE HOUSING AND NEIGHBORHOOD***~~

~~***INFRASTRUCTURE]***~~

~~***SEC. 424. VAN NESS & MARKET AFFORDABLE HOUSING AND NEIGHBORHOOD INFRASTRUCTURE FEE AND PROGRAM.***~~

~~*Sections 424.1 through 424.5, hereafter referred to as Section 424.1 et seq., set forth the requirements and procedures for the Van Ness and Market Affordable Housing and Neighborhood Infrastructure Program. The effective date of these requirements shall be either May 30, 2008, which is the date that the requirements original became effective, or the date a subsequent modification, if any, became effective.*~~

~~***SEC. 424.1. FINDINGS SUPPORTING THE VAN NESS & MARKET AFFORDABLE HOUSING AND NEIGHBORHOOD INFRASTRUCTURE FEE AND PROGRAM.***~~

~~*(a) Affordable Housing. The Van Ness and Market Residential Special Use District ("SUD") enables the creation of a very dense residential neighborhood through significant increases in development potential. This increase in development potential permits an increase in market rate housing development. As described in Section 415.1, affordable housing is a priority for San Francisco and additional demand for affordable housing is closely correlated to the development of new market rate housing. At the direction of the Board of Supervisors and as part of a larger analysis of development impact fees in the City, the City contracted with Keyser Marston Associates to prepare a nexus analysis in support of the Inclusionary Housing Program, or an analysis of the impact of development of market rate housing on affordable housing supply and demand.*~~

~~*The City's Inclusionary Housing Program including the in-lieu fee provision which is offered as an alternative to building units within market rate projects, is not subject to the requirements of the Mitigation Fee Act, Government Code Sections 66000 et seq. Notwithstanding this policy, as an additional support measure, the City prepared a nexus study consistent with the Mitigation Fee Act to determine whether the Inclusionary Affordable Housing Program was supported by such analysis. The final nexus study can be found in the Board of Supervisors File and is incorporated by reference*~~

~~*herein. The Board of Supervisors has reviewed the study and the Department's analysis and report of the study and, on that basis finds that the nexus study supports the current Inclusionary Affordable Housing Program requirements as specified in this Section 424.1 et seq. combined with this Affordable Housing Floor Area Ratio ("FAR") Bonus Program. Specifically, the Board finds that the nexus study: identifies the purpose of the fee to mitigate impacts on the demand for affordable housing in the City; identifies the use to which the fee is to be put as being to increase the City's affordable housing supply; and establishes a reasonable relationship between the use of the fee for affordable housing and the need for affordable housing and the construction of new market rate housing. Moreover, the Board finds that the current inclusionary requirements combined with the Affordable Housing FAR Bonus Program are less than the cost of mitigation and do not include the costs of remedying any existing deficiencies. The Board also finds that the study establishes that the current inclusionary requirements combined with the Affordable Housing FAR Bonus Program do not duplicate other City requirements or fees.*~~

~~*Moreover, according to the study undertaken by Seifel Consulting at the direction of the Planning Department, increased development potential in the Van Ness and Market Downtown Residential Special Use district through the increased FAR allowance enables an increased contribution to the Citywide Affordable Housing Fund without discouraging the development of new market rate housing. A copy of said study is on file with the Clerk of the Board of Supervisors.*~~

~~*(b) **Neighborhood Infrastructure.** The Van Ness & Market Residential SUD enables the creation of a very dense residential neighborhood in an area built for back-office and industrial uses. Projects that seek the FAR bonus above the maximum cap would introduce a very high localized density in an area generally devoid of necessary public infrastructure and amenities, as described in the Market and Octavia Area Plan. While envisioned in the Plan, such projects would create localized levels of demand for open space, streetscape improvements, and public transit above and beyond the levels both existing in the area today and funded by the Market and Octavia Community Improvements*~~

~~*Fee. Such projects also entail construction of relatively taller or bulkier structures in a concentrated area, increasing the need for offsetting open space for relief from the physical presence of larger buildings. Additionally, the FAR bonus provisions herein are intended to provide an economic incentive for project sponsors to provide public infrastructure and amenities that improve the quality of life in the area. The bonus allowance is calibrated based on the cost of responding to the intensified demand for public infrastructure generated by increased densities available through the FAR density bonus program.*~~

~~*The Board of Supervisors has reviewed the San Francisco Citywide Nexus Analysis ("Nexus Analysis"), and the San Francisco Infrastructure Level of Service Analysis, both on file with the Clerk of the Board in File No. 230764 and, under Section 401A, adopts the findings and conclusions of those studies and the general and specific findings in that Section, specifically including the Recreation and Open Space Findings, Complete Streets Findings, Childcare Findings, and Transit Infrastructure Findings, and incorporates those by reference herein to support the imposition of the fees under this Section.*~~

~~*(c) **Public Improvements.** The public improvements acceptable in exchange for granting the FAR bonus, and that would be necessary to serve the additional population created by the increased density, are listed below. All public improvements shall be consistent with the Market and Octavia Area Plan.*~~

~~*(1) **Open Space Acquisition and Improvement.** Open Spaces (as described in the Market and Octavia Area Plan), or other open space of comparable size and performance. Open space shall be dedicated for public ownership or permanent easement for unfettered public access and improved for public use, including landscaping, seating, lighting, and other amenities.*~~

~~*(2) **Complete Streets.** Pedestrian and Streetscape improvements and Bicycle Infrastructure within the Special Use District as described in the Market and Octavia Area Plan, including Van Ness and South Van Ness Avenues, Gough, Mission, McCoppin, Market, Otis, Oak, Fell,*~~

~~*Valencia, 11th, 12th, and 13th Streets, along with adjacent alleys. Improvements include sidewalk widening, landscaping and trees, lighting, seating and other street furniture (e.g., newsracks, kiosks, bicycle racks), signage, transit stop and subway station enhancements (e.g., shelters, signage, boarding platforms), roadway and sidewalk paving, public art and living alleys.*~~

~~*(3) **Affordable Housing.** The type of affordable housing needed in San Francisco is documented in the City's Consolidated Plan and the Housing Element of the General Plan. New affordable rental housing and ownership housing affordable to households earning less than the median income is greatly needed in San Francisco.*~~

~~***SEC. 424.2. DEFINITIONS.***~~

~~*See Section 401 of this Article.*~~

~~***SEC. 424.3. APPLICATION OF VAN NESS & MARKET AFFORDABLE HOUSING AND NEIGHBORHOOD INFRASTRUCTURE FEE AND PROGRAM.***~~

~~*(a) **Application and Timing of Fee Payments.** Section 424.1 et seq. shall apply to any development project located in the Van Ness & Market Residential Special Use District, as established in Section 249.33 of this Code, except as provided under Section 406(k) of this Code. The Fee shall be paid to DBI for deposit into either the Van Ness and Market Downtown Residential Special Use District Affordable Housing Fund or the Van Ness and Market Downtown Residential Special Use District Infrastructure Fund, as applicable, at the time required by Section 402(d) of this Code.*~~

~~*(b) **Amount of Fee.***~~

~~*(1) All uses in any development project within the Van Ness & Market Residential Special Use District shall pay $30.00 per net additional gross square foot of floor area in any portion of building area exceeding the base development site FAR of 6:1 up to a base development site FAR of 9:1.*~~

~~*(2) All uses in any development project within the Van Ness & Market Residential Special Use District shall pay $15.00 per net additional gross square foot of floor area in any portion of building area exceeding the base development site FAR of 9:1.*~~

~~*(c) **Option for In-Kind Provision of Infrastructure Improvements and Fee Credits.** Project sponsors may propose to directly provide community improvements to the City. In such a case, the City may enter into an In-Kind Improvements Agreement with the sponsor and issue a fee waiver from the neighborhood infrastructure portion ($15.00 per net additional gross square foot of floor area) of the Van Ness & Market Residential Special Use District Affordable Housing and Neighborhood Infrastructure Fee from the Planning Commission, subject to the following rules and requirements:*~~

~~*(1) **Approval Criteria.** The City shall not enter into an In-Kind Agreement unless the proposed in-kind improvements meet an identified community need as analyzed in the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Program and where they substitute for improvements that could be provided by the Van Ness & Market Residential Special Use District Infrastructure Fee Fund (as described in Section 424.5). The City may reject in-kind improvements if they are not consistent with the priorities identified in the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Program. No physical improvement or provision of space otherwise required by the Planning Code or any other City Code shall be eligible for consideration as part of this In-Kind Improvements Agreement.*~~

~~*(2) **Valuation.** The Director of Planning shall determine the appropriate value of the proposed in-kind improvements. For the purposes of calculating the total value, the project sponsor shall provide the Planning Department with a cost estimate for the proposed in-kind improvement(s) from two independent sources or, if relevant, real estate appraisers. If the City has completed a detailed site-specific cost estimate for a planned improvement this may serve as one of the cost estimates provided it is indexed to current cost of construction.*~~

~~*(3) Content of the In-Kind Improvements Agreement. The In-Kind Improvements*~~

~~*Agreement shall include at least the following items:*~~

~~*(i) A description of the type and timeline of the proposed in-kind improvements.*~~

~~*(ii) The appropriate value of the proposed in-kind improvement, as determined in subsection (2) above.*~~

~~*(iii) The legal remedies in the case of failure by the project sponsor to provide the in-kind improvements according to the specified timeline and terms in the agreement. Such remedies shall include the method by which the City will calculate accrued interest.*~~

~~*(4) **Approval Process.** The Planning Commission must approve the material terms of an In-Kind Agreement. Prior to the parties executing the Agreement, the City Attorney must approve the agreement as to form and to substance. The Director of Planning is authorized to execute the Agreement on behalf of the City. If the Planning Commission approves the In-Kind Agreement, it shall waive the amount of the neighborhood infrastructure portion of the Van Ness & Market Residential Special Use District Affordable Housing and Neighborhood Infrastructure Fee by the value of the proposed In-Kind Improvements Agreement as determined by the Director of Planning. No credit shall be made for land value unless ownership of the land is transferred to the City or a permanent public easement is granted, the acceptance of which is at the sole discretion of the City. The maximum value of the In-Kind Improvements Agreement shall not exceed the required neighborhood infrastructure portion of the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee.*~~

~~*(5) **Administrative Costs.** Project sponsors that pursue an In-Kind Improvements Agreement will be billed time and materials for any administrative costs that the Planning Department or any other City entity incurs in negotiating, drafting, and monitoring compliance with the In-Kind Improvement Agreement.*~~

~~***SEC. 424.4. VAN NESS & MARKET RESIDENTIAL SPECIAL USE DISTRICT AFFORDABLE HOUSING FUND.***~~

~~*(a) That portion of gross floor area subject to the $30 per gross square foot fee referenced in Section 424.3(b)(1) above shall be deposited into the special fund maintained by the Controller called the Citywide Affordable Housing Fund established by Section 413.9. Except as specifically provided in this Section, collection, management, enforcement, and expenditure of funds shall conform to the requirements related to in-lieu fees in Planning Code Section 415.1 et seq., specifically including, but not limited to, the provisions of Section 415.7.*~~

~~*(b) Priorities for SUD Affordable Housing Fees Implementation. In order to increase the supply of housing Affordable to Qualifying Households in the Market and Octavia Plan Area, the Upper Market NCT District, and to the City, the following is the prioritization of the use of these fees;*~~

~~*(1) First, to increase the supply of housing Affordable to Qualifying Households in the Van Ness & Market Residential Special Use District;*~~

~~*(2) Second, to increase the supply of housing Affordable to Qualifying Households within one mile of the boundaries of the Market and Octavia Area Plan;*~~

~~*(3) Third, to increase the supply of housing Affordable to Qualifying Households in the City and County of San Francisco.*~~

SEC. 424.5. VAN NESS & MARKET RESIDENTIAL SPECIAL USE DISTRICT INFRASTRUCTURE FUND.

(a) **Purpose.** There is ~~*hereby established*~~ a separate fund set aside for a special purpose entitled the Van Ness and Market Neighborhood Infrastructure Fund ("Fund")~~*. That portion of Gross Floor Area subject to the $15.00 per gross square foot fee referenced in Section 424.3(b)(ii) above shall be deposited into the Fund*~~, maintained by the Controller. The receipts of the Fund are ~~*hereby*~~ appropriated in accordance with law through the normal budgetary process to fund public infrastructure and other allowable improvements subject to the conditions of this Section.

Table 424.5A. Breakdown of Use of Van Ness and Market Neighborhood Infrastructure Fund by Infrastructure Type		
Infrastructure Type	**Dollars Received From Residential Development**	**Dollars Received From Non-Residential Development**
Complete Streets: Pedestrian and Streetscape Improvements, Bicycle Facilities	44%	30%
Transit	22%	45%
Recreation and Open Space	21%	20%
Childcare	8%	Not applicable
Program Administration	5%	5%

(1) **Infrastructure.** All monies deposited in the Fund, plus accrued interest, shall be used solely to design, engineer, acquire and develop neighborhood recreation and open space, pedestrian amenities and streetscape improvements, and bicycle infrastructure that result in new publicly-accessible facilities. First priority should be given to projects within the Van Ness & Market Residential Special Use District. Second Priority should be given to projects within the Market and Octavia Plan Area or within 1,250 feet of the Plan Area. These improvements shall be consistent with the Market and Octavia Area Plan of the General Plan and any Plan that is approved by the Board of Supervisors in the future for the area covered by the Van Ness & Market Residential Special Use District, except that monies from the Fund may be used by the Planning Commission to commission studies to revise the fee above, or to commission landscape, architectural or other planning, design and engineering services in support of the proposed public improvements.

(2) No portion of the Fund may be used, by way of loan or otherwise, to pay any administrative, general overhead, or similar expense of any public entity.

~~*(3) At the close of a fiscal year in which the Market and Octavia Community*~~

~~*Improvements Program has generated funding for no less than $211 million of expenditures in the plan area, including revenue generated through this Section 424.1 et seq., Section 421 fee payments, in-kind improvements, public grants, San Francisco general funds, assessment districts, and other sources which contribute to the overall programming, all future funds generated through Section 424.1 et seq. shall be redirected 100% to the Citywide Affordable Housing Fund.*~~

(~~*4*~~*3*) Expenditure of funds shall be coordinated with appropriate City agencies as detailed in Section 421.5.

(~~*5*~~*4*) The Director shall have the authority to prescribe rules and regulations governing the Fund, which are consistent with Section *424.5* ~~*424.1 et seq*~~. The Director ~~*of Planning*~~, as the head of the Interagency Plan Implementation Committee (IPIC), shall make recommendations to the Board regarding allocation of funds.

(b) The Van Ness and Market Neighborhood Infrastructure Fee was repealed by the ordinance in Board File No.260538. This Section 424.5 shall expire by operation of law upon certification by the Controller, with notice to the Board of Supervisors, Mayor, and City Attorney, that all monies in the Fund have been expended. Thereafter, the City Attorney is authorized to cause the removal of this Section 424.5 from the Planning Code.

~~***[VAN NESS & MARKET COMMUNITY FACILITIES FEE AND FUND]***~~

~~***SEC. 425. VAN NESS & MARKET COMMUNITY FACILITIES FEE AND FUND.***~~

~~*Sections 425.1 through 425.4 set forth the requirements and procedures for the Van Ness & Market Community Facilities Fee and Fund.*~~

~~***SEC. 425.1. PURPOSE AND FINDINGS.***~~

~~*(a) Purpose. New development in the Van Ness & Market Residential Special Use District will increase the resident populations, generating new demand for use of community facilities, such as cultural facilities, health clinics, services for people with disabilities, and job training centers. New*~~

~~*revenues to fund investments in community services are necessary to maintain the existing level of service. This fee will generate revenue that will be used to ensure an expansion in community service facilities as new development occurs in the Van Ness & Market Residential Special Use District area.*~~

~~*(b) Findings. In adopting the amendments to the Market and Octavia Area Plan (Ordinance No. 125-20), on file with the Clerk of the Board of Supervisors in File No. 200557, and corresponding amendments to the Planning Code (Ordinance No. 126-20 on file with the Clerk of the Board of Supervisors in File No. 200559), the Board of Supervisors reviewed the Central SoMa Community Facilities Nexus Study, prepared by Economic & Planning Systems and dated March 2016, as well as the Hub Community Facilities Nexus Memo, prepared by the Planning Department and dated June 29, 2020 (collectively the "Nexus Study" for the purposes of Sections 425 et seq.). The Board of Supervisors reaffirms the findings and conclusions of the Nexus Study as they relate to the impact of new development in the Van Ness & Market Special Use District on community services facilities and hereby adopts the findings contained in the Nexus Study.*~~

~~***SEC. 425.2. APPLICATION OF FEES.***~~

~~*(a) **Applicable Projects.** Except as provided under Section 406(k) of this Code, the Van Ness & Market Community Facilities Fee is applicable to any development project within the Van Ness & Market Residential Special Use District, described in Section 249.33 of this Code, that:*~~

~~*(1) Includes new construction, or an addition of space, in excess of 800 gross square feet of residential use; or*~~

~~*(2) Converts 800 gross square feet or more of existing structure(s) from non-residential to residential use.*~~

~~*(b) Fee Calculation. For applicable projects, the fee is $1.16 per net additional gross square foot of residential use or gross square foot of space converted from non-residential to residential use.*~~

~~*(c) Option for In-Kind Provision of Community Improvements and Fee Credits. Project sponsors may propose to provide community improvements directly to the City. In such a case, the City*~~

~~*may enter into an In-Kind Improvements Agreement with the sponsor and issue a partial or total fee waiver for the Van Ness & Market Community Facilities Fund from the Planning Commission, subject to the following rules and requirements:*~~

~~*(1) Approval Criteria. The City shall not enter into an In-Kind Improvements Agreement unless the proposed in-kind improvements meet an identified community need for cultural/arts facilities, social welfare facilities, or community health facilities, as described in the Nexus Study. In addition, the City may reject in-kind improvements if they are not consistent with the priorities identified in the Market & Octavia Area Plan; the priorities identified by the Interagency Plan Implementation Committee (see Section 36 of the Administrative Code), or the Market & Octavia Citizens Advisory Committee; or other prioritization processes related to the Market & Octavia Area Plan community improvements programming. No physical improvement or provision of space otherwise required by the Planning Code or any other City Code shall be eligible for consideration as part of an In-Kind Improvements Agreement.*~~

~~*(2) Valuation, Content, Approval Process, and Administrative Costs. The valuation, content, approval process, and administrative costs shall be undertaken pursuant to the requirements of subsections 421.3(d)(2) through 421.3(d)(5).*~~

~~*(d) **Timing of Fee Payments.** The fee shall be due and payable to the Development Fee Collection Unit at DBI consistent with the timing set forth in Section 107A.13.3 of the San Francisco Building Code.*~~

~~*(e) Waiver or Reduction of Fees. Development projects may be eligible for a waiver or reduction of impact fees, pursuant to Section 406.*~~

~~***SEC. 425.3. IMPOSITION OF VAN NESS & MARKET COMMUNITY FACILITIES FEE.***~~

~~*(a) Determination of Requirements. The Department shall determine the applicability of Section 425 et seq. to any residential development project requiring a first construction document and, if Section 425 et seq. is applicable, the Department shall determine the amount of the Van Ness &*~~

~~*Market Community Facilities Fees required and shall impose these requirements as a condition of approval for issuance of the first construction document for the development project. The project sponsor shall supply any information necessary to assist the Department in this determination.*~~

~~*(b) Department Notice to Development Fee Collection Unit at DBI. Prior to the issuance of a building or site permit for a development project subject to the requirements of Section 425 et seq., the Department shall notify the Development Fee Collection Unit at DBI of its final determination of the amount of the Van Ness & Market Community Facilities Fees required, including any reductions calculated for an In-Kind Improvements Agreement, in addition to the other information required by Section 402(b) of this Article.*~~

~~*(c) Development Fee Collection Unit Notice to Department Prior to Issuance of the First Certificate of Occupancy. The Development Fee Collection Unit at DBI shall provide notice in writing or electronically to the Department prior to issuing the first certificate of occupancy for any development project subject to Section 425 et seq. that has elected to fulfill all or part of its Van Ness & Market Community Facilities Fee requirement with an In-Kind Improvements Agreement. If the Department notifies the Unit at such time that the sponsor has not fully satisfied all of the terms of the In-Kind Improvements Agreement, the Director of DBI shall deny any and all certificates of occupancy until the project complies with the requirements of Section 425 et seq., either through conformance with the In-Kind Improvements Agreement or payment of the remainder of the Van Ness & Market Community Facilities Fee that would otherwise have been required, plus a deferral surcharge as set forth in Section 107A .13.3.1 of the San Francisco Building Code.*~~

~~*(d) Process for Revisions of Determination of Requirements. In the event that the Department or the Commission takes action affecting any development project subject to Section 425 et seq. and such action is subsequently modified, superseded, vacated, or reversed by the Department or the Commission, Board of Appeals, the Board of Supervisors, or by court action, the procedures of Section 402(c) of this Article shall be followed.*~~

SEC. 425.4. THE VAN NESS & MARKET COMMUNITY FACILITIES ~~*FEE*~~*FUND*

(a) There is ~~*hereby established*~~ a separate fund set aside for a special purpose entitled the Van Ness & Market Community Facilities Fund ("Fund")~~*. All monies collected by the Development Fee Collection Unit at DBI pursuant to this Section 425 shall be deposited in a special fund*~~ maintained by the Controller. The receipts in the Fund are to be used solely to fund community facilities subject to the conditions of this Section 425*.4.* ~~*et seq.*~~

(b) Expenditures from the Fund shall be administered by the Mayor's Office of Housing and Community Development, or its successor. The Mayor's Office of Housing and Community Development or its successor shall have the authority to prescribe rules and regulations governing the Fund.

(1) All monies deposited in the Fund shall be used to design, engineer, and develop community facilities as described in the Nexus Study, including cultural/arts facilities, social welfare facilities, and community health facilities, in the Market and Octavia Plan Area or within 1,250 feet of the Plan Area.

(2) Funds may be used for administration and accounting of fund assets, for additional studies related to community facilities identified in the Market & Octavia Area Plan or Market & Octavia Area Plan Implementation Document, or by the Interagency Plan Implementation Committee or the Market & Octavia Citizens Advisory Committee, and to defend the Van Ness & Market Community Facilities Fee against legal challenge, including the legal costs and attorney's fees incurred in the defense. Administration of this fund includes time and materials associated with reporting requirements, facilitating any necessary or required public meetings aside from Planning Commission hearings, and maintenance of the fund. Monies from the Fund may be used by the Planning Commission to commission economic analyses for the purpose of revising the fee, and/or to complete an updated nexus

study to demonstrate the relationship between development and the need for public facilities and services if this is deemed necessary. Monies used for the purposes consistent with this subsection 425.4(b)(2) shall not exceed five percent of the total fees collected. All interest earned on this account shall be credited to the Van Ness & Market Community Facilities Fund.

(3) The Planning Department shall report quarterly to the Planning Commission on the current status of the fund, as well as annually as part of the Annual Progress Reports required by Administrative Code Section 36.4.

(4) All funds are justified and supported by the Nexus Study, adopted as part of the Market & Octavia Area Plan Amendments (Ordinance No. 125-20, on file with the Clerk of the Board of Supervisors in File No. 200557) and corresponding Planning Code Amendments (Ordinance No. 126-20 on file with the Clerk of the Board of Supervisors in File No. 200559). Implementation of the Fee and Fund shall be monitored according to the Market and Octavia Area Plan Monitoring Program required by Planning Code Section 341.

(c) The Van Ness and Market Neighborhood Community Facilities Fee was repealed by the ordinance in Board File No. 260538. This Section 425.4 shall expire by operation of law upon certification by the Controller, with notice to the Board of Supervisors, Mayor, and City Attorney, that all monies in the Fund have been expended. Thereafter, the City Attorney is authorized to cause the removal of this Section 425.4 from the Planning Code.

~~[DIVISADERO STREET NCT AFFORDABLE HOUSING FEE]~~

~~SEC. 428. DIVISADERO STREET NCT AFFORDABLE HOUSING FEE AND REQUIREMENTS.~~

~~Sections 428.1 through 428.5, hereafter referred to as Sections 428.1 et seq., set forth the requirements and procedures for the Divisadero Street Neighborhood Commercial Transit District Affordable Housing Fee.~~

~~***SEC. 428.1. FINDINGS.***~~

~~*The Board of Supervisors hereby finds that:*~~

~~*(a) The additional affordable housing fee requirement of Sections 428.1 et seq. is supported by the November 2016 Nexus Study performed by Keyser Marston and Associates. The Board of Supervisors has reviewed the Nexus Study and other documents and, on that basis, finds that the Study supports the inclusionary affordable housing requirements combined with the additional affordable housing fee and requirements set forth in Sections 428.1 et seq. Specifically, the Board finds that the Study: (1) identifies the purpose of the additional fee and requirements to mitigate impacts on the demand for affordable housing in the City; (2) identifies the use of the additional fee to increase the City's affordable housing supply; and (3) establishes a reasonable relationship between the use of the additional fee for affordable housing and the need for affordable housing and the construction of new market rate housing. Further, the affordable housing fee and requirements do not include the costs of remedying any existing deficiencies and do not duplicate other City requirements or fees.*~~

~~*(b) An account has been established, funds appropriated, and a construction schedule adopted for affordable housing projects funded through the Inclusionary Affordable Housing Program. The Affordable Housing Fee will reimburse the City for expenditures on affordable housing that have already been made and that will be made in the future.*~~

~~*(c) A major objective of the Divisadero Street NCT, set forth in Planning Code Section 759, is to encourage and promote development that enhances the walkable, mixed-use character of the corridor and surrounding neighborhood and to encourage housing development in new buildings above the ground floor. New market rate housing development could outnumber both the number of units and potential new sites within the area for permanently affordable housing opportunities. The City has adopted a policy in its General Plan to meet the affordable housing needs of its general population and to require new housing developments to produce sufficient affordable housing opportunities for all income groups, both of which goals are not likely to be met by the potential*~~

~~*housing development in the area. In addition, the Nexus Study indicates that market rate housing itself generates additional lower income affordable housing needs for the workforce needed to serve the residents of the new market rate housing proposed for the area. To meet the demand created for affordable housing by the Divisadero Street NCT zoning and to be consistent with the policy of the City, additional affordable housing requirements should be included for all market rate housing development in this NCT.*~~

~~*(d) The Divisadero Street NCT rezoning set forth in Ordinance No. 127-15 allows greater residential development on certain sites within the NCT, and such residential development will create a greater need for affordable housing, and should provide more affordable housing. The higher densities will also make provision of higher levels of affordable housing feasible for such sites.*~~

~~*(e) If a site located in the Divisadero Street NCT received an increase in density of 50% or more from the 2015 rezoning set forth in Ordinance No. 127-15, a higher inclusionary affordable housing requirement should apply. The density for the previously existing Divisadero Street Neighborhood Commercial District was one unit per 800 square feet of lot area.*~~

~~***SEC. 428.2. DEFINITIONS.***~~

~~*See Section 401 of this Article 4.*~~

~~***SEC. 428.3. APPLICATION OF AFFORDABLE HOUSING FEE REQUIREMENT.***~~

~~*(a) For any project for which a complete development application has been submitted before October 1, 2018, the Inclusionary Affordable Housing Program set forth in Planning Code Sections 415.1 et seq. shall apply in the Divisadero Street NCT, except the temporary provisions of Planning Code Section 415.3(b) shall not apply and except as set forth in Section 428.3(a). For any development site for which the Planning Department determines that the residential development potential within the Divisadero Street NCT has been increased through the adoption of the NCT rezoning set forth in Ordinance No. 127-15, as detailed in Section 428.1(e) herein, the requirements of Sections 415.1 et seq of the Planning Code shall apply, except as set forth in subsections (a)(1), (a)(2), and (a)(3), below;*~~

~~*and the temporary provisions of Planning Code Section 415.3(b) shall not apply.*~~

~~*(1) **Fee.** For a development project of 10 or more dwelling units that is subject to the Inclusionary Affordable Housing Program, the development project shall pay an affordable housing fee equivalent to a requirement to provide 33% of the units in the Principal Project as affordable units if those units are Owned Units, or 30% of the units if the project is a Rental Housing Project, using the method of fee calculation set forth in Section 415.5(b).*~~

~~*(2) **On-site.** For a development project of 10 or more units that is subject to the Inclusionary Affordable Housing Program that elects to construct units Affordable to Qualifying Households on-site of the Principal Project as set forth in Planning Code Section 415.5(g), the development project shall comply with all otherwise applicable requirements of Section 415.6, except that for all housing development projects consisting of 10 or more units, the following requirements shall apply.*~~

~~*(A) For an Ownership Housing Project, the number of affordable units constructed on site shall be 23% of all units constructed on the site. A minimum of 12% of the units shall be affordable to low-income households, 5.5% of the units shall be affordable to moderate-income households, and 5.5% of the units shall be affordable to middle-income households. In no case shall the total number of affordable units required exceed the number required as determined by the application of the applicable on-site requirement rate to the total project units. Owned Units for low-income households shall have an affordable purchase price set at 80% of Area Median Income or less, with households earning up to 100% of Area Median Income eligible to apply for low-income units. Owned Units for moderate-income households shall have an affordable purchase price set at 105% of Area Median Income or less, with households earning from 95% to 120% of Area Median Income eligible to apply for moderate-income units. Owned Units for middle-income households shall have an affordable purchase price set at 130% of Area Median Income or less, with households earning from 120% to 150% of Area Median Income eligible to apply for middle-income units.*~~

~~*(B) For a Rental Housing Project, the number of affordable units constructed on site shall be 20% of all units constructed on the site. A minimum of 12% of the units shall be affordable to low-income households, 4% of the units shall be affordable to moderate-income households, and 4% of the units shall be affordable to middle-income households. In no case shall the total number of affordable units required exceed the number required as determined by the application of the applicable on-site requirement rate to the total project units. Rental Units for low-income households shall have an affordable rent set at 55% of Area Median Income or less, with households earning up to 65% of Area Median Income eligible to apply for low-income units. Rental Units for moderate-income households shall have an affordable rent set at 80% of Area Median Income or less, with households earning from 65% to 90% of Area Median Income eligible to apply for moderate-income units. Rental Units for middle-income households shall have an affordable rent set at 110% of Area Median Income or less, with households earning from 90% to 130% of Area Median Income eligible to apply for middle-income units.*~~

~~*(3) **Off-site.** If the project sponsor of a housing development project of 10 or more units that is subject to the Inclusionary Affordable Housing Program elects to provide units Affordable to Qualifying Households off-site of the Principal Project as set forth in Section 415.5(g), the project sponsor shall construct or cause to be constructed affordable housing equal to 33% of all units constructed on the Principal Project site as affordable housing if the units in the Principal Project are owned units, and 30% if the project is a Rental Housing Project.*~~

~~*(b) For any project for which a complete development application has been submitted on or after October 1, 2018, the Inclusionary Affordable Housing Program set forth in Planning Code Sections 415.1 et seq. shall apply in the Divisadero Street NCT except as set forth in this subsection (b). For any development site for which the Planning Department has determined that the residential development potential has been increased through the adoption of the NCT rezoning set forth in Ordinance No. 127-15, as detailed in Section 428.1(e) herein, the requirements of Planning Code*~~

~~*Sections 415.1 et seq. shall apply, except that the following affordable housing requirements shall be applied to residential development on such sites:*~~

~~*(1) **Fee.** For a development project of 10 or more dwelling units that is subject to the Inclusionary Affordable Housing Program, the development project shall pay an affordable housing fee equivalent to a requirement to provide 33% of the units in the Principal Project as Affordable Units if those units are Owned Units, or 30% of the units if the project is a Rental Housing Project, using the method of fee calculation set forth in Section 415.5(b).*~~

~~*(2) **On-site.** If the housing development project of 10 or more dwelling units that is subject to the Inclusionary Affordable Housing Program elects to construct units Affordable to Qualifying Households on-site of the Principal Project as set forth in Planning Code Section 415.5(g), the project sponsor shall comply with all otherwise applicable requirements of Section 415.6, except that for all housing development projects consisting of 10 or more units, the number of Affordable Units constructed on-site shall be provided as follows.*~~

~~*(A) A project that consists of Owned Units shall provide 23% of units as Affordable Units at the following levels: 10% shall have an average affordable purchase price set at 80% of Area Median Income; 8% shall have an average affordable purchase price set at 105% of Area Median Income; and 5% shall have an average affordable purchase price set at 130% of Area Median Income.*~~

~~*(B) A project that consists of Rental Units shall provide 23% of units as Affordable Units at the following levels: 10% shall have an average affordable rent set at 55% of Area Median Income; 8% shall have an average affordable rent set at 80% of Area Median Income; and 5% shall have an average affordable rent set at 110% of Area Median Income.*~~

~~*(C) Notwithstanding subsections (b)(2)(A) and (b)(2)(B), the percentage and affordability levels of Affordable Units constructed on-site as set forth in subsections (b)(2)(A) and (b)(2)(B) shall be the same percentage and affordability levels as set forth in Section 206.3(f)(2)(A), as*~~

~~*it may be amended from time to time, and in no case shall the percentage of Affordable Units constructed on-site pursuant to this subsection (b)(2) be less than the percentage required by Section 415.6 for projects consisting of 25 or more units. If the percentage of Affordable Units constructed on-site pursuant to this subsection (b)(2) would be less than the percentage set forth in Section 415.6 for projects consisting of 25 or more units, the percentage of Affordable Units set forth in Section 415.6 for projects consisting of 25 or more units shall apply.*~~

~~*(3) **Off-site.** If the project sponsor of a housing development project of 10 or more units is eligible and elects to provide units Affordable to Qualifying Households off-site of the Principal Project as set forth in Section 415.5(g), the project sponsor shall construct or cause to be constructed affordable housing equal to 33% of all units constructed on the Principal Project site as affordable housing if the units in the Principal Project are owned units, and 30% if the project is a Rental Housing Project.*~~

~~***SEC. 428.4. IMPOSITION OF AFFORDABLE HOUSING REQUIREMENTS.***~~

~~*(a) **Determination of Requirements.** The Planning Department shall determine the applicability of Sections 428.1 et seq. to any development project requiring a first construction document and, if Sections 428.1 et seq. applies, shall impose any such requirements as a condition of approval for issuance of the first construction document. The project sponsor shall supply any information necessary to assist the Department in this determination.*~~

~~*(b) **Department Notice to Development Fee Collection Unit of Fee Requirements.** After the Department has made its final determination regarding the application of the affordable housing requirements to a development project pursuant to Sections 428.1 et seq., it shall immediately notify the Development Fee Collection Unit at DBI of the applicable affordable housing fee amount in addition to the other information required by Planning Code Section 402(b).*~~

~~*(c) **Process for Revisions of Determination of Requirements.** If the Department or the Commission takes action affecting any development project subject to Sections 428.1 et seq. and such*~~

~~*action is subsequently modified, superseded, vacated, or reversed by the Board of Appeals, the Board of Supervisors, or a court, the procedures of Planning Code Section 402(c) shall be followed.*~~

~~***SEC. 428.5. USE OF FUNDS.***~~

~~*The affordable housing fee specified in Sections 428.1 et seq. for the Divisadero Street NCT shall be paid into the Citywide Affordable Housing Fund, established in Administrative Code Section 10.100-49, and the funds shall be separately accounted for. The Mayor's Office of Housing and Community Development shall expend the funds to increase the supply of housing Affordable to Qualifying Households in the City. The funds may also be used for monitoring and administrative expenses subject to the process described in Planning Code Section 415.5(f).*~~

SEC. 436. WELL-RESOURCED NEIGHBORHOODS INCLUSIONARY HOUSING ORDINANCE WAIVER *OPTION* ~~*AND ADDITIONAL INCLUSIONARY HOUSING OPTIONS*~~.

This Section 436 provides for a waiver of the requirements in the Inclusionary Housing Ordinance, Section 415 et seq., for specified Housing Projects in certain districts in Well-Resourced Neighborhoods. ~~*This Section 436 also allows Housing Projects in those districts to comply with the Inclusionary Housing Ordinance through a land dedication.*~~ As used in this Section 436, Well-Resourced Neighborhoods means those areas outside the Priority Equities Geographies Special Use District (SUD), Section 249.97.

(a) **Eligibility.** This Section 436 shall apply to Housing Projects in Residential – House (RH), Residential Mixed (RM), *Residential Transit Oriented (RTO),* Neighborhood Commercial, or ~~*N*~~*n*amed Neighborhood Commercial Districts with a height limit of 65 feet or less located in Well-Resourced Neighborhoods.

(b) ~~***Additional Inclusionary Housing Options***~~***Rent Control In Lieu of Inclusionary Housing*.**

~~*(1)* ***Rent Control.***~~ If an eligible Housing Project is a Rental *Housing* Project and agrees to subject all units in the project to the San Francisco Rent Stabilization and Arbitration

Ordinance (Chapter 37 of the Administrative Code) for the Life of the Project, the project shall not be subject to the Inclusionary Housing Ordinance, Planning Code Section 415 et seq., pursuant to this Section 436.

(~~a~~1) **Regulatory Agreement.** Project Sponsors of Housing Projects that agree to subject all units in the Housing Project to the San Francisco Rent Stabilization and Arbitration Ordinance (Chapter 37 of the Administrative Code) pursuant to this subsection (~~a~~b) shall enter into a regulatory agreement with the City, as a condition of approval of the project ("Regulatory Agreement"). At a minimum, the Regulatory Agreement shall contain the following: (A) a statement that none of the units in the project are subject to the Costa-Hawkins Rental Housing Act (California Civil Code Sections 1954.50 et seq.) because, consistent with California Civil Code Section 1954.52(b), the property owner has entered into and agreed to the terms of an agreement with the City in consideration for a direct financial contribution or other form of assistance specified in California Government Code Sections 65915 et seq.; (B) a statement that the units will be rented for the Life of the Project because, consistent with Government Code Section 7060.1(a), the property owner has entered into and agreed to the terms of an agreement with the City, in consideration for a direct financial contribution specified in Section 7060.1(a); (C) a statement that all units subject to the Regulatory Agreement shall be held as an undivided ownership and will not be subdivided; (D) a calculation of the direct financial contribution or form of assistance provided to the property owner in the form of the fee waiver; and (E) a description of the remedies for breach of the agreement and other provisions to ensure implementation and compliance with the agreement. The property owner and the Planning Director or the Director's designee, on behalf of the City, may execute the Regulatory Agreement, which shall be reviewed and approved as to form by the City Attorney's Office. The Regulatory Agreement shall be executed prior to the City's issuance of the First Construction Document for the project, as

defined in Section 107A.13.1 of the San Francisco Building Code. Following execution of the Regulatory Agreement by all parties, the Regulatory Agreement or a memorandum thereof shall be recorded to the title records in the Office of the Assessor-Recorder against the property and shall be binding on all future owners and successors in interest.

(~~*B*~~*2*) **Procedures Manual.** If a Housing Project subject to this Section 436 includes Rental Units subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of lower income in compliance with any state law, those units shall comply with the timing, type, and marketing requirements of Section 415.6(~~*e*~~*b*), (~~*f*~~*c*), and (~~*g*~~*d*), and the Procedures Manual, as amended from time to time.

~~*(2) **Land Dedication Alternative.** In lieu of Section 415 et seq., the Project Sponsor of any Housing Project outside the Priority Equity Geographies SUD, may comply with the Land Dedication Alternative requirements in Section 419.5(a)(2), except that in lieu of the Land Dedication Alternative requirements of Table 419.5, projects may satisfy the requirements of Section 415.5 by dedicating land for affordable housing if the dedicated land could accommodate a total amount of units that is equal to or greater than 35% of the units that are being provided on the principal development site, as determined by the Planning Department. Any land dedicated pursuant to this Section 436 shall be provided outside the Priority Equity Geographies SUD.*~~

Section 5. Articles 2, 2.5, 3, and 7 of the Planning Code are amended by revising Sections 206.3, 206.10, 207, 243, 249.5, 249.20, 249.22, 249.33, 249.38, 249.39, 249.40, 249.78, 329, 343, and 759, and deleting Section 263.7, to read as follows:

SEC. 207. DWELLING UNIT DENSITY LIMITS.

* * * *

(c) **Exceptions to Dwelling Unit Density Limits.** An exception to the calculations

under this Section 207 shall be made in the following circumstances:

(1) **Affordable Units in Projects with 20% or More Affordable Units.** For projects that are not located in any RH-1 or RH-2 zoning district, or are not seeking and receiving a density bonus under the provisions of California Government Code Section 65915, where 20% or more of the Dwelling Units on-site are "Affordable Units," the on-site Affordable Units shall not count towards the calculation of dwelling unit density. This Planning Code Section does not provide exceptions to any other Planning Code requirements such as height or bulk. For purposes of this Section 207, "Affordable Units" shall be defined as meeting (A) the criteria of Section 406(b); (B) the requirements of Section 415 et seq. for on-site units; or (C) restricted units in a project using California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and 4% tax credits under the Tax Credit Allocation Committee (TCAC). If a project sponsor proposes to provide "Affordable Units" that are not restricted by any other program, in order to receive the benefit of the additional density permitted under this Subsection (c)(1) or Subsection (c)(2), the project sponsor shall elect and the Planning Department and MOHCD shall be authorized to enforce, restricting the units as affordable under Planning Code Section 415.6 up to a maximum of 25% of the units in the Principal Project. The project sponsor shall make such election through the procedures described in Section 415.5(~~g~~e) including submitting an Affidavit of Compliance indicating the project sponsor's election to pursue the benefits of Subsection (c)(1) or (c)(2) and committing to up to 25% on-site units restricted under Section 415.6 prior to approval by the Planning Commission or Planning Department staff. If a project sponsor obtains the exemption from the density calculation for Affordable Units provided in this subsection, the exemption shall be documented and recorded against the property under the terms of a Regulatory Agreement as defined under Section 206.2 and consistent with the provisions set forth in Section 206.6(f)(4). Any later request to decrease the number of Affordable Units shall require the project to go

back to the Planning Commission or Planning Department, whichever entity approved the project as a whole.

* * * *

SEC. 206.3. HOUSING OPPORTUNITIES MEAN EQUITY - SAN FRANCISCO PROGRAM.

(a) **Purpose.** This Section 206.3 sets forth the HOME-SF Program. The HOME-SF Program or "HOME-SF" provides benefits to project sponsors of housing projects that either (1) set aside residential units onsite at below market rate rent or sales price in an amount higher than the amount required by the Inclusionary Housing Ordinance, or (2) agree to subject all units in the project, except for units required by the Inclusionary Housing Ordinance, to the San Francisco Rent Stabilization and Arbitration Ordinance (Chapter 37 of the Administrative Code). The purpose of HOME-SF is to expand the number of below market rate units produced in San Francisco and provide housing opportunities to a wider range of incomes than traditional affordable housing programs, such as the City's Inclusionary Affordable Housing Program, Planning Code Sections 415 et seq., which typically provide housing only for very low, low or moderate income households, and to expand the number of units in San Francisco that are subject to rent control. For projects that elect to provide additional on-site below market rate units, HOME-SF also provides an alternative method of complying with the on-site inclusionary option set forth in Section 415.6. HOME-SF allows market-rate projects to match the City's Proposition K (November 2014) housing goals that 50% of new housing constructed or rehabilitated in the City by 2020 be within the reach of working middle class San Franciscans, and that at least 33% be affordable for low and moderate income households, and the Housing Element of the General Plan's finding that rent control has been critical to protecting low- and moderate-income residents from being at

risk of eviction and displacement.~~.~~

* * * *

(ix) For projects that elect to proceed under Section 206.3(c)(1)(B), a statement that the units included in such project, except for any Affordable Units as defined in Planning Code Section 401, are not subject to the Costa-Hawkins Rental Housing Act (California Civil Code Sections 1954.50 et seq.) because under Section 1954.52(b), the property owner has entered into and agreed to the terms of the agreement with the City in consideration for additional density and modifications to the Planning Code, or other direct financial contribution or forms of assistance specified in California Government Code Sections 65915 et seq.; and

(x) For projects that elect to proceed under Section 206.3(c)(1)(B), an agreement that any lease, sublease, or other agreement regarding tenancy of units not subject to the Costa-Hawkins Rental Housing Act (California Civil Code Sections 1954.50 et seq.) shall ~~*shall*~~ include the following text: "This unit is a rental unit subject to the San Francisco ~~*Residenital*~~ *Residential* Rent Stabilization and Arbitration Ordinance."

(f) ~~***Temporary provisions***~~***HOME-SF Eligibility Tiers*.** To facilitate the construction of HOME-SF projects that elect to include HOME SF Units under subsection (c)(1)(A) *of this Section 206.3*, and based on information from the inclusionary housing study prepared for the Divisadero and Fillmore Neighborhood Commercial Transit District, in Board of Supervisors File No. 151258, and the Office of the Controller's Inclusionary Housing Working Group final report (February 2016), the HOME-SF program shall include *temporary* development incentives as specified in this subsection (f) based on the amount and level of affordability provided in this subsection (f). For any development project that has submitted a complete Development Application prior to January 1, 2020, subsections (c)(1)(A) and (d)(1), (d)(2), and (d)(3) shall not apply, and the provisions in this subsection (f) shall apply. For any development project that submits a complete Development Application on or after January 1,

2020, this subsection (f) shall apply until such time as it may be amended based on the Triennial Economic Feasibility Analysis established in Section 415.10. This subsection (f) shall not apply to HOME-SF projects that elect to proceed under subsection (c)(1)(B).

(1) **HOME-SF Project Eligibility Requirements.** To receive the development bonuses granted under this Section 206.3, a HOME-SF Project must provide a percentage of units, in the amounts set forth in ~~s~~Section 206.3(f)(2)(A), (B), or (C), as HOME-SF Units, as defined in Section 206.2. The HOME-SF Units shall be restricted for the Life of the Project and shall comply with all of the requirements of the Procedures Manual authorized in Section 415 except as otherwise provided in this Section 206.3. All HOME-SF Units must be marketed at a price that is at least 20% less than the current market rate for that unit size and neighborhood, and MOHCD shall reduce the Area Median Income levels set forth in this Section 206.3 in order to maintain such pricing. As provided for in subsection (e), the Planning Department and MOHCD shall amend the Procedures Manual to provide policies and procedures for the implementation, including monitoring and enforcement, of the HOME-SF Units;

(2) **Development Bonuses.** Any HOME-SF Project shall at the project sponsor's request receive the following:

(A) **Tier One**: ~~*A Tier One HOME-SF Project that consists of fewer than 25 units and are Owned Units shall provide 20% of units in the HOME-SF Project as HOME-SF Units at the following levels: ten percent shall have an average affordable purchase price set at 80% of Area Median Income; 5% shall have an average affordable purchase price set at 105% of Area Median Income; and 5% shall have an average affordable purchase price set at 130% of Area Median Income. A Tier One HOME-SF Project that consists of fewer than 25 units and are rental units shall provide 20% of units in the HOME-SF Project as HOME-SF Units at the following levels: ten percent shall have an average affordable rent set at 55% of Area Median Income; 5% shall have an average*~~

~~*affordable rent set at 80% of Area Median Income; and 5% shall have an average affordable rent set at 110% of Area Median Income.*~~ A Tier One HOME-SF Project that consists of ~~*25 or more units and are*~~ Owned Units shall provide ~~*23%*~~ *7%* of units in the HOME-SF Project as HOME-SF Units at the following levels: ~~*ten*~~*5%* ~~*percent*~~ shall have an average affordable purchase price set at 80% of Area Median Income*, with households earning up to 100% of Area Median Income eligible to apply*; *and* ~~*8%*~~ *2%* shall have an average affordable purchase price set at ~~*105%*~~ *100%* of Area Median Income*, with households earning more than 100% to 120% of Area Median Income eligible to apply*; ~~*and 5% shall have an average affordable purchase price set at 130% of Area Median Income*~~. A Tier One HOME-SF Project that consists ~~*of 25 or more units and are*~~ Rental Units shall provide ~~*23%*~~ *7%* of units in the HOME-SF Project as HOME-SF Units at the following levels: ~~*ten*~~ *5%* ~~*percent*~~ shall have an average affordable rent set at 55% of Area Median Income*, with households earning up to 65% of Area Median Income eligible to apply*; ~~*8%*~~ *and 2%* shall have an average affordable rent set at 80% of Area Median Income*, with households earning up to 90% of Area Median Income eligible to apply*; ~~*and 5% shall have an average affordable rent set at 110% of Area Median Income*~~.

* * * *

(B) **Tier Two:** A Tier Two HOME-SF Project shall provide ~~*25%*~~ *8%* of units in the HOME-SF Project as HOME-SF Units. ~~*Ten percent of*~~ *For* Tier Two HOME-SF Units that are Owned Units*, 6%* shall have an average affordable purchase price set at 80% of Area Median Income*, with households earning up to 100% of Area Median Income eligible to apply*; ~~*8%*~~ *and 2%* shall have an average affordable purchase price set at ~~*105%*~~ *100%* of Area Median Income*, with households earning more than 100% and up to 120% of Area Median Income eligible to apply.*~~;~~ ~~*and 7% shall have an average affordable purchase price set at 130% of Area Median Income.*~~ ~~*Ten percent of*~~ *For* HOME-SF Units that are rental units*, 6%* shall have an average affordable rent set at 55% of Area Median Income*, with households earning up to 65% of Area Median Income*

eligible to apply; ~~*8%*~~ *and 2%* shall have an average affordable rent set at 80% of Area Median Income*, with households earning up to 90% of Area Median Income eligible to apply.*~~*; and 7% shall have an average affordable rent set at 110% of Area Median Income.*~~

* * * *

(C) **Tier Three:** A Tier Three HOME-SF Project shall provide ~~*30%*~~ *10%* of units in the HOME-SF Project as HOME-SF Units. ~~*Ten percent of*~~ *For* Tier Three HOME-SF Units that are Owned Units*, 8%* shall have an average affordable purchase price set at 80% of Area Median Income*, with households earning up to 100% of Area Median Income eligible to apply*; ~~*10% and 2%*~~ shall have an average affordable purchase price set at ~~*105%*~~ *100%* of Area Median Income*, with households earning more than 100% and up to 120% of Area Median Income eligible to apply.*~~*; and 10% shall have an average affordable purchase price set at 130% of Area Median Income.*~~ ~~*Ten percent of*~~ *For* Tier Three HOME-SF Units that are rental units*, 8%* shall have an average affordable rent set at 55% of Area Median Income*, with households earning up to 65% of Area Median Income eligible to apply*; ~~*10%*~~ *and 2%* shall have an average affordable rent set at 80% of Area Median Income*, with households earning up to 90% of Area Median Income eligible to apply.*~~*; and 10% shall have an average affordable rent set at 110% of Area Median Income.*~~

* * * *

SEC 206.10. HOUSING CHOICE-SAN FRANCISCO PROGRAM

(a) **Purpose.** This Section 206.10 sets forth the Housing Choice-San Francisco Program (HC-SF Program). The HC-SF Program provides additional residential development capacity, additional options for complying with the Inclusionary Housing Ordinance, modifications to certain Planning Code and design standards, and an administrative or discretionary review process for eligible residential projects that comply with the program. Except as provided in this Section 206.10, all HC-SF projects shall comply with Article 4 of the

Planning Code.

(b) **Applicability.** An HC-SF Project under this Section 206.10 shall be a project that complies with all of the following requirements:

* * * *

(8) is not located in a Special Use District that implements a Development Agreement adopted under California Government Code 65864 et seq. and/or Administrative Code Chapter 56;

* * * *

(c) **Inclusionary Housing Ordinance Alternatives *and Requirements*.** HC-SF Projects ~~*of 10 or more units*~~ shall comply with Section 415 et seq. *when applicable*, ~~*and if applicable Section 419 et seq.,*~~ except as allowed by, *or modified by,* this subsection (c). ~~*Projects that elect the off-site off-site alternative in Section 415.5(g)(1)(B) or the Land Dedication Alternative in Section 419.5(a)(2) 415.7 allowed in subsection (c)(2), shall provide the required units within the R-4 Height and Bulk District, or within one-half mile of the project. In addition to the alternatives set forth in Section 415.3(g), HC-SF Projects may satisfy the requirements of Section 415 et seq. by choosing one of the following options:*~~

(1) *In addition to the Alternatives set forth in Section 415.5(e), Rental Housing Projects that are less than 65 feet in height, including any additional height allowed by this Section 206.10, may satisfy the requirements of Section 415.1 et seq. by* ~~*if the project is a Rental Project with 24 or fewer units, including any additional units allowed by this Section 206.10, a project sponsor shall subject*~~ *subjecting* all units in the project to the San Francisco Rent Stabilization and Arbitration Ordinance (Chapter 37 of the Administrative Code) for the Life of the Project. ~~*; or*~~

(2) *Notwithstanding Section 415.7(a)(2), projects that elect the Off-site or the Land Dedication Alternative in Section 415.7, shall provide the required units within the R-4 Height and Bulk District, or within one mile of the Principal Project.* ~~*applicants shall comply with the Land*~~

~~*Dedication Alternative requirements of Section 419.5(a)(2), regardless of project location.*~~

* * * *

(e) **Additional Height, Square Footage, and Other Bonuses.** HC-SF Projects that contain certain uses, amenities, or other building features are eligible for additional bonuses and code modifications, as described below.

* * * *

(7) **Limits on Bonuses.** Except as provided below, an HC-SF Project can combine the heights, square footage, and additional bonuses in subsections (e)(1) through (e)(6).

(~~1~~*A*) **Height.** A project may combine the bonuses in subsections (e)(1) through (e)(5) provided that any height bonus is limited to 10 feet above the Housing Choice-SF height limit. A project may combine the bonuses in subsections (e)(1) through (e)(6) provided that any height bonus is limited to 30 feet above the Housing Choice-SF height limit.

(~~2~~*B*) **Rear Yard.** A project cannot reduce the required rear yard beyond the lowest of the limits set forth in subsections (e)(3)-(e)(6).

SEC. 243. VAN NESS SPECIAL USE DISTRICT.

(a) **General.** A Special Use District entitled the Van Ness Special Use District, the boundaries of which are shown on Sectional Map No. SU02 of the Zoning Map of the City and County of San Francisco, is hereby established for the purposes set forth below.

* * * *

(c) **Controls.** All provisions of the Planning Code applicable to an RC-4 District shall apply except as otherwise provided in this Section 243.

* * * *

(8) **Limitation of Nonresidential Uses.**

(A) **Residential Uses; Ratio Established.** In newly constructed structures, nonresidential uses shall only be permitted if the ratio between the amount of net additional occupied floor area for residential uses, as defined in this paragraph below, to the amount of occupied floor area for nonresidential uses in excess of the occupied floor area of structures existing on the site at the time the project is approved is 3 to 1 or greater. In additions to existing structures that exceed 20% of the gross floor area of the existing structure, nonresidential uses shall be permitted in the addition in excess of 20% only if the ratio between the amount of occupied floor area for residential use, as defined in this paragraph below, to the area of occupied floor area for nonresidential use is 3 to 1 or greater. This residential use ratio shall not apply to (i) development sites in the Van Ness Special Use District that have less than 60 feet of street frontage on Van Ness Avenue and have no street frontage other than the Van Ness Avenue frontage, or (ii) development consisting of new construction proposed for an Institutional Community Use at 1750 Van Ness Avenue, Assessor's Parcel Block 0622, Lot 019. For purposes of this Section, "nonresidential uses" shall mean any use not defined as a Residential Use in Section 102 and principally or conditionally permitted in the Van Ness Special Use District.

(B) **Reduction of Ratio of Residential Uses for Affordable Housing.** The ~~*Planning*~~ Commission may modify the Van Ness Special Use District residential to nonresidential use ratio between Golden Gate Avenue and California Street*, or may modify the timing and location requirements of linked projects,* ~~*as a*~~ *with* ~~*c*~~*C*onditional ~~*u*~~*U*se *authorization provided that,* ~~*in one of the following ways:*~~ *in addition to the findings required by Section 303(c), the Commission finds that:*

~~*(i) **In-Lieu Fee.** By conditional use, the developer may elect to fulfill the obligation to build housing by paying an in-lieu fee to the Affordable Housing Fund as provided in Section 413 of this Code. No more than a 50 percent reduction of the required housing for a specific*~~

~~*project can be fulfilled by paying an in-lieu fee. Use of these funds shall provide affordable housing within 2,000 feet of the Van Ness Special Use District. The in-lieu fee shall be determined by the following formula:*~~

~~*(1) (Lot Area × FAR)/4) × 3 = Residential SQ. FT. Requirement*~~

~~*(2) Residential SQ. FT. Requirement - Residential SQ. FT. Developed = LOSS*~~

~~*(3) LOSS × $15 = In-Lieu Fee*~~

~~*(ii) **Providing Affordable Housing.** By conditional use, the developer may reduce up to 50 percent of the required amount of on-site housing by maintaining a portion of that housing as permanently affordable for the life of the project. Affordable units shall be managed by a nonprofit housing agency through a duly executed agreement between the project sponsor, the nonprofit agency, and the Planning Department. The mix of affordable units retained in the project shall conform to the overall dwelling unit size mix of the project. The portion of retained residential that shall be affordable will be determined by calculating the number of market rate units that could be subsidized by the amount of "in-lieu fee" calculated in Paragraph (i) above. The number of square feet of affordable housing shall be calculated in the following manner:*~~

~~*(1) In-Lieu Fee / $30/square foot subsidy = Square Feet of Affordable Housing Retained in the Project*~~

~~*(iii) **Annual Reporting, Evaluation, and Adjustments to Affordability and Fee Calculations.** The Department shall report annually to the Planning Commission on the activity and utilization of Section 243(c)(8)(B). Based on an evaluation of this report, the Planning Commission may initiate a modification or deletion of Section 243(c)(8)(B). The dollar amounts used in the calculation for Paragraphs (i) and (ii) of this Subsection shall be subject to annual adjustments in accord with Section 409 of this Code. Affordability shall be defined by rents or sale prices affordable by households with no more than 80 percent of median income standards developed by HUD.*~~

~~*(iv) If the Planning Commission finds that taking into consideration projects constructed since the effective date of the Van Ness Special Use District and the housing development potential remaining in the District the overall objective of adding a substantial increment of new housing on Van Ness Avenue will not be significantly compromised, the Commission may by conditional use modify the 3:1 housing ratio or may modify the rules regarding the timing and location of linked projects if in addition to Section 303(c) standards of this Code it finds that:*~~

(~~1~~*i*) The project is to provide space for expansion of an established business from an adjacent site (for this purpose two sites separated by an alley shall be deemed to be adjacent); or

(~~2~~*ii*) The project is to provide space for an institutional, hotel, medical, cultural, or social service use meeting an important public need which cannot reasonably be met elsewhere in the area; and

(~~3~~*iii*) Housing cannot reasonably be included in the project referred to in (1) and (2) above.

(iv) Taking into consideration projects constructed since the effective date of the Van Ness Special Use District and the housing development potential remaining in the District, the overall objective of adding a substantial amount of new housing on Van Ness Avenue will not be significantly compromised.

The Commission shall consider the feasibility of requiring the project to be constructed in such a manner that it can support the addition of housing at some later time.

* * * *

SEC. 249.5. NORTH OF MARKET RESIDENTIAL SPECIAL USE DISTRICT.

* * * *

(c) **Controls.** The following zoning controls are applicable in the North of Market

Residential Special Use District. Certain controls are set forth in other Sections of this Code and are referenced herein.

* * * *

(6) Special exceptions to the 80-foot base height limit in height and bulk districts 80-120-T and 80-130-T may be granted pursuant to the provisions of Section ~~263.7~~ 303 of this Code.

* * * *

SEC. 249.20. GEARY-MASONIC SPECIAL USE DISTRICT.

(a) **General.** A Special Use District entitled the Geary-Masonic Special Use District ("District"), the boundaries of which are shown on Sectional Map SU03 of the Zoning Maps of the City and County of San Francisco, is hereby established for the purpose set out ~~*below*~~*below*.

(b) **Purpose.** In order to provide for a mixed use development project with ground floor retail~~*, and a combination of very low income, low-income, moderate-income, middle-income, and market rate residential units,*~~ at densities higher than what otherwise would be permitted in the NC-3 zoning district and 80 foot height district, in an area well-served by transit, there shall be a Geary-Masonic Special Use District consisting of Assessor's Block 1071, Lot 003 as designated on Sectional Map SU03 of the Zoning Maps of the City and County of San Francisco.

* * * *

~~*(d) **Inclusionary Housing.** Compliance with Section 415 et seq. shall be by payment of the affordable housing fee, or provision of on-site units, as follows:*~~

~~*(1) **Affordable Housing Fee.** Payment of the Affordable Housing Fee pursuant to Section 415.5 and subject to the following provisions:*~~

~~*(A) For a project providing Owned Units, the applicable percentage shall be 33% of the Gross Floor Area of residential use.*~~

~~*(B) For a project providing Rental Units, the applicable percentage shall be 30% of the Gross Floor Area of residential use.*~~

~~*(C) **Use of Fees.** Fees shall be payable to the Development Fee Collection Unit at DBI for deposit into the Citywide Affordable Housing Fund. MOHCD shall designate and separately account for all fees that it receives under this subsection (d)(1). The funds shall be used exclusively to acquire and construct a 100% affordable housing project on a site located within one and one-half mile of the boundaries of the SUD. If such funds have not been allocated for the acquisition or predevelopment of a project on a site within one and one-half mile of the boundaries of the SUD within five years of deposit into the Citywide Affordable Housing Fund, such funds may be used anywhere in the City and for any size project.*~~

~~*(2) **On-Site Inclusionary Units.** On-site Units pursuant to Section 415.6 in the following amounts and income levels:*~~

~~*(A) In a rental project, at least 10% of units must be affordable to very low-income households, at least 4% must be affordable to low-income households, at least 4% must be affordable to moderate-income households and at least 5% must be affordable to middle-income households. For purposes of this section, rental units for very low-income households shall have an affordable rent set at 55% of Area Median Income or less, with households earning up to 65% of Area Median Income eligible to apply for very low-income units. For purposes of this section, rental units for low-income households shall have an affordable rent set at 80% of Area Median Income or less, with households earning up from 65% to 90% of Area Median Income eligible to apply for low-income units. For purposes of this section, rental units for moderate-income households shall have an affordable rent set at 110% of Area Median Income or less, with households earning from 90% to 120% of Area Median Income eligible to apply for moderate-income units. For purposes of this section,*~~

~~*rental units for middle-income households shall have an affordable rent set at 120% of Area Median Income or less, with households earning from 120% to 140% of Area Median Income eligible to apply for middle-income units. For any affordable units with rental rates set at 110% of Area Median Income or above, the units shall have a minimum occupancy of two persons.*~~

~~*(B) In an ownership project, at least 11% of units must be affordable to very low-income households, at least 5% must be affordable to low-income households, at least 5% must be affordable to moderate income households and at least 5% must be affordable to middle-income households. For purposes of this section, ownership units for very low-income households shall have an affordable sales price set at 80% of Area Median Income or less, with households earning up to 100% of Area Median Income eligible to apply for very low-income units. For purposes of this section, ownership units for low-income households shall have an affordable sales price set at 105% of Area Median Income or less, with households earning up from 95% to 120% of Area Median Income eligible to apply for low-income units. For purposes of this section, ownership units for moderate-income households shall have an affordable sales price set at 130% of Area Median Income or less, with households earning from 120% to 140% of Area Median Income eligible to apply for moderate-income units. For purposes of this section, ownership units for middle-income households shall have an affordable sales price set at 150% of Area Median Income or less, with households earning from 140% to 160% of Area Median Income eligible to apply for middle-income units. For any affordable units with sales prices set at 130% of Area Median Income or above, the units shall have a minimum occupancy of two persons.*~~

~~*(3) The grandfathering provisions in Section 415.3(b) shall not apply. Except as expressly provided in this subsection (d), all other provisions of Section 415 shall apply.*~~

SEC. 249.22. NON-CONTIGUOUS SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY SITES SPECIAL USE DISTRICT.

(a) **Purpose.** There shall be a non-contiguous Special Use District ("SUD") for sites owned by the City and County of San Francisco and under the jurisdiction of the San Francisco Municipal Transportation Agency (SFMTA) to enable SFMTA to use the sites for transportation and other Public uses as well as uses permitted by the underlying zoning district. This SUD also enables mixed-use residential development with characteristics not accommodated by underlying zoning.

* * * *

(c) **General Controls.**

* * * * *

(6) **Development Impact Fees.** For a development project on land subject to the SUD:

(A) With the recommendation of the SFMTA Board of Directors, the Board of Supervisors may waive all or a portion of any applicable Transportation Sustainability Fee under Section 411A, and all or a portion of any applicable Jobs-Housing Linkage Program requirements under Section 413.

(B) The provisions of Section 415 et seq., as amended or replaced from time to time, shall apply. Notwithstanding Section 415.6(~~*h*~~*e*)(1), a development project may receive development subsidies if the development provides the same number of on-site affordable units as required by the applicable on-site affordable housing requirement in Section 415 et seq., ~~*or any temporary reduction as set forth in Sections 415A et seq. or 415B et seq.,*~~ plus an additional number of on-site affordable units equal to 25% of the applicable on-site affordable units. Additional units shall be provided as affordable to households at or below 80% of Area Median Income. Any units required to be affordable to ~~*middle- or*~~ moderate-income households under Sections 415.6(a), ~~*415A, or 415B, as applicable,*~~ or this subsection 249.22(c)(6)(B), may instead be affordable to moderate- or low-income households.

Notwithstanding Section 415.6(~~f~~c)(1), ~~*the moderate and low income*~~ *On-site* units may be located anywhere in the project.

SEC. 249.33. VAN NESS & MARKET RESIDENTIAL SPECIAL USE DISTRICT.

* * * *

(b) **Use Controls.**

* * * *

(6) **Accessory Parking.** ~~*For projects that provide 25% or more on-site affordable housing units as defined in Section 415, accessory*~~ *Accessory* non-residential parking may be used jointly as accessory residential parking for residential uses within the same project, so long as the following criteria are met:

(A) the total number of independently accessible parking stalls (whether residential or non-residential) provided in such project shall not exceed the sum of the maximum amount of accessory residential and accessory non-residential parking spaces permitted by the Planning Code, and;

(B) the total number of parking spaces used as residential accessory parking shall not exceed 0.4 spaces per each Dwelling Unit.

* * * *

~~*(10) **Option for Dedication of Land.***~~

~~*(A) Development projects in this District may opt to fulfill the Inclusionary Housing requirement of Section 415 through the Land Dedication alternative in Section 419.6. The Land Dedication alternative is available for development projects within the District under the same terms and conditions as provided for in Section 419.5(a)(2), except that in lieu of the Land Dedication Alternative requirements of Table 419.5, projects may satisfy the requirements of Section 415.5 by dedicating land for affordable housing if the dedicated land could accommodate a total amount of units*~~

~~*that is equal to or greater than 35% of the units that are being provided on the principal development project site, as determined by the Planning Department. Any dedicated land shall be at least partly located within one mile of the boundaries of either the Market and Octavia Plan Area or the Upper Market NCT District.*~~

~~*(B) Notwithstanding the requirements of Section 419.5(a)(2)(H), development projects dedicating land shall obtain the required letter from the Mayor's Office of Housing and Community Development verifying acceptance of the dedicated land no later than 180 days following Planning Commission or Planning Department approval of the development project. The Director of the Mayor's Office of Housing and Community Development may waive application of Section 419.5(a)(2)(G).*~~

(~~*11*~~10) **Required Minimum Dwelling Unit Mix.** Development projects in this District shall comply with Section 207.6.

(~~*12*~~11) **Active Uses.** For purposes of this Section 249.33, Arts Activities and Institutional Community Uses are considered to be "active uses," as defined in Section 145.4 of this Code.

(~~*13*~~12) Projects with on-site affordable housing units provided pursuant to a Purchase and Sale Agreement with the City that are in excess of the amount required by Planning Code Section 415 may deviate from the building floor distribution requirements of Section 415.6(~~*f*~~c)(1) by up to 15%.

* * * *

SEC. 249.38. SOMA YOUTH AND FAMILY SPECIAL USE DISTRICT.

(a) **Purpose.** The South of Market (SoMa) Youth and Family Special Use District is intended to expand the provision of affordable housing in the area defined below. In addition, this zoning is intended to protect and enhance the health and environment of youth and

families by adopting policies that focus on certain lower density areas of this District for the expansion of affordable housing opportunities. ~~*The findings of Planning Code Section 419.1 concerning the provision of affordable housing are incorporated herein by reference.*~~

(b) **Geography**. The general boundaries of the SoMa Youth and Family Special Use District are Natoma Street on the north, Harrison Street on the south, 4th Street on the east, and 7th Street on the west. The Special Use District is more particularly identified in the Zoning Map.

(c) **Controls**.

(1) For the entire Special Use District, all provisions of the Planning Code shall continue to apply, except for the following:

(A) The following uses, as defined in Section 102, shall require a Conditional Use authorization, pursuant to Section 303, unless the underlying zoning is more restrictive:

* * * *

(B) The Land Dedication alternative is available for any project ~~*of 55 feet or more*~~ under the same terms and conditions as provided for in Section *415.7(a).* ~~*419 et seq.*~~

~~*(C) In addition to the controls above, the following provisions shall apply to all properties that are not tangent to the following streets: Howard Street, Harrison Street. Folsom Street, 4th, 5th, 6th and 7th Streets: Any project subject to Section 415 et seq. in excess of 45 feet in height within this Special Use District shall be subject to the Tier C affordable housing requirements of Sections 419 et seq.*~~

SEC. 249.39. WESTERN SOMA SPECIAL USE DISTRICT.

(a) The Western SoMa Special Use District, as shown on Section Maps 1SU, 7SU, and 8SU of the Zoning Map, is governed by Section 303~~*.1*~~ of this Code, and Board of

Supervisors Resolution No. 731-04.

* * * *

(c) **Controls.** All provisions of the Planning Code shall apply except as otherwise provided in this subsection (c).

* * * *

(9) **Major Developments Requesting Height Bonuses.**

* * * *

(B) **Controls.** The project shall require conditional use authorization from the Planning Commission pursuant to Section 303 of this Code, and shall not require a Large Project Authorization if otherwise required under Section 329, and shall be subject to the following criteria:

(i) As a component of such conditional use authorization, the project may seek specific exceptions to the provisions of this Code as provided under Section 329;

* * * *

~~*(vi) Projects on development sites greater than .5 acre, but less than 3 acres, shall be subject to the Tier B affordable housing requirements of Section 419.3(b)(2) of this Code.*~~

SEC. 249.40. POTRERO CENTER MIXED-USE SPECIAL USE DISTRICT.

(a) **Purpose.** The Potrero Center Mixed-Use Special Use District is intended to facilitate the continued operation of the shopping center located at 2300 16th Street, which is characterized by large formula retail sales and services, while providing an appropriate regulatory scheme for a potential phased mixed-use redevelopment of the shopping center in the future.

* * * *

(c) **Controls.** All provisions of the Planning Code shall continue to apply, except for the following:

* * * *

(4) **Housing Requirements.** The Potrero Center is one of the largest properties in the UMU zoning district that provides a unique opportunity for a mixed-use project with the provision of a significant amount of affordable housing, through either on-site inclusionary units, a dedication of a portion of the land or the air rights of the property to the City. This would enable the City (or another affordable housing developer) to develop affordable housing on such dedicated portion or provide for a combination of both on-site inclusionary housing and land dedication. The City supports such affordable housing production in this location, rather than in an off-site location or locations. ~~*The provisions of Table 419.5 shall be modified to increase the*~~ *The* off-site affordable unit election and in lieu fee election requirements ~~*from 27 percent to 30 percent*~~ *shall be 15%* of the total number of units produced in the principal project. ~~*The findings of Section Section 419.5(a)(2) concerning the provision of affordable housing are incorporated herein by reference.*~~

(5) **Land Dedication Election**. The Land Dedication Alternative for the provision of inclusionary housing units specified in Section ~~*419.5(a)(2)*~~ *415.7(a)* may be satisfied incrementally over time in the event that portions of the SUD are redeveloped in phases and may be satisfied through the dedication to the City of air space parcels above or adjacent to retail, parking or other uses, as well as through dedications of land, upon the approval of the ~~*Mayor's Office of Housing*~~ *MOHCD* or a successor entity, and provided the requirements of Section ~~*419.5(a)(2)*~~ *414.7(a)* are otherwise satisfied.

SEC. 249.78. CENTRAL SOMA SPECIAL USE DISTRICT.

(a) **Purpose.** To implement the goals, objectives, and policies of the Central SoMa Plan (Ordinance No. 280-18, on file with the Clerk of the Board of Supervisors in File No. 180185), the Central SoMa Special Use District (SUD) is hereby established.

* * * *

(c) **Land Use Controls.**

* * * *

(6) **Use on Large Development Sites**.

* * * *

(C) **Residential Bonus Program**. Projects on large development sites identified in subsection 249.78(c)(6)(A) shall be eligible for an exception from the use requirement in subsection 249.78(c)(6)(B), provided that the projects satisfy all of the following:

* * * *

(v) **Land Dedication for 100% Affordable Housing.** For purposes of this Section 249.78 (c)(6), "Land Dedication for 100% Affordable Housing" as applied to projects on the Key Sites identified in this section means fully or partially satisfying the project's affordable housing requirements of Sections 413 et seq. and 415 et seq. under Sections 413.6 and ~~*419.5*~~ *415.7(a).*~~*by providing no less than 10,000 square feet or a minimum capacity of 75 units of affordable housing, provided that if the combined full requirements of Section 413 et seq. and Section 415 et seq. as applied to the proposed project would not result in a land dedication site of at least 10,000 square feet or a minimum capacity of 75 units of affordable housing, then the proposed project on the Key Site may instead meet the requirements of Sections 413 et seq. and 415 et seq. as otherwise provided for in this Code.*~~

* * * *

(e) **Community Development Controls.**

~~*(1) **Affordable Housing Funds.** Affordable Housing Fees for projects within the Central SoMa Special Use District shall be subject to Section 415.5(f)(1)(D).*~~

~~*(2) **Land Dedication.***~~

~~*(A) Residential projects in this SUD may opt to fulfill the Inclusionary Housing requirement of Section 415 through the Land Dedication alternative contained in Section 419.6.*~~

~~*(B) Non-Residential projects in this Special Use District may opt to fulfill their Jobs-Housing Linkage Fee requirement of Section 413 through the Land Dedication alternative contained in Section 413.6.*~~

(~~*3*~~*1*) **TDR Requirements for Large Development Sites.** The transfer and use of TDR by Large Development Sites in the Central SoMa SUD is subject to the controls of Section 128.1.

~~*(B) **Requirement.***~~

(~~*i*~~*A*) A project subject to this subsection (~~*3*~~*1*) will be considered a "Development Lot," pursuant to Section 128.1;

(~~*ii*~~*B*) To exceed a Floor Area Ratio of 3:1, a Development Lot shall acquire one Unit of TDR from a Transfer Lot, as defined in Sections 128 and 128.1, per square foot of development up to a Floor Area Ratio of 4.25:1. Above 4.25:1, the acquisition of additional TDR is not required.

(~~*4*~~*2*) **Onsite Childcare Facilities**. Prior to issuance of a building or site permit for a development project subject to the requirements of Section 414.4, the sponsor of an Office or Hotel project on a Key Site, as defined in Section 329(e), shall elect its choice of the options described in subsection (A), (B) and (E) of Section 414.4(c)(1) to fulfill any requirements imposed pursuant to Section 414.4 as a condition of approval. The Planning Commission shall review the project for compliance with Section 414.4. In addition, the following process shall apply:

* * * *

~~***SEC. 263.7. SPECIAL HEIGHT EXCEPTIONS: NORTH OF MARKET RESIDENTIAL SPECIAL USE DISTRICT.***~~

~~*(a) **General.** In the 80-120-T and 80-130-T Height and Bulk Districts, as designated on Sectional Maps No. 1H and No. 2H of the Zoning Map, located within the boundaries of the North of Market Residential Special Use District, as designated on Sectional Map No. 1SUb of the Zoning Map, height exceptions may be approved by the City Planning Commission, pursuant to the provisions set forth below, from the base height of 80 feet up to 120 feet in the 80-120-T District and up to 130 feet in the 80-130-T District.*~~

~~*(b) **Findings and Purposes.** In the 80-120-T and 80-130-T Height and Bulk Districts located within the North of Market Residential Special Use District (NOMRSUD), heights higher than 80 feet would be appropriate in order to effect a transition from the higher downtown heights to the generally lower heights of the existing buildings in the NOMRSUD core area and the Civic Center area and to make more feasible the construction of new housing, provided that development of the site is also consistent with the general purposes of the NOMRSUD as set forth in Section 249.5(b). Because development at heights greater than 80 feet may create pressures on existing affordable housing in the area, it is desirable to ameliorate such pressures by requiring that a portion of the value added to the new development resulting from the granting of a height exception be contributed to a fund established for the purpose of stabilizing, rehabilitating, and retaining existing affordable units in the area.*~~

~~*The amount of contribution shall be a reasonable proportion of the value added to the development as a result of the extra building area enabled by the height exception.*~~

~~*(c) **Procedures.** Exceptions from the base height of 80 feet shall be permitted, up to 120 feet in the 80-120-T Height and Bulk District, and up to 130 feet in the 80-130-T Height and Bulk District, only upon approval by the City Planning Commission, according to the procedures for conditional use*~~

~~*approval set forth in Section 303 of this Code.*~~

~~*(d) **Conditions.** The Planning Commission shall impose conditions on the approval of applications for conditional use authorization, required pursuant to Section 253 for buildings which exceed 40 feet in height in an R District, if such authorization includes a grant of an exception to the 80-foot base height limit, in order to mitigate the impact that such height exception is likely to have on the existing supply of affordable housing in the area. The condition shall require that the applicant pay a fee to the Controller which shall be deposited in the Citywide Affordable Housing Fund established in Administrative Code Section 10.100-49 (the "Fund").*~~

~~*(e) **Fee.** The fee required pursuant to subsection (d) above shall be equal to the sum of $5 times the total gross square footage of floor space located above 80 feet in height as determined by the Zoning Administrator, as shown on the building plans. The fee shall be due and payable prior to the issuance of a temporary certificate of occupancy, unless the project sponsor agrees to and qualifies for participation in an amortized payment program, to be established by the Director of the Mayor's Office of Housing and Community Development (MOHCD) and the Director of City Planning, such program to be subject to subsequent review and approval by the City Planning Commission and the Board of Supervisors, which program would result in the City receiving an amount equivalent to the value of the contribution at the time the temporary certificate of occupancy is issued.*~~

~~*(f) **Procedure Regarding Temporary Permit of Occupancy.** The Superintendent of the Bureau of Building Inspection shall provide notice in writing to the Zoning Administrator at least two business days prior to issuing a temporary permit of occupancy for any building subject to the provisions of this Section. If the Zoning Administrator notifies the Superintendent of the Bureau of Building Inspection within such time that the provisions of this Section have not been complied with, the Superintendent shall deny the temporary permit. If the Zoning Administrator notifies the Superintendent that the provisions of this Section have been complied with or fails to respond within two business days, the temporary permit of occupancy shall not be disapproved pursuant to this Section.*~~

~~*(g) **Citywide Affordable Housing Fund.** All fees collected by the Controller pursuant to this Section 263.7 shall be deposited in the Fund, but the fees shall be separately accounted for and expended by MOHCD as provided in this Section. All fees collected under this Section and deposited in the Fund shall be used solely to stabilize, rehabilitate, and retain affordable housing in the North of Market Residential Special Use District. No fees collected under this Section may be used, by way of loan or otherwise, to pay any administrative, general overhead, or similar expense of any entity except for servicing cost related to participation in the amortized payment program.*~~

~~*(h) **Rules and Regulations for Implementation.** The Director of MOHCD and the Director of City Planning shall prepare and submit to the Planning Commission and the Board of Supervisors for review and approval such rules and regulations as may be necessary for the implementation of this Section. The Director of MOHCD and the Director of City Planning shall further propose such amendments or additions to the rules and regulations that he or she determines to be necessary. Such amendments and additions shall include periodic revision of the fee to reflect current conditions.*~~

SEC. 329. LARGE PROJECT AUTHORIZATION IN EASTERN NEIGHBORHOODS MIXED USE DISTRICTS.

(a) **Purpose.** The purpose of this Section is to ensure that all large projects proposed in the Eastern Neighborhoods Mixed Use Districts are reviewed by the Planning Commission, in an effort to achieve the objectives and policies of the General Plan, the applicable Design Guidelines, and the purposes of this Code.

* * * *

(e) **Exceptions for Key Sites in Central SoMa.**

(1) **Purpose.** The Central SoMa Plan Area contains a number of large, underutilized development sites. By providing greater flexibility in the development of these sites, the City has an opportunity to achieve key objectives of the Central SoMa Plan and to

locate important public assets that would otherwise be difficult to locate in a highly developed neighborhood like SoMa.

* * * *

(3) **Controls.** Pursuant to this Section 329(e) and the Key Site Guidelines adopted as part of the Central SoMa Area Plan, the Planning Commission may grant exceptions to the provisions of this Code as set forth in subsection (d) above and may also grant the exceptions listed below for projects that provide qualified amenities in excess of what is required by the Code.

(A) **Qualified Amenities.** Qualified additional amenities that may be provided by these Key Sites include: affordable housing beyond what is required under Section 415 et seq.; land dedication pursuant to Section 413.6 by non-residential projects for construction of affordable housing in partial or full satisfaction of the Jobs-Housing linkage Fee, or in excess of that required to satisfy the Jobs-Housing linkage Fee, provided that if the land dedication is in partial satisfaction of that Fee, the balance of the Fee shall be paid with the land value calculated as set forth in Section 413.6; land dedication pursuant to Section 413.6 by residential projects for construction of affordable housing in partial or full satisfaction of the Alternatives to the Inclusionary Housing Fee, or in excess of that required to satisfy the Alternatives to the Inclusionary Housing Fee, pursuant to Section ~~*419.5*~~*415.7(a)*, to the extent permitted by state law, provided that if the land dedication is in partial satisfaction of that Fee, the balance of the Fee shall be paid with the land value calculated as set forth in Section 413.6; PDR at a greater amount and/or lower rent than is otherwise required under Sections 202.8 or 249.78(c)(5); public parks, recreation centers, or plazas; and improved pedestrian networks.

* * * *

SEC. 343. CENTRAL SOMA HOUSING SUSTAINABILITY DISTRICT.

* * * *

(d) **Eligibility.** Projects seeking approval pursuant to this Section 343 shall meet all of the following requirements:

* * * *

(7) The project complies with the following affordability requirements, as applicable:

(A) Projects subject to Section 415 shall comply with Section 415 by choosing the On-Site Affordable Housing Alternative under Section 415.5(~~g~~e)~~(1)(A)~~, and shall provide no less than 10% of dwelling units as units affordable to very low or low income families.

* * * *

SEC. 759. DIVISADERO STREET NEIGHBORHOOD COMMERCIAL TRANSIT DISTRICT.

The Divisadero Street Neighborhood Commercial Transit District ("Divisadero Street NCT") extends along Divisadero Street between Haight and O'Farrell Streets. Divisadero Street's dense mixed-use character consists of buildings with residential units above ground-story commercial use. The District has an active and continuous commercial frontage along Divisadero Street for most of its length. Divisadero Street is an important public transit corridor and throughway street. The commercial district provides convenience goods and services to the surrounding neighborhoods as well as limited comparison shopping goods for a wider market.

* * * *

~~*If the Planning Department determines that any site proposed for residential development and*~~

~~*located within the Divisadero Street NCT has received a 50% or greater increase in residential densities over prior zoning through the adoption of Ordinance No. 127-15, any development project that is subject to the Inclusionary Affordable Housing Program on such site shall pay the Affordable Housing Fee, or provide one of the Alternatives to Payment of the Affordable Housing Fee, set forth in Planning Code Sections 415 et seq., except that the amount of the Affordable Housing Fee or Alternatives to Payment of the Affordable Housing Fee shall be modified as set forth in Planning Code Sections 428 et seq.*~~

* * * *

Section 6. Article 4 of the Planning Code is hereby amended by revising Sections 402, 403, 406, and 409 as follows:

SEC. 402. PROCEDURE FOR *ASSESSMENT,* PAYMENT, AND COLLECTION OF DEVELOPMENT FEES.

* * * *

(b) **Required Department Notice to Development Fee Collection Unit; Request to Record Notice of Fee.**

(1) **Required Notice.** When the Planning Department determines that a development project is subject to one or more development fees or development impact requirements as set forth in Section 402(e), the Department shall send written or electronic notification to the Development Fee Collection Unit at DBI, and also to MOH*CD*, *SF*MTA or other applicable agency that administers an applicable development fee or development impact requirement, that:

(i) identifies the development project,

(ii) lists which specific development fees and/or development impact requirements are applicable and the legal authorization for their application,

(iii) specifies the dollar amount of the development fee or fees that the Department calculates is owed to the City or that the project sponsor has elected to satisfy a development impact requirement through the provision of physical or "in-kind" improvements, and

(iv) lists the name and contact information for the staff person at each agency or department responsible for calculating the development fee or monitoring compliance with the development impact requirement for physical or in-kind improvements.

* * * *

(e) **Amount and Applicability of Impact Fees.** When the Planning Department determines that a project is subject to development impact fees established in the Planning Code, with the exception of the Inclusionary Housing Fee as set forth in Section 415 et seq., the assessment shall be based on the types of fees ~~*and the rates of those fees*~~ in effect at the time *the Department determines that the Development Application is complete, or the Department received a preliminary application, as applicable, and the Department shall not impose any subsequently established development impact fees. The amount of development impact fees shall be assessed at* ~~*of*~~ Final Approval*, based on the rates published in the Development Impact Fee Register in effect at the time of Final Approval*. After Final Approval, the City shall not ~~*impose subsequently established development impact fees or*~~ increase the rate of existing fees on the development project, including annual inflation adjustments pursuant to Section 409, except as provided in subsections (e)(1)-(e)(2) of this Section 402. The Planning Department shall transmit the fee assessment to the Development Fee Collection Unit at DBI in accordance with this Section 402.

(1) **Modification, Renewal, Extension for Projects.** After the Final Approval, if a development project requires a modification to, renewal, or extension of a previously approved Development Application, the Planning Department shall reassess development

impact fees pursuant to subsection (e)(2). For the purposes of this subsection (e)(1), a "modification" shall not include a legislatively-authorized reduction or waiver of fees, including any waivers pursuant to Section 406.

(2) **Amount of Reassessment.** For any development project that requires a modification to, renewal, or extension pursuant to subsection (e)(1), the Planning Department shall reassess fees as follows:

(A) **Modified Projects.** For projects increasing Gross Floor Area of any ~~u~~*U*se *by 20% or less*, the Planning Department shall assess the new or increased Gross Floor Area by applying the types of impact fees in effect at the time ~~of~~ *the Department determined that the application was complete*, ~~*Final Approval*~~ at the rates in effect at the time of *Final Approval.*~~*modification.*~~ *For projects increasing Gross Floor Area by more than 20%, the Department shall apply the types of impact fees in effect at the time the new Development Application is deemed complete, and the rate in effect at the time the new Development Application is Finally Approved.* For projects reducing Gross Floor Area, the Planning Department shall assess the types *of fees in effect at the time the Department determined the Development Application was complete,* and *the* rates of fees in effect at the time of Final Approval only on the remaining Gross Floor Area. ~~*If the modified project would result in a new type of fee or a different rate based on applicable thresholds in effect at the time of Final Approval, the entire project square footage is subject to the new type of fee or different rate in effect at the time of modification. The City shall refund fees, if any, without interest, based on the fees in effect at the time of Final Approval.*~~

(B) **Renewal and Extended Projects.** For projects receiving a renewal or extension, the Planning Department shall reassess fees for the entire project's Gross Floor Area based on the type of fees and rates of those fees in effect at the time of renewal or extension.

(3) ***Permitted Modifications to Projects Following Legislated Amendments to***

Development Impact Fees.

(A) **Projects Approved Prior to Effective Date of Ordinance in Board File No. 230764.** For projects that have obtained a Final Approval, but that have not yet obtained a first site or building permit prior to the effective date of the ordinance in Board File No. 230764, the assessed types and rates of impact fees shall not be increased after that effective date, unless such project requires a modification, extension, or renewal pursuant to subsection (e)(1)-(2) of this Section 402. For projects that have obtained a Final Approval and a site or building permit prior to the effective date of the ordinance in Board File No. 230764, the types and rate of fees are those assessed at the time of site or building permit issuance, subject to legislative reduction or waiver of fees, unless such project requires a modification, extension, or renewal pursuant to subsection (e)(1)-(2) of this Section 402.

*(B) **Modifications to Pipeline Projects and Certain Approved Projects Following Legislative Amendments to Development Impact Fee Requirements.***

(i) For Pipeline Projects, if the Board of Supervisors reduces or deletes an applicable development impact fee imposed by this Article 4, the project shall be entitled to modify the types and/or rates of the impact fees reduced or deleted to those in effect as of the effective date of the ordinance adopting the legislative amendment or deletion. All other fees shall continue to be assessed as provided in Section 403(e).

(ii) For Projects that have been issued a First Construction Document prior to the effective date of legislation reducing or deleting an applicable development impact fee imposed by this Article 4, the project shall be entitled to a waiver of the reduced or deleted development impact fee only for the portion of the fee that has been deferred and not yet paid pursuant to Building Code Section 107A.13.3. All other fees shall continue to be assessed as provided in Section 403(e).

~~*(4) Applicability to Development Agreements.*~~

~~*(A) For projects subject to development agreements executed prior to the effective date of the ordinance in Board File No. 230764, the Planning Department shall assess the applicable fees pursuant to the development agreement and no later than the earlier of site or building permit issuance.*~~

~~*(B) Except as may otherwise be agreed to by the parties, for a project subject to a development agreement executed on or after the effective date of the ordinance in Board File No. 230764, the Planning Department shall assess the applicable fees at the earlier of site or building permit issuance.*~~

~~*(C) The procedures set forth in subsection (e)(1)-(2) shall govern the modification, renewal, or extension of a project subject to a development agreement.*~~

~~*(D) In the event of a conflict between this Section 402(e) and the terms of a development agreement, the terms of the development agreement shall apply, unless the development agreement is modified pursuant to the terms of that agreement.*~~

SEC. 403. PAYMENT OF DEVELOPMENT FEE(S) OR SATISFACTION OF DEVELOPMENT IMPACT REQUIREMENT(S) AS A CONDITION OF APPROVAL; ~~*TEMPORARY*~~ FEE REDUCTION PROGRAM.

In addition to any other condition of approval that may otherwise be applicable, the Department or Commission shall require as a condition of approval of a development project subject to a development fee or development impact requirement under this Article 4 that such development fee or fees be paid consistent with the timing set forth in *California Government Code section 66007, or in* Building Code Section 107A.13.3, in proportion to the amount required for each building if there are multiple buildings, with an option for the project sponsor to defer payment of 85% of the fees~~*, or 80% of the fees if the project is subject to a neighborhood infrastructure impact development fee,*~~ to prior to issuance of the first certificate of

occupancy, as provided by Section 107A.13.3.1 of the San Francisco Building Code ("Fee Deferral Program"). ~~*The Fee Deferral Program shall not apply to fees that must be deposited in the Citywide Affordable Housing Fund (Administrative Code Section 10.100-49).*~~ Projects subject to development agreements executed pursuant to Chapter 56 of the Administrative Code shall be eligible for the Fee Deferral Program, except as may otherwise be agreed to by the parties to the development agreement. The Department or Commission shall also require as a condition of approval that any development impact requirement imposed on a development project under this Article shall be satisfied prior to issuance of the first certificate of occupancy for any building or buildings within the development project, in proportion to the amount required for each building if there are multiple buildings.

(a) ~~***Temporary***~~ **Fee Reduction Program.** *Except for the Inclusionary Housing Fee as set forth in Section 415.1 et seq., all* ~~*The following*~~ development *impact* fees *imposed by this Article 4* ~~*assessed on or before November 1, 2026*~~ shall be reduced ~~*by 33%*~~ *at the time of collection by the Development Fee Collection Unit at DBI by 67% from the amount assessed for the project pursuant to Section 402(e).*~~*: for (1) projects that receive a First Construction Document, as defined in Building Code Section 107A.13.1, within 30 months of Final Approval, as defined in Section 415A.2; and (2) for Pipeline Projects as defined in Section 415A.2, if such Pipeline Projects receive a First Construction Document on or before May 1, 2029. Projects approved pursuant to a development agreement under Chapter 56 of the Administrative Code shall not be eligible for a fee reduction under this Section 403. Upon receipt of a First Construction Document, the Planning Department shall determine whether the project is eligible for the Temporary Fee Reduction Program, and update the fees assessment as applicable. If the project is found eligible, the following fees shall be reduced:*~~

~~*(1) The Transportation Sustainability Fee (Section 411A);*~~

~~*(2) The Downtown Park Fee (Section 412);*~~

~~*(3) The Jobs Housing Linkage Program (Section 413);*~~

~~*(4) The Childcare Requirement for Office and Hotel Development Projects (Section 414);*~~

~~*(5) The Childcare Requirements for Residential Projects (Section 414A);*~~

~~*(6) Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee (Section 416);*~~

~~*(7) Eastern Neighborhoods Area Plan Affordable Housing Requirement (Section 417);*~~

~~*(8) Rincon Hill Community Improvements Fund and SOMA Community Stabilization Fund (Section 418);*~~

~~*(9) Visitation Valley Community Facilities and Infrastructure Fee and Fund (Section 420);*~~

~~*10 The Market and Octavia Community Improvements Fund (Section 421);*~~

~~*11 Balboa Park Community Improvements Fund (Section 422);*~~

~~*12 Eastern Neighborhood Impact Fees and Public Benefits Fund (Section 423);*~~

~~*13 Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee and Program (Section 424);*~~

~~*14 Transit Center District Open Space Impact Fee and Fund (Section 424.6) and Transportation and Street Improvement Impact Fee (Section 424.7);*~~

~~*15 Van Ness and Market Community Facilities Fee and Fund (Section 425);*~~

~~*16 Open Space requirements (Sections 426 and 427);*~~

~~*17 Public Art Fee (Section 429);*~~

~~*18 Bicycle Parking fee (Section 430);*~~

~~*19 Central SOMA Community Services Facilities Fees and Fund (Section 432);*~~

~~*20 Central SOMA Infrastructure Fee and Fund (Section 433);*~~

~~*21 Union Square Park, Recreation, and Open Space Fee (Section 435);*~~

Fees eligible for reduction under this section, including the amount with a reduction, shall be included in the Controller's Citywide Development Fee and Development Impact Requirements Report described in Section 409(a).

*(b) **Modifications to Pipeline Projects and Certain Approved Projects.***

(1) Pipeline Projects shall be entitled to receive the impact fee reduction provided in Section 403(a).

(2) Projects that have been issued a First Construction Document and that have deferred a portion of the impact fee amount owed pursuant to Building Code Section 107A.13.3 shall be entitled to receive an adjustment to the remaining unpaid balance such that the project receives the percentage reduction set forth in Section 403(a) from the project's original assessment under Section 402(e). However, there shall be no refund issued for any portion of the impact fee amount already paid.

SEC. 406. WAIVER, REDUCTION, OR ADJUSTMENT OF DEVELOPMENT PROJECT REQUIREMENTS.

* * * *

(h) **Waiver for Projects in the C-2 and C-3 Districts**. In the C-2 and C-3 Districts, a development project that meets the eligibility criteria in subsection (h)(1) of this Section 406 shall receive a waiver from any development impact fee or development impact requirement imposed by this Article.

(1) **Eligibility.** To be eligible for the waiver in this subsection (h), the project shall:

(A) be located in a C-2 or C-3 District; *and*

(B) contain ~~*any of the following uses: Hotel, Restaurant, Bar, Outdoor Activity,*~~ *a Retail Sales and Service,* or Entertainment*, Arts and Recreation Use.*~~;~~

~~*(C) submit a complete Development Application on or before December 31, 2026, including any projects that have obtained Final Approval prior to the effective date of the ordinance in Board File No. 230764 that have not already paid development impact fees.*~~

(2) **Extent of Waiver.** The waiver in this subsection (h) shall be limited to development impact fees or development impact requirements for the establishment of any new Gross Floor Area of the *Uses in subsection (h)(1)(B).* ~~*Hotel, Restaurant, Bar, Outdoor Activity, or Entertainment Use.*~~

*(3) **Modification of Previously Approved Projects.** Projects that received a Final Approval before November 1, 2023, have not been issued a First Construction Document, and have not paid development impact fees, shall be entitled to the waiver provided in this subsection 406(h).*

(~~*3*~~*4*) **Sunset.** This subsection (h) shall expire by operation of law on December 31, ~~*2026*~~*2029*, unless the duration of the subsection has been extended by ordinance effective on or before that date. Upon expiration, the City Attorney shall cause subsection (h) to be removed from the Planning Code.

* * * *

SEC. 409. CITYWIDE DEVELOPMENT FEE REPORTING REQUIREMENTS AND COST INFLATION FEE ADJUSTMENTS.

* * * *

(b) **Annual Development Fee Inflation Adjustments** ***and Development Impact Fee Register*****.** Prior to issuance of the Citywide Development Fee and Development Impact Requirements Report referenced in subsection (a) above, the Controller shall review the amount of each development fee established in the Planning Code and, with the exception of the Inclusionary Affordable Housing Fee in Section 415 et seq., shall adjust the dollar amount of any development fee by ~~*two percent*~~ *2%* on an annual basis every January 1 in order to maintain a reasonably conservative connection between construction costs and development fees for the next calendar year for a mix of public infrastructure and facilities in San Francisco. *MOHCD shall adjust the Inclusionary Affordable Housing Fee consistent with the procedures*

established in Section 415.5(b)(3). The Planning Department *shall publish the fee adjustments from the Controller and MOHCD in an annual Development Impact Fee Register,* and *along with* the Development Fee Collection Unit at DBI shall provide notice of the Controller's development fee adjustments, and MOHCD's separate adjustment of the Inclusionary Affordable Housing Fee on the Planning Department and DBI websites and to any interested party who has requested such notice at least 30 days prior to the adjustment taking effect each January 1. ~~*The Inclusionary Affordable Housing Fee shall be adjusted under the procedures established in Section 415.5(b)(3).*~~

Section 8. Section 107A of the Building Code is hereby amended by revising Section 107A.13 (including Sections 107A.13.1, 107A.13.3.1, and 107A.13.3.1.1, and adding Section 107A.13.3.1.2), to read as follows:

107A.13 Development impact and in-lieu fees.

107A.13.1 Definitions.

(a) The following definitions shall govern interpretation of this Section:

* * * *

(8) "First construction document" shall mean the first building permit issued for a development project or, in the case of a site permit, the first building permit addendum issued or other document that authorizes construction of the development project. Construction document shall not include permits or addenda for demolition, grading, shoring, pile driving, or site preparation work. *For a development project with multiple buildings, including projects approved pursuant to Administrative Code Chapter 56, First construction document shall mean the building permit, or in the case of a site permit, the first building permit addendum, for each building.*

(9) "In-lieu fee" is a fee paid by the project sponsor in lieu of complying with a

City requirement that is not a development impact fee within the meaning of the Mitigation Fee Act.

(10) "Neighborhood Infrastructure Seed Fund" shall mean the fund or funds established by the Controller's Office for the purpose of collecting the ~~*20 percent*~~ pre-paid portion of the development fees intended to fund pre-development work on any neighborhood infrastructure project funded by any of the neighborhood infrastructure impact development fees listed *below.* ~~*in Subsection 107A.13.3.1.1.*~~ In addition, third-party grant monies or loans may also be deposited into this fund for the purpose of funding pre-development or capital expenses to accelerate the construction start times of any neighborhood infrastructure project funded by any of the neighborhood infrastructure impact development fees listed *below:*~~*in Subsection 107A.13.3.1.1*~~.

(A) Rincon Hill Community Infrastructure Impact Fee, as set forth in Planning Code Section 418.3(b)(1);

(B) Visitacion Valley Community Facilities and Infrastructure Fee, as set forth in Planning Code Section 420.3(b);

(C) Market and Octavia Community Infrastructure Fee, as set forth in Planning Code Section 421.3(b);

(D) Balboa Park Community Infrastructure Impact Fee, as set forth in Planning Code Section 422.3(b);

(E) Eastern Neighborhoods Infrastructure Impact Fee, as set forth in Planning Code Section 423.3(b);

(F) Van Ness and Market Neighborhood Infrastructure Impact Fee, as set forth in former Planning Code Section 424.3(b)(ii); and

(G) Central SoMa Infrastructure Impact Fee, as set forth in Planning Code Section 433.

* * * *

Sec. 107A.13.3.1. Fee deferral program. A project sponsor may elect to defer payment of any development impact or in-lieu fee *imposed by Article 4 of the Planning Code and*~~*, excluding any fees that must be deposited into the Citywide Affordable Housing Fund (Administrative Code Section 10.100-49),*~~ collected by the Department to a due date prior to issuance by the Department of the first certificate of occupancy; provided, however, that the project sponsor shall pay 15*%* ~~*percent*~~ of the total amount of the development fees owed~~*, excluding any fees that must be deposited into the Citywide Affordable Housing Fund (Administrative Code Section 10.100-49),*~~ prior to issuance of the first construction document. ~~*If a project is subject to one of the neighborhood infrastructure impact development fees listed in Subsection 107A.13.3.1.1, the project sponsor shall pay 20 percent of the total amount of the development fees owed prior to issuance of the first construction document. These pre-paid funds shall be deposited as provided in Subsection 107A.13.3.1.1 below. A project sponsor that has not obtained its First Construction Document prior to the Effective Date of the ordinance in Board File No. 230764 and has*~~ *Pipeline Projects, as defined in Planning Code Section 401, that have* not yet paid ~~*a*~~ *any* development impact or in-lieu fee *imposed by Article 4 of the Planning Code* may elect to defer payment under the provisions of this Section notwithstanding a condition of approval that required the fee to be paid prior to issuance of the First Construction Document. *This option to defer payment may be exercised by submitting a deferral request to the Department on a form provided by the Department prior to issuance of the first construction document.*

~~*This option to defer payment may be exercised by submitting a deferral request to the Department on a form provided by the Department prior to issuance of the first construction document. This deferral option shall not be available to a project sponsor who paid the fee prior to the Effective Date date of the ordinance in Board File No. 230764; the project sponsor's reapplication for a*~~

~~*building or site permit after expiration of the original permit and refund of the development fees paid shall not authorize the project sponsor to elect the deferral option.*~~

Sec. 107A.13.3.1.1 Deposit of pre-paid portion of deferred development fees. ~~*If a development project is not subject to one of the neighborhood infrastructure impact fees listed below, the*~~ *The* pre-paid portion of ~~*the*~~ *any* development *impact* fee~~s~~ *imposed by Article 4 of the Planning Code* shall be deposited into the appropriate fee account *for each fee*. If there is more than one fee account *for any given fee*, the pre-paid portion of the fees shall be apportioned *to each account in proportion to the percentage imposed under Article 4.*~~*equally.*~~

~~*If a development project is subject to one of the neighborhood infrastructure impact development fees listed below, the entire 20 percent development fee pre-payment shall be deposited in the appropriate neighborhood infrastructure impact fee account. These pre-paid funds shall be dedicated solely to replenishing the Neighborhood Infrastructure Seed Fund for that specific neighborhood infrastructure impact fee account. In no event shall a neighborhood infrastructure impact fee specific to one Area Plan be mixed with neighborhood infrastructure impact fees specific to a different Area Plan. If the 20 percent development fee pre-payment exceeds the total amount owed for the neighborhood infrastructure impact fee account, the remaining pre-paid portion of the 20 percent development fee pre-payment shall be apportioned equally among the remaining applicable development fees.*~~

~~*The neighborhood infrastructure development fees subject to the 20 percent pre-payment provision of this Subsection 107A.13.3.1.1 are as follows: (1) the Rincon Hill Community Infrastructure Impact Fee, as set forth in Planning Code Section 418.3(b)(1); (2) the Visitacion Valley Community Facilities and Infrastructure Fee, as set forth in Planning Code Section 420.3(b); (3) the Market and Octavia Community Infrastructure Fee, as set forth in Planning Code Section 421.3(b); (4) the Balboa Park Community Infrastructure Impact Fee, as set forth in Planning Code Section 422.3(b); (5) the Eastern Neighborhoods Infrastructure Impact Fee, as set forth in Planning Code Section 423.3(b); (6)*~~

~~*the Van Ness and Market Neighborhood Infrastructure Impact Fee, as set forth in Planning Code Section 424.3(b)(ii); and (7) the Central SoMa Infrastructure Impact Fee, as set forth in Planning Code Section 433.*~~

Sec. 107A.13.3.1.2 Prior deposit of pre-paid portion of deferred development impact fees into Neighborhood Infrastructure Seed Funds. *For a project that has been issued a first construction document, but has not been issued a first certificate of occupancy, any portion of a non-neighborhood infrastructure development impact fee that has been paid into a Neighborhood Infrastructure Seed Fund under Section 107A.13.3.1.1 shall be reallocated and deposited into the applicable fee account.*

Section ~~8~~9. Chapter 5, Article XXIX, and Chapter 10, Article XIII, of the Administrative Code are hereby amended by revising sections 5.29-6, and 10.100-49 respectively, to read as follows:

CHAPTER 5: COMMITTEES

* * * *

ARTICLE XXIX. INCLUSIONARY HOUSING TECHNICAL ADVISORY COMMITTEE

* * * *

SEC. 5.29-6. MEETINGS AND PROCEDURES.

The Advisory Committee shall hold a regular meeting not less than once every four months until the sunset date set forth in Section 5.29-7. Notwithstanding any other provision of this Section 5.29 or Planning Code section 415.10, the Advisory Committee shall convene no later than ~~*January 1, 2026*~~ *April 1, 2029, and every 36 months thereafter*.

CHAPTER 10: FINANCE, TAXATION, AND OTHER FISCAL MATTERS.

ARTICLE XIII: FUNDS

* * * *

SEC. 10.100-49. CITYWIDE AFFORDABLE HOUSING FUND.

(a) **Establishment of Fund.** The Citywide Affordable Housing Fund is established as a category eight fund to receive fee revenue dedicated to affordable housing and other contributions to the fund. The fund receives*, or received,* money from, among other sources:

(1) The North of Market Residential Special Use District, *former* Planning Code Section 263.7;

(2) The Jobs Housing Linkage Program, Planning Code Sections 413 et seq.;

(3) The Inclusionary Affordable Housing Program, Planning Code Sections 415 et seq.;

(4) The Market and Octavia Affordable Housing Program, *former* Planning Code Section 416.5;

(5) The Eastern Neighborhoods Area Plan Alternate Affordable Housing Fee, *former* Planning Code Section 417.5;

(6) The Eastern Neighborhoods Housing Fund, Planning Code Section 423.5;

(7) The Expedited Condominium Conversion Program, Subdivision Code Section 1396.4; and,

(8) Repayments of loans and other program income associated with investments initially made with monies from the fund.

(b) **Use of Fund.** The fund is to be used exclusively by the Mayor's Office of Housing and Community Development *("MOHCD")*, or its successor, for the purpose of supporting affordable housing in San Francisco. Specific eligible uses of the fund are delineated for each fee in the code where the fee is *or was* established*, or as set forth in subsection (e)*. Within the fund, all fees, repayments, and program income shall be separately accounted for as required by each fee.

(c) **Exceptions to Fund Category.** The Director of ~~*the Mayor's Office of Housing and Community Development*~~ *MOHCD* shall approve all expenditures from the fund.

(d) **Administration of Fund.** ~~*The Mayor's Office of Housing and Community Development, or its successor,*~~ *MOHCD* shall administer the fund and shall report annually to the Board of Supervisors on the current status of the fund, the amounts approved for disbursement, and the number and types of housing units or households assisted. ~~*The Mayor's Office of Housing and Community Development*~~ *MOHCD* shall have the authority to prescribe rules and regulations governing the Fund.

(e) The following fees were deleted in the ordinance in Board File No. 260538. Fees deposited into those funds prior to the effective date of the ordinance in Board File No. 260538 shall continue to be separately accounted for and expended according to the following priorities:

(1) Funds from the North of Market Residential Special Use District, former Planning Code Section 263.7, shall be used solely to stabilize, rehabilitate, and retain affordable housing in the North of Market Residential Special Use District. No fees collected under Section 263.7 may be used, by way of loan or otherwise, to pay any administrative, general overhead, or similar expense of any entity except for servicing cost related to participation in the amortized payment program.

(2) Funds from the Market and Octavia Affordable Housing program, former Planning Code Section 416 et seq., shall be expended according to the following priorities: (a) to increase the supply of housing Affordable to Qualifying Households in the Market and Octavia Plan Area and the Upper Market Neighborhood Commercial Transit District (NCT); (b) to increase the supply of housing Affordable to Qualifying Households within one mile of the boundaries of the Plan Area and the Upper Market NCT District; and (c) to increase the supply of housing affordable to qualifying households in the City and County of San Francisco.

(3) Funds from The Eastern Neighborhoods Area Plan Alternate Affordable Housing Fee, former Planning Code Section 417 et seq., shall be expended according to the following priorities:

(a) to increase the supply of housing Affordable to Qualifying Households in the Eastern Neighborhoods Project Areas; (b) to increase the supply of housing Affordable to Qualifying Households within one mile of the boundaries of the Eastern Neighborhoods Project Areas; and (c) to increase the supply of housing Affordable to Qualifying Households in the City and County of San Francisco. No funds were collected within the Central SoMa Special Use District, thus the restrictions on the use of those funds in former Planning Code Section 417.5 do not apply to the existing fund balance.

(4) Funds from the Van Ness and Market Downtown Residential Special Use District Affordable Housing Fund, former Planning Code Section 424.4, shall be prioritized as follows: (a) to increase the supply of housing Affordable to Qualifying Households in the Van Ness & Market Residential Special Use District; (b) to increase the supply of housing Affordable to Qualifying Households within one mile of the boundaries of the Market and Octavia Area Plan; and (c) to increase the supply of housing Affordable to Qualifying Households in the City and County of San Francisco.

(5) Funds from the Housing Requirements, UMU Zoning Districts of the Eastern Neighborhoods, former Planning Code Section 419, shall be spent to increase the supply of housing Affordable to Qualifying Households in the City and County of San Francisco.

Section ~~9~~10: Deletion of "Significant increase in residential development potential." This ordinance, in Section 3, deletes the definition of "Significant increase in residential development potential" in Planning Code Section 401. That definition was first adopted by the Board of Supervisors in Motion M13-097, pursuant to then Charter Section 16.110(h)(1)(B)(iv), enacted by Proposition C, adopted by the voters in November 2012. That Section required the City to "adopt a standard for determining what constitutes 'a significant increase in residential development potential.'" Charter Section 16.110(h), including the requirement for defining a "significant increase in residential development potential," was later

deleted by Proposition C, adopted by the voters in June 2016. Because Charter Section 16.110(h) has been deleted, the Charter requirement for a definition of "significant increase in residential development potential" no longer exists and the definition may be deleted by ordinance, as provided herein.

Section ~~10~~11. This ordinance includes amendments to Section 415.3, 415.5, 415.6, and 415.7, and deletes Sections 419.3, 419.5, 428, and 428.3 in their entirety. Section 7 of Ordinance 201-23, adopted November 12, 2023, amends those same sections, with an operative date of November 21, 2026. This ordinance supersedes any amendments included in Section 7 of Ordinance 201-23, and the Board hereby rescinds the amendments to those sections made in Ordinance 201-23. Accordingly, the amendments to those sections made in Ordinance 201-23 shall not become effective on November 21, 2026 or any other date, unless re-enacted by the Board in a subsequent ordinance.

Section ~~11~~12. Severability. If any section, subsection, sentence, clause, phrase, or word of this ordinance, or any application thereof to any person or circumstance is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or application of the ordinance; provided that if the amendments to Planning Code Section 206.10 are held invalid or unconstitutional by decision of a court of competent jurisdiction, all of Section 206.10 shall become inoperative and have no legal effect. Except as stated regarding Section 206.10, the Board of Supervisors hereby declares that it would have passed this ordinance and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this ordinance or application thereof would be subsequently declared invalid or unconstitutional.

Section ~~12~~13. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment additions, and Board amendment deletions in accordance with the "Note" that appears under the official title of the ordinance.

Section ~~13~~14. Effective Date. This ordinance shall become effective on the 31st day after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/
Audrey Williams Pearson
Deputy City Attorney

4906-8735-8133, v. 1

FILE NO. 260538

REVISED LEGISLATIVE DIGEST

(Amended in Committee – July 2, 2026)

[Planning, Administrative, Building Codes - Inclusionary Housing Programs Updates and reductions; Development Impact fee reductions]

Ordinance amending the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; and 6) adopt conforming amendments to various sections of the Planning Code; amending the Building Code to reduce Planning Code Article 4 development impact fees and allow deferral of payment of such fees; and amending the Administrative Code to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Existing Law

Inclusionary Affordable Housing Program

The Inclusionary Affordable Housing Program ("Inclusionary Program" or "Program"), Planning Code section 415 *et seq*., applies to new market-rate housing developments of 10 units or more. There are several ways to comply with the Program: a developer can (1) pay a fee to the City, which the City uses to construct affordable housing; (2) provide affordable units within the new development (on-site units); or provide affordable units in a separate development (off-site units). In a limited number of areas within the City, a developer can also comply with the Inclusionary Program by dedicating land to City for use as affordable housing; the land must allow a minimum of 40 units. The amount of the fee, or the number of on-site or off-site units required by the Inclusionary Program depends on a variety of factors, including the size of the project; whether the project is a rental project or an ownership project; where the project is located; when the project's development application was submitted; and in some cases, the height of the project. The Program requirements apply to the entire project, including any additional units allowed under the state density bonus law.

In 2023, the Board of Supervisors temporarily reduced the Inclusionary Program requirements. The temporary reduction was for a period of three years and is set to expire on November 1, 2026. After this date, the rates would increase as indicated below. In addition,

the Board further reduced the Program requirements of projects that had been approved prior to November 1, 2023, as a way to encourage the construction of those projects, provided that the projects begin construction within a certain timeframe.

Current and future Citywide Inclusionary Program requirements are set forth in this chart:

	Project Size	**Pre 2023 ordinance citywide rates**	**Rates for "Pipeline Projects" approved before 11/1/2023**	**Temporary "interim" rates (projects approved 11/1/2023-11/1/2026)**	**Citywide rates for projects approved after 11/1/2026**
Fee	Small (10-24 units)	20%*	16.4%	20%	20%
	Large (25+ units)	30% rental 33% ownership	16.4%	20.5%	24.5% rental 27% ownership
On-site	Small	15%	12%	15%	15%
	Large	22% rental 24% ownership	12%	15%	18% rental 20% ownership
Off-site	Small	20%	16.4%	20%	20%
	Large	30% rental 33% ownership	16.4%	20.5%	24.5% rental 27% ownership

* Percentages are for both ownership and rental projects, unless otherwise noted.

Various neighborhoods within the City, including parts of the Mission, SOMA, and the Tenderloin, and a number of special use districts, have unique Inclusionary Program requirements, which are higher than the citywide requirements. In the 2023 ordinance, the Board reduced the rates in these neighborhoods temporarily for projects approved before November 1, 2023; the reductions were in proportion to the reductions approved for the citywide rates.

The Inclusionary Program on-site requirements increase automatically each year until a specified amount is reached. These automatic increases were paused between 2023 and 2026, but after November 2028, the inclusionary on-site requirement for large projects increases by .5% per year until it reaches 26% for ownership projects and 24% for rental projects.

On-site units in small projects (10-24 units) are required to be rented at a price affordable to households earning 55% of Area Median Income (AMI) or sold at a cost affordable to households earning up to 80% of AMI. On-site units in large rental projects (25 units or more) are required to be rented at three levels of affordability: to households earning up to 55% of the Area Median Income (AMI), 80% AMI and 110% AMI. Similarly, on-site units in large

ownership projects are required to be priced at three tiers of affordability: affordable to households earning up to 80% AMI, 105% of AMI, and 130% of AMI. The percentage required at each income level varies, depending on the total inclusionary requirement. On-site affordable units must meet certain standards including standards related to size, bedroom and bathroom count, and location within the building.

In most instances, Inclusionary Program fees are deposited into the Citywide Inclusionary Affordable Housing Fund. In some areas, the Controller is directed to place fees in the Fund, but separately account for them; the fees are prioritized for affordable housing located in that same area, but can be used citywide.

Approval Process
Inclusionary Program requirements become conditions on a project approval. If the Planning Commission approves a development, the Planning Commission must modify the development's conditions of approval, although the Zoning Administrator has authority to allow some minor changes. Most projects are required to obtain a building or site permit within 36 months from project approval; projects that fail to meet this deadline must request an extension from the Planning Commission. Regarding Inclusionary Affordable Housing Program requirements specifically, projects that have not obtained a building or site permit within 30 months of project approval are subject to the Inclusionary Program rates at the time a building permit is issued. Projects can request a modification of their approvals to reduce their Inclusionary Program obligations consistent with the Interim or reduced pre-2023 rates. The Planning Department can approve the modifications administratively.

Development Impact Fees
San Francisco assesses development impact fees on residential and non-residential projects for various public purposes, including fees for transit, parks, public infrastructure, and art. Development impact fees are set forth in Article 4 of the Planning Code. The fees noted in the Code are increased each year by two percent; the current amount of each fee is noted in the Development Fee Register on the Planning Department's website. The 2023 ordinance temporarily reduced impact fees by 33% as long as the project receives a first construction document before May 1, 2029 for projects approved before November 1, 2023, or within 30 months of project approval for projects approved between November 1, 2023 and November 1, 2026. Development impact fees assessed after November 1, 2026 are not discounted. Projects approved under a development agreement are ineligible for reduced impact fees under this process.

Under Section 406, development impact fees are temporarily waived for Hotel, Bar, Restaurant, Outdoor Activity or Entertainment Uses in the downtown area (C-2 and C-3 districts) through December 31, 2026.

Under the Building Code, impact fees must be paid prior to issuance of a first construction document, unless state law requires a later date. Under the Building Code's fee deferral

program, certain projects can defer payment of up to 85% of most fees, or up to 80% of infrastructure fees in certain areas, until they are issued a certificate of occupancy.

Consistent with the Administrative Code, an "Inclusionary Housing Technical Advisory Committee" generally meets every three years. The most recent convening of the committee began in January 2026.

Amendments to Current Law

This ordinance would amend the Planning Code, Building Code and Administrative Codes as set forth below:

Planning Code Amendments

Reductions in Inclusionary Program Requirements (Section 415)
The ordinance would amend the inclusionary requirements as follows:

- Only projects of 25 or more units would be required to comply with the Inclusionary Program. Inclusionary requirements would only apply to a base project, not to additional units allowed under state density bonus law.
- The on-site requirement would be 5% for both ownership and rental projects citywide. The ordinance deletes the annual .5% increase in the rate. Project sponsors would be required to provide on-site units at two affordability levels: rental units would be rented at a price affordable to households earning 55% and 80% of AMI and ownership units would be sold at a price affordable to households earning 80% and 100% AMI.
- The fee requirement would be 10% for both ownership and rental projects. However, in the following areas, the requirement would be 15%:
    - Mission Area Plan
    - SOMA Neighborhood Commercial Transit District
    - North of Market Residential Special Use District
    - South of Market Youth and Family Special Use District
    - Urban Mixed Use (UMU) District
    - Western SOMA Special Use District
- All Inclusionary Program fees would be deposited in the Citywide Affordable Housing Fee Fund for use citywide.
- The off-site requirement would be 10% for both ownership and rental projects. The requirement would be 15% in the same areas listed under the fee requirement.
- The land dedication alternative would be available to all projects citywide. Dedicated land must allow for at least 70 units, or the equivalent number of off-site units, whichever is higher. Projects in Central SOMA would also have a 15% requirement. Dedicated land must be located within one mile of the principle

project, or if the principle project is within one of the areas or districts listed above, plus Central SOMA and in Well-Resourced Neighborhoods, within one mile or within that area.

The ordinance would make miscellaneous amendments to Section 415 related to definitions, procedures, unit designations (including requiring affordable units include no less than one private bathroom), and program administration, and would delete Sections 415A and 415B, the temporary provisions adopted as part of the 2023 ordinance. Those sections expire on November 1, 2029, and November 1, 2026, respectively, by operation of law.

Area Plan and Special Use District Affordable Housing Requirements.
The ordinance would delete the higher affordable housing requirements in the following areas or special use districts (SUDs):

- Van Ness SUD (Section 243)
- Geary and Masonic SUD (Section 249.20)
- Western SOMA SUD (Section 249.33)
- Central Soma SUD (Section 249.78)
- North of Market Residential SUD (Section 263)
- Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee (Section 416)
- Eastern Neighborhoods Area Plan Affordable Housing Requirement (Section 417)
- Housing Requirements for Residential Development Projects in the UMU Zoning Districts of the Eastern Neighborhoods and the Land Dedication Alternative in the UMU District, Mission NCT and Central SOMA Special Use District (Section 419)
- Van Ness and Market Affordable Housing and Neighborhood Infrastructure Fee and Program (Section 424.1-424.4)
- Divisadero Street Neighborhood Commercial Transit District Affordable Housing Fee and Requirements (Section 428, with a minor amendment to Section 759)

The ordinance would reduce the affordable housing requirements in HOME-SF (Section 206.3), and Potrero Center Mixed Use SUD (Section 249.40) in proportion to the citywide reductions.

Development Impact Fees.
The ordinance would delete the Van Ness and Market Residential Special Use District Infrastructure Fee in Planning Code 424.5 and the Van Ness and Market Community Facilities Fee in Planning Code section 425.3. Money from those fees already deposited in the Van Ness and Market Residential SUD Infrastructure Fund (Planning Code 424.5) or the Van Ness and Market Community Facilities Fund (Planning Code 425.4) would continue to be expended but no additional money would be collected. The funds would be dissolved when all current funds are expended.

The ordinance would reduce all impact fees, except for Inclusionary Program fees, for residential and commercial projects by 67%. The ordinance would set forth procedures for a previously approved project to request a reduced assessment, although the City would not refund fees already paid. Projects approved through a development agreement would be eligible for the reductions.

The ordinance would amend the temporary waiver of development impact fees to include all Retail Sales and Service Uses and Entertainment Uses in the downtown area (C-2 and C-3 districts) through December 31, 2029.

Conforming Amendments:
The ordinance would update the land dedication provisions in the following sections to reflect that land dedication would be allowed citywide:

- Housing Choice-San Francisco (Sections 206.10)
- SF Municipal Transportation Agency Non-Contiguous SUD (Section 249.22)
- Van Ness and Market Residential SUD (Section 249.33)
- Soma Youth and Family SUD (Section 249.38)
- Central SOMA SUD (Section 249.78)
- Large Project Authorizations (Section 329)
- Well-Resourced Neighborhoods Inclusionary Housing Ordinance Waiver and Additional Inclusionary Housing Options (Section 436).

The ordinance would make conforming amendments to certain cross-references found in Sections 414A.6, 207, and 343.

Modifications to Approved Projects' Affordable Housing Requirements.
The ordinance would create an administrative process for approved projects to request modifications to conditions of approval in order to reduce their Inclusionary Program requirements to the new reduced rates, provided that the Department of Building Inspection has not issued the project a first construction document. (The Planning Commission would need to delegate its authority to modify conditions of approval to the Planning Director). The Director of Planning would also be authorized to modify conditions of approval to allow projects to extend the time to obtain a site permit. Projects approved under a development agreement would be eligible to seek a modification under the administrative process.

If a project is modified to increase in size by more than 20%, or does not obtain a first construction document within three years of final approval, the Project would be subject to the rates in effect at the time a new application was approved.

Building Code Amendments

The ordinance would amend the Building Code to allow all projects citywide to defer payment of 85% of all fees until issuance of a first certificate of occupancy.

Administrative Code Amendments

The ordinance would amend the Administrative Code to require the Inclusionary Housing Technical Advisory Committee to convene no later than April 1, 2029 and every 36 months thereafter, and produce its next triennial feasibility analysis by September 1, 2029, and every 36 months thereafter. In addition, the ordinance would amend the Citywide Affordable Housing Fund to require that any previously deposited monies that were required to be separately accounted for be spent consistently with the priorities adopted for those separate accounts.

Background Information

Consistent with Planning Code section 415.10, from January to April 2026, the Controller and the Inclusionary Housing Technical Advisory Committee (TAC) met to review the impact of the City's inclusionary housing obligations on the feasibility of residential development. The Controller and the TAC studied key economic parameters including interest rates, capitalization rate, land prices, construction costs, use of the state density bonus, and rents and sales prices for both rental and condominium projects, finding that the current rates directly contributed to the economic infeasibility of residential development in San Francisco. The Controller issued a Technical Advisory Committee Report on April 30, 2026.

The June 2, 2026 substitute ordinance amended several definitions in Section 401 (low- and moderate-income; ownership project; rental project), deleted the definition of middle-income households, and added a minimum bathroom count for affordable units. In addition, the substitute ordinance updated language related to the Van Ness and Market Community Facilities fund (Section 425.4); added Residential Transit Oriented districts to the list of districts that are eligible for a waiver of the Inclusionary Affordable Housing Program under Section 436; updated the inclusionary requirement in the Potrero Center Mixed Use SUD (Section 249.20); and expanded the uses that qualify for a temporary impact fee waiver in the downtown area to include retail uses in Section 406.

4911-7694-1471, v. 2

OFFICE OF THE MAYOR
SAN FRANCISCO

DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Dexter Darmali, Legislative & Ethics Secretary
RE: Planning, Administrative, Building Codes - Inclusionary Housing Program Updates and Reductions; Development Impact Fee Reductions
DATE: May 19, 2026

Ordinance amending the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; and 6) adopt conforming amendments to various sections of the Planning Code; amending the Building Code to reduce Planning Code Article 4 development impact fees and allow deferral of payment of such fees; and amending the Administrative Code to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

BOARD of SUPERVISORS

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TDD/TTY No. (415) 554-5227

M E M O R A N D U M

TO: David Kane, Interim Director, Department of Building Inspection
Sonya Harris, Secretary, Building Inspection Commission

FROM: John Carroll, Assistant Clerk
Land Use and Transportation Committee

DATE: May 26, 2026

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Transportation Committee has received the following legislation, introduced by Mayor Lurie on May 19, 2026:

File No. 260538

Ordinance amending the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; and 6) adopt conforming amendments to various sections of the Planning Code; amending the Building Code to reduce Planning Code Article 4 development impact fees and allow deferral of payment of such fees; amending the Administrative Code to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

The proposed ordinance is being transmitted pursuant to Charter, Section D3.750-5, for public hearing and recommendation. It is pending before the Land Use and Transportation Committee and will be scheduled for hearing upon receipt of your response.

Please forward me the Commission's recommendation and reports at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: john.carroll@sfgov.org.

c:
Offices of Chair Melgar and Mayor Lurie
Tate Hanna, Department of Building Inspection
Patty Lee, Department of Building Inspection

BOARD of SUPERVISORS

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. (415) 554-5184
Fax No. (415) 554-5163
TDD/TTY No. (415) 554-5227

MEMORANDUM

Date: May 26, 2026

To: Planning Department/Planning Commission

From: John Carroll, Assistant Clerk, Land Use and Transportation Committee

Subject: Board of Supervisors Legislation Referral - File No. 260538
Planning, Administrative, Building Codes - Inclusionary Housing Program Updates and Reductions; Development Impact Fee Reductions

☒ California Environmental Quality Act (CEQA) Determination
(California Public Resources Code, Sections 21000 et seq.)
- ☒ Ordinance / Resolution
- ☐ Ballot Measure

☒ Amendment to the Planning Code, including the following Findings:
(Planning Code, Section 302(b): 90 days for Planning Commission review)
☒ General Plan ☒ Planning Code, Section 101.1 ☒ Planning Code, Section 302

☐ Amendment to the Administrative Code, involving Land Use/Planning
(Board Rule 3.23: 30 days for possible Planning Department review)

☐ General Plan Referral for Non-Planning Code Amendments
(Charter, Section 4.105, and Administrative Code, Section 2A.53)
(Required for legislation concerning the acquisition, vacation, sale, or change in use of City property; subdivision of land; construction, improvement, extension, widening, narrowing, removal, or relocation of public ways, transportation routes, ground, open space, buildings, or structures; plans for public housing and publicly-assisted private housing; redevelopment plans; development agreements; the annual capital expenditure plan and six-year capital improvement program; and any capital improvement project or long-term financing proposal such as general obligation or revenue bonds.)

☐ Historic Preservation Commission
- ☐ Landmark *(Planning Code, Section 1004.3)*
- ☐ Cultural Districts *(Charter, Section 4.135 & Board Rule 3.23)*
- ☐ Mills Act Contract *(Government Code, Section 50280)*
- ☐ Designation for Significant/Contributory Buildings *(Planning Code, Article 11)*

Please send the Planning Department/Commission recommendation/determination to John Carroll at john.carroll@sfgov.org.

BOARD of SUPERVISORS

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
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TDD/TTY No. (415) 554-5227

MEMORANDUM

Date: June 11, 2026

To: Planning Department/Planning Commission

From: Monique Crayton, Assistant Clerk, Government Audit and Oversight Committee

Subject: Board of Supervisors Legislation Referral - File No. 260538 - Substituted Planning, Administrative, Building Codes - Inclusionary Housing Program Updates and Reductions; Development Impact Fee Reductions

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☐ California Environmental Quality Act (CEQA) Determination
(California Public Resources Code, Sections 21000 et seq.)
- ☒ Ordinance / Resolution
- ☐ Ballot Measure

☐ Amendment to the Planning Code, including the following Findings:
(Planning Code, Section 302(b): 90 days for Planning Commission review)
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(Required for legislation concerning the acquisition, vacation, sale, or change in use of City property; subdivision of land; construction, improvement, extension, widening, narrowing, removal, or relocation of public ways, transportation routes, ground, open space, buildings, or structures; plans for public housing and publicly-assisted private housing; redevelopment plans; development agreements; the annual capital expenditure plan and six-year capital improvement program; and any capital improvement project or long-term financing proposal such as general obligation or revenue bonds.)

☐ Historic Preservation Commission
- ☐ Landmark *(Planning Code, Section 1004.3)*
- ☐ Cultural Districts *(Charter, Section 4.135 & Board Rule 3.23)*
- ☐ Mills Act Contract *(Government Code, Section 50280)*
- ☐ Designation for Significant/Contributory Buildings *(Planning Code, Article 11)*

Please send the Planning Department/Commission recommendation/determination to Monique Crayton at monique.crayton@sfgov.org.

BOARD of SUPERVISORS

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. (415) 554-5184
Fax No. (415) 554-5163
TDD/TTY No. (415) 554-5227

M E M O R A N D U M

TO: David Kane, Interim Director, Department of Building Inspection
Sonya Harris, Secretary, Building Inspection Commission

FROM: Monique Crayton, Assistant Clerk
Government Audit and Oversight Committee

DATE: June 11, 2026

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following legislation, introduced by Mayor Lurie on May 19, 2026 and substituted on June 2, 2026 :

File No. 260538 - Substituted

Ordinance amending the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; and 6) adopt conforming amendments to various sections of the Planning Code; amending the Building Code to reduce Planning Code Article 4 development impact fees and allow deferral of payment of such fees; and amending the Administrative Code to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

The proposed ordinance is being transmitted pursuant to Charter, Section D3.750-5, for public hearing and recommendation. It is pending before the Government Audit and Oversight Committee and will be scheduled for hearing upon receipt of your response.

Please forward me the Commission's recommendation and reports at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at:monique.crayton@sfgov.org.

c:
Offices of Chair Sherrill and Mayor Lurie
Tate Hanna, Department of Building Inspection
Patty Lee, Department of Building Inspection

City and County of San Francisco
Department of Building Inspection

Daniel Lurie, Mayor
David Kane, S.E., Interim Director

To: Angela Calvillo, Clerk of the San Francisco Board of Supervisors

From: David Kane, S.E., Interim Director, Department of Building Inspection

Date: June 15, 2026

Re: Board of Supervisors File No. 260538 – Waiver of Code Advisory Committee

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On May 19, 2026, Mayor Lurie, in collaboration with Supervisors Meglar, Dorsey, Sherrill and Sauter, introduced Board of Supervisors File No. 260538.

This proposed ordinance seeks to amend the San Francsico Building Code to alter the collection process of development impact or in-lieu fees for specified construction projects, along with various amendments to the Planning and Administrative codes. Given the proposed amendment to the Building Code, the ordinance was referred to the Building Inspection Commission on May 26, 2026 for review.

Per San Francisco Building Code sections 105A.4 through 105A.4.4.3, the Code Advisory Committee is required to hear, review, and make recommendations to the Building Inspection Commission on legislation proposed by the Board of Supervisors. That review can be waived if the Building Official and Chair of the Building Inspection Commission determine that the proposed code changes are solely administrative and non-technical in nature.

Given the amendments to the Building Code in File No. 260538 are related to the collection of fees and do not alter any building standards, review by the Code Advisory Committee will be waived on the basis that the ordinance is, with regards to the Building Code, administrative and non-technical.

Thank you,

David Kane, S.E.
Interim Director, Department of Building Inspection

Alysabeth Alexander-Tut
President, Building Inspection Commission

June 17, 2026

San Francisco Board of Supervisors
Government Audit and Oversight (GAO) Committee
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Housing Trust Fund and Inclusionary Legislative Package

On behalf of Mercy Housing California, I serve on the Inclusionary Housing Technical Advisory Committee (TAC), and we are supportive of the TAC's recommendations aimed at improving San Francisco's housing ecosystem. We are in favor of the proposed modifications to the City's Inclusionary Housing Requirements and Development Impact Fees, *provided* that the City establish an alternative funding source for affordable housing through a renewed and expanded Affordable Housing Trust Fund.

Mercy Housing California, a nonprofit affordable housing developer serving more than 23,000 residents in 172 properties statewide, including 58 communities throughout San Francisco, has an additional pipeline of over 2,900 affordable homes in the City. As a mission-driven affordable housing developer, we know firsthand that reliable local funding is one of the most important factors in preserving existing affordable homes and delivering new housing opportunities for San Franciscans.

For that reason, we strongly support the Housing Trust Fund Charter Amendment. If placed on the November 2026 ballot and approved by voters, it would establish a more sustainable and predictable source of local funding for affordable housing, helping ensure that San Francisco can continue to invest in housing for low-income families, seniors, veterans, and people experiencing or at risk of homelessness.

We also support the broader legislative package, including modifications to inclusionary housing requirements and development fees that can help improve project feasibility and encourage the production of housing. Taken together, this package represents a significant opportunity to expand housing opportunities across income levels while ensuring that San Francisco maintains a dedicated commitment to serving its most vulnerable residents.

Mercy Housing California
San Francisco: 1256 Market Street, San Francisco, CA 94102
Sacramento: 1750 Creekside Oaks Drive, Suite 150, Sacramento, CA 95833
Los Angeles: 1500 South Grand Avenue, Suite 100, Los Angeles, CA 90015
www.mercyhousing.org/california

We urge policymakers to advance the Housing Trust Fund Charter Amendment and the accompanying legislation so that the City can make meaningful progress toward addressing its housing needs.

Thank you for your role in this important work.

Sincerely,



Tiffany Bohee
President
Mercy Housing California

Mercy Housing C Mercy Housing California
San Francisco: 1256 Market Street, San Francisco, CA 94102
Sacramento: 1750 Creekside Oaks Drive, Suite 150, Sacramento, CA 95833
Los Angeles: 1500 South Grand Avenue, Suite 100, Los Angeles, CA 90015
www.mercyhousing.org/california

HOUSING
ACCELERATOR
FUND

564 Market Street
Suite 225
San Francisco, CA 94104

June 25, 2026

San Francisco Board Of Supervisors - Government Audit and Oversight Committee
1 Dr. Carlton B. Goodlett Dr.
City Hall, Rm. 244
San Francisco, CA 94102

RE: Support for Inclusionary Housing and Impact Fee Ordinance (BF 260538)

Dear Supervisors Sherrill and Mahmood,

The Housing Accelerator Fund (HAF) is a Community Development Financial Institution (CDFI) that finances affordable housing in San Francisco. We write to express our support for Ordinance BF 260538, updating the City's inclusionary housing and impact fee requirements in accordance with the Inclusionary Housing Technical Advisory Committee's (TAC) 2026 recommendations. Key to HAF's support is the concurrent advancement of the Housing Trust Fund Renewal Charter Amendment for the November 2026 ballot.

As a member of the TAC, HAF's CEO Rebecca Foster participated in the process that produced the committee's April 2026 report. The findings were unambiguous that under current conditions, residential projects are not financially feasible in San Francisco. Rising construction costs and market uncertainty have caused housing production to stall, and inclusionary fee revenues — which averaged $25 million per year before the pandemic — have fallen to less than $2 million per year since 2020. The TAC's recommendation to lower the on-site inclusionary rate to 5% and reduce other development impact fees by 67% reflects a hard-won consensus rooted in data, and we urge the Commission to adopt it.

However, lowering inclusionary requirements without securing a new dedicated source of affordable housing funding would risk trading short-term feasibility gains for long-term losses in our City's commitment to developing affordable housing. That is why we are equally committed to seeing the Housing Trust Fund Renewal Charter Amendment move forward alongside this ordinance.

Without action on the Housing Trust Fund, the City will effectively exhaust its local affordable housing funding capacity after 2028 — precisely when rents are rising again and displacement pressure is intensifying. The proposed Charter Amendment would extend the Fund to 2058, grow annual appropriations to $125 million by approximately 2036 by dedicating 20% of future property tax revenue increases to the Fund, and include fiscal safeguards to protect against recessionary conditions. Over its extended lifetime, the renewed Fund is projected to generate approximately $3 billion more for affordable housing than the current Fund.

These two pieces of legislation are designed to work together. As new development comes online under more feasible conditions, property tax revenues will grow — and under the renewed Housing Trust Fund, affordable housing funding will grow with them. This is how San Francisco can rebuild a sustainable pipeline for affordable housing production while restoring market-rate housing feasibility.

HAF urges the GAO to adopt the ordinance and to support the advancement of the Housing Trust Fund Renewal Charter Amendment. San Francisco cannot afford to lose ground on either front.

Sincerely,



Rebecca Foster
Chief Executive Officer
Housing Accelerator Fund

CC: Board of Supervisors Clerk of the Board of Supervisors Sarah Dennis-Phillips, Director, San Francisco Planning Department

Government Audit and Oversight Committee
San Francisco Board of Supervisors
City Hall
San Francisco, CA

Re: Support for Item 260538: Planning, Administrative, and Building Code Amendments – Inclusionary Housing Program Updates and Development Impact Fee Reductions

Dear Chair Sherrill,

On behalf of Abundant SF, I write in strong support of Mayor Daniel Lurie's proposed legislation to update San Francisco's Inclusionary Housing Program and reduce development impact fees. We want to thank all the Supervisors who have signed on in early support of this critical pro-housing measure.

San Francisco cannot solve its affordability crisis without building significantly more homes. One of the greatest barriers to new housing right now is cost. Under the crushing weight of elevated construction costs, financing costs, and local requirements, fewer and fewer housing projects are financially viable. This means fewer homes get built, housing prices remain catastrophically high, and working families continue to struggle to find housing they can afford.

Reducing the inclusionary housing requirement to 5 percent is a practical, data-driven response. While inclusionary housing has long been a useful tool for producing affordable homes, requirements that make projects financially infeasible ultimately produce neither market-rate housing nor affordable housing. 15% of zero is still zero. Right now, we are seeing very few projects moving forward. This has to change.

Setting San Francisco’s inclusionary rate at a level that allows projects to reach feasibility will deliver more homes overall, and it will create more opportunities for future affordable housing production. We are also supportive of the proposed increase to the Housing Trust Fund that will provide a more stable base of affordable housing funding that will ensure we can continue to support critical projects to expand San Francisco’s affordable housing portfolio.

Through our Build More Homes campaign, Abundant SF has been working with our partners at YIMBY Action, the Housing Action Coalition, and SPUR to build public support for reforms that remove barriers to housing production. Through neighborhood house parties, advocacy trainings for local advocates, meetings with members of the Board of Supervisors, and coordinated outreach, we have helped educate residents about the need for housing reform and generated dozens of letters, emails, and public comment from constituents urging support for these policies. Everyone we are engaging with understands that solving San Francisco's housing shortage requires reducing unnecessary costs and creating conditions where homes

can actually be built. Hundreds of San Franciscans have now joined together in a unified call for SF to build more homes.

We appreciate the Committee's consideration of these important reforms, and we urge you to advance this proposal without delay. Passing this legislation would send a clear message that San Francisco remains committed to removing barriers that have prevented housing from being built for far too long.

And while this proposal is an important step forward, it should not be the last. San Francisco must continue aggressively pursuing additional reforms that reduce costs, streamline approvals, modernize outdated regulations, and make it easier to build homes at every income level. Every barrier we remove brings us closer to a city that is more affordable and more welcoming for current and future generations.

We respectfully urge the Government Audit and Oversight Committee to support this legislation and move it forward.

Sincerely,

Graeme Joeck, Director of Advocacy and Organizing
Abundant SF

From:	lgpetty
To:	Crayton, Monique (BOS)
Cc:	MelgarStaff (BOS); Dorsey, Matt (BOS); Sauter, Danny (BOS)
Subject:	NO on Inclusionary Housing Program and Development Impact Fee Reductions. Agenda GAO 7-2-26 Item 2 File # 260538
Date:	Sunday, June 28, 2026 8:12:40 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear GAO Committee Supervisors Fielder, Sherrill and Mahmoud,

As an affordable housing advocate, I stand with the thousands of working class, lower- and middle-class San Franciscans threatened with exile or homelessness due to relentlessly rising housing costs.

I strongly oppose any further reductions in Inclusionary Housing requirements and strongly oppose proposed drastic reductions in Inclusionary plus non-inclusionary Impact fees.

The current proposal is a path to eventually eliminate all mitigations that were purposefully designed to alleviate the destructive aspects of rapid growth on renters and homeowners alike. The reductions represent The City turning its back on long-established principles of private, hyper-profit-oriented entrepreneurs, investors, and speculators being required to mitigate the community upheavals and mass displacement caused by their actions.

The Inclusionary Housing Program and Impact Fees are the foundation of San Francisco's commitment to creating sufficient affordable housing. Other Impact fees ensure a safe, healthy environment for residents. **The Housing Trust Fund is not a substitute for these – they are a fully equal and important companion to the Fun**d and vital to our City.

In addition to requiring developers to shoulder mitigation costs, Inclusionary Housing ensures that our luxury towers include people of socio-economic diversity so that our new City construction does not become culturally, racially, and economically segregated. **And** Inclusionary has contributed mightily to 100% affordable developments,

Perhaps a **symbolic** look may be **a truer picture** of the three major local affordable housing revenue sources – Inclusionary, Housing Fund expansion, and Transfer Tax extension. To swap out Inclusionary & Impact Fees for a laudable but uncertain, and likely variable, Housing Fund expansion is tantamount to:

Killing your first-born child;
putting an unborn child in its place;
while starving your middle child with neglect.

Ah, but “feasibility” trumps all of the above, some say.
But many others ask, is it wise to follow TAC's conclusions which actually defy logic? It has been proven that Inclusionary requirements are **not** holding up market rate housing. So logic actually compels us to have full a robust Inclusionary Program and all Impact Fees in place, ready to produce more affordable housing and other community infrastructure benefits, when

market economics return to high levels—**not** have a three-year gap of units, benefits and revenue lost. Blaming Inclusionary for slow growth is wrong and inaccurate. Destroying a solid, successful affordable housing program to make way for possibly another is not only wrong, but also self-limiting.

We don't treat Tourists' needs this way; why do it for Residents' more desperate needs? Dominant City Hall thinking is that a rising tide of tax revenue will "raise all boats." But simply accumulating cash is not the way to prosperity **for all**. The path to improve the lives of everyone lies in **which programs City Hall chooses to support and how City Hall chooses to spend the money.** Does it choose programs to get more people to come here? or programs to fulfill the needs of those who are already here? Some maintain the needs of both are taken care of.

But Tourists don't have to beg.

Inclusionary Housing & Impact fees are established, **ongoing regulatory requirements**. No begging necessary. For 24 years this is what has given the Inclusionary program its solid stability.

Do not cut Inclusionary requirements **or any other Impact Fees.**

Choose well.

Thank you for your consideration.

Lorraine Petty
D2 voter

SPUR

Monday, June 29, 2026

Government and Audit Oversight Committee
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

Subject: Inclusionary Housing and Impact Fee Reforms

Dear Supervisors Sherrill, Fielder, and Mahmood,

SPUR urges your support of the proposed inclusionary housing and impact fee reforms before you on July 2, 2026.

Local policy decisions play a meaningful role in determining the financial feasibility of potential projects. In today's weaker housing market with high interest rates and construction costs, city-imposed costs can render projects unviable. The results are clear: fewer homes are built, less affordable housing is produced, and less tax revenue is generated to fund the very public benefits these policies are intended to support. Housing policy recalibration is essential to reflect changing economic conditions.

The City Controller's housing feasibility report confirmed that building housing in San Francisco is extremely difficult. Even market-rate rental housing isn't financially feasible, meaning it won't make enough money to cover its costs and provide a sufficient return to lenders and investors. To incentivize development, the Technical Advisory Committee unanimously voted to support recalibrating inclusionary housing requirements to align with market realities.

Market-rate housing production and affordable housing creation are complementary, not opposing, goals. Inclusionary housing requirements should therefore be calibrated based on the percentage of affordable units that a given project can realistically support. Public benefits will not materialize if requirements are so economically onerous that projects never move forward.

San Francisco still faces serious housing challenges and affordability issues. Maintaining the status quo isn't working and San Francisco needs to craft evidence-based housing policies. In November, the temporary 33% impact fee reductions expire and the inclusionary housing requirements automatically spring back to 20% with annual escalations.

SPUR supports the proposed inclusionary housing reforms and impact fee reductions because it strikes the right balance and aligns with our housing goals: increasing affordable and market-rate housing, protecting communities vulnerable to displacement, and supporting city policies that reflect economic conditions and that are grounded in evidence and feasibility.

SPUR respectfully urges you to approve this legislation and help restart San Francisco's housing production.

Thank you for your service to your community.

Sincerely,



Lori Droste

Housing and Planning Policy Director, SPUR

From:	Thomas Schuttish
To:	Crayton, Monique (BOS)
Cc:	Melgar, Myrna (BOS); Bintliff, Jacob (ECN); Nickolopoulos, Sheila (MYR); Grob, Carly (CPC); Tan, Ada (CPC); Low, Jen (BOS); Fieber, Jennifer (BOS)
Subject:	Inclusionary Housing Board File No.260538 Hearing July 2, 2026
Date:	Monday, June 29, 2026 3:33:57 PM
Attachments:	Letter on Inclusionary.pdf Sample from BLA study.pdf

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Ms. Crayton:

Good afternoon. Please add this email and the two pdf attachments to File No.260583.

Attached below is a copy of the letter I submitted to the Planning Commission when they heard this item on June 18th.

I want to add a few comments here to supplement the attached letter.

Comment #1: I reference a project on 18th Street in my letter. I mis-typed the address.

The correct address is 3832 18th Street, *not 3882*.

As I stated in the letter, this project has been stalled at DBI since 2024, due to inaction by the project sponsor. But now according to the SFYIMBY website and the SFPIM, the project has been revised but as just a large single family home with a JADU!

See the link to the SFYIMBY article:

https://sfyimby.com/2026/06/preliminary-plans-for-3832-18th-street-in-mission-dolores-san-francisco.html

This illustrates that the market has improved…for luxury homes. Market improvement gets me to comment #2.

Comment #2: In my June 18th letter to the Planning Commission I cite the Financial Feasibility Study from June 2025 for the Rezoning and the more recent Financial Feasibility Study from the Controller for this legislation on the Inclusionary.

Both studies were completed by the same Consultant.

The June 2025 Study says the only lot size with positive outcome or RLV *when the market improves* would be lots of 2500 square feet, which is basically the most common lot size in our residential neighborhoods.

The current 2026 Study done for the Inclusionary *did not factor in the lot size*, but did cite one example of market rate housing that would be *"feasible"* when the market improves.

The lot size seems like an important factor to omit from this current Study, when it was an important factor in the June 2025 Study just one year ago.

Please see pages 4 and 5 in my June 18th letter in the pdf below comparing these two Feasibility Studies.

One additional point on this lot size issue: The recent Study done for Supervisor Chen by the Budget and Legislative Analyst on Affordable Housing did use a lot size of 10,000 square feet for a type of project similar to the one cited by the Controller in that Study. *Please see the second pdf below*.

But I think we can all agree that we are in new round of high-end frenzy that is improving the market…and lowering the Inclusionary even further would mean the loss of funds for the affordable housing that is needed per the Housing Element and the Rezoning.

Comment #3: Given all the streamlining in legislation from both the City and the State, it is apparent that the proponents of "build, baby, build" have won and the City has a lot of political capital, both in Room 200 and Room 250.

If the Inclusionary is going to be reduced per this legislation, it would be really nice if some effort could now be put into repealing the Ellis Act to better protect tenants.

And to keep rental housing on the market.

And here is an extreme example from over 25 years ago as to why the Ellis Act should be repealed. But there are many sad stories in our City due to the Ellis Act.

See this link also from SFYIMBY.

https://sfyimby.com/2026/06/renovation-plans-filed-for-storied-2100-jackson-street-san-francisco.html

Finally, please make sure you note John King's comments that are highlighted on page 2 in my June 18th letter to the Planning Commission. His comments get to the real heart of this issue.

Here below are the pdfs with my letter and info on the Financial Feasibility Studies.

Thank you.
Georgia Schuttish

June 18, 2026
To: Planning Commission
From: Georgia Schuttish
Re: Inclusionary Housing Issues and Affordability Issues

At the Informational Hearing on May 28th it was very clear that everyone is trying very hard to create a climate that boosts housing production. Hopefully the expansion of the Housing Trust Fund and the proposed bonds will pass in November which will deal with the pressing need of affordable housing.

Market rate housing is challenging. Based on previous reports under the Family Zoning the only financially feasibly development would be on a 2,500 square foot lot, which is the typical lot size (25' x 100') in most residential neighborhoods. And this will happen when the market improves. (see page 4 below).

Generally speaking it is difficult to imagine 10 units on a lot this size, but I suppose it is possible.

(Even the notorious group housing project at 3882 18th Street on a larger lot measuring 27.5' x 114.854 has not moved out of DBI since January 2024. This project was intended to be units affordable by design).

However, I think it is apparent that the market is improving, at least in my neighborhood of Noe Valley, where the **over asking** price of a sample of eight sales since April averaged $1.314 million.

With the IPOs and newly minted millionaires, there will be even more of a frenzy.

What seems probable in this current housing market under programs like SB 423 and the HC-SF (Code Section 206.10) will be ministerial approval of projects with

two high-end luxury units in order to meet the densification mandated by the State and by the Local Program. Some projects may have a third unit or an ADU.

Obviously this won't solve the affordable housing crisis. *(Or even solve the "missing middle" crisis).* It is no different than the major Alterations that should have been reviewed as Demolitions in the years since the 2014 Housing Element.

The Policy in the previous Housing Element to preserve "starter homes" was never acted on and instead there was a tidal wave of high-end, very large single family homes, including pairs of Flats turned into de facto SFHs.



A person walks across Post Street in front of Salesforce Tower, San Francisco's tallest building.

the again-public Ferry Building.

Salesforce Tower pushed past the Transamerica Pyramid as San Francisco's tallest building — accompanied by the stylishly futuristic transit center next door, complete with a 5.4-acre rooftop park. Old neighborhoods like Hayes Valley and new ones like Mission Bay have come into their own.

Yes, plenty of bad buildings were built — but great cities like ours have always absorbed bad buildings. More ominously, the blurring of the old boundaries between San Francisco and Silicon Valley unleashed demand pressures on housing and commercial space that, by 2019, had all but undermined one of the most important attributes that allow cities to truly prosper: room for people of all backgrounds and income levels to pursue their dreams.

If San Francisco is lucky, this won't be the case when the next boom comes: The pandemic and its grim aftermath will have relieved the pressures that, some say, threatened its soul.

As downtown *does* stir back to life, and new frontiers emerge, City Hall needs to make a priority of smart urban design.

Allow developers more flexibility in terms of how a building looks and how it is used? Sure. At the same time, don't allow them to get away with anything they want, out of misplaced gratitude that they are doing anything at all.

Insist on generous public spaces. Roadways should provide enticing safety for pedestrians and cyclists as well as automobiles.

Insist on adding truly affordable housing to parts of the city where growth will be encouraged.

One final note.

Growing up in the Bay Area, everyone I knew referred to San Francisco as "the City." Not with braggadocio or boosterism, just as a matter of course.

This has continued through cultural tumult and economic upheaval, suburbanization and working from home. This peninsula is our urban anchor, no matter how the particulars might change.

Because here's what *hasn't* changed: San Francisco has so much more going for it than doomsayers will admit.

The story isn't over. It never is. For if San Francisco's history teaches us anything, it's that tomorrow rarely brings quite what we expect.

Reach John King: jking@sfchronicle.com; X: @johnkingsfchron

Hopefully Residential Flats will now be better preserved and there will be solid tenant protection.

Slightly larger lots that are wider than 25' may have projects with more than two units, but this is likely to still be high-end, luxury housing.

Hopefully this type of development will not proliferate in the Priority Equity Geography neighborhoods which should be protected and preserved.

Here above is a pertinent excerpt from John King's article that appeared in the Chronicle upon his retirement in September 2024. See marked passage with the sentence that begins, *"More ominously…."* and ends with *"…that, some say, threatened its soul."*

John King was right to put the issue in terms of San Francisco's "soul".

The HC-SF and SB 423 are both major loopholes. Two units is all that is required to use these two programs. These are programs that allow for Ministerial approval. There is no oversight from the public or the Commission. And of course no affordability. Or even relative affordability.

So given the past history in the previous booms with their speculative frenzy and the new boom the City is about to experience, it would seem prudent to close loopholes that would allow for only two (luxury) units.

The City would need to get Sacramento to amend SB 423. **But for developers/ project sponsors seeking to use the HC-SF, they should be required to do four units (not just two or three) on those lots that are zoned 40/40 4-R. These are lots that are 25' x 100' (or similar dimensions close to 2,500 square feet) which have been determined to be the most financially feasible lots to develop.**

And with the upcoming IPOs the market is going to improve even more than it has already. **The City does not need to incentivize more speculative luxury housing**.

If you haven't seen it, here is a link to the Mission Local article about the boom.
https://missionlocal.org/2026/06/san-francisco-anthropic-openai-chatgpt-ipo/

cc: Planning Staff; Kristen Jensen; Austin Yang; Commissions Secretary

Attachments: Excerpt from pages 24-25 of Executive Summary for Hearing on Rezoning June 26, 2025; Emails June 2-3, 2026 between G. Schuttish and Staff on methodology used by Controller for Inclusionary Feasibility Analysis.

- **Additional development types start to become more financially feasible under the "improved case" assumptions.** Under the "improved case," which includes more favorable assumptions for return on costs, interest rates, and rental and sales price growth, the results show one out of 98 projects showing positive residual land values in the medium submarket, and 48 out of 98 demonstrate positive RLV in the high submarket, indicating a higher likelihood of feasibility (see Figure 9 below). It is important to note that while these have more feasibility relative to other prototypes in other some markets, some of these positive RLV results are likely to still fall below values that would reflect feasible land costs.

  In particular, some of the development types that will be enabled by the rezoning, including low- and **mid-rise multifamily buildings, show positive RLVs under these improved economic assumptions**, particularly under the "high" submarket assumptions. These are the most common development sites in the rezoned areas, including the mid-rise commercial corridors zoned for 65', and the residential areas off the corridors.

  Overall, 12 of 98 prototypes resulted in an RLV greater than $75k/unit under improved conditions in the high submarket. Of those, there are a few anomalies with substantially high RLV that were established for illustrative purposes only and do not reflect realistic development prototypes that would be constructed. The smallest site prototype measuring **2,500 square feet was the only prototype with every single iteration across both residential tenures that demonstrated a positive RLV under the**

improved market conditions.

- **Flexibility on specific code standards as contemplated in the Local Program can support greater feasibility**. In particular, the prototypes tested three different assumptions on a subset of prototypes that would be available through the local program: 1) reduced rear yard (down to 18% or 15 feet, whichever is greater), 2) flexibility on inclusionary housing including rent control for small projects (10-24 dwelling units) and 3) form-based zoning (also known as density decontrol). While the impact of these changes varied for specific prototypes, they cumulatively did result in some development types showing more positive (or less negative) RLV results, indicating these could be meaningful policy interventions for some development types.

Hi Georgia,

The feasibility analysis for the market rate midrise condominium prototype was not based on lot size. Instead, it was based on the following factors:

Case	Case B
Building Type	Midrise
Construction Type	Type III
Building Height	85 Feet
Building Stories	8 Stories
Building Units	107 Units
Average Unit Size	1,000 NSF
Parking Ratio	0.50:1

Ada Tan, Senior Planner
Housing Implementation, Current Planning Division

San Francisco Planning
49 South Van Ness Avenue, Suite 1400, San Francisco, CA 94103
Direct: 628.652.7403 | www.sfplanning.org
San Francisco Property Information Map

-----Original Message-----
From: Thomas Schuttish <schuttishtr@sbcglobal.net>
Sent: Tuesday, June 2, 2026 10:16 AM
To: Tan, Ada (CPC) <ada.tan@sfgov.org>; Grob, Carly (CPC) <carly.grob@sfgov.org>
Subject: Power Point Presentation on Inclusionary

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Dear Ada and Carly,

Good morning and Happy June to you both.

I have a question about the one category that was deemed feasible on page 11 of the power point.

That would be the hypothetical 100% market rate mid-rise project for condos.

Was the size of the lot a factor in this determination of feasibility?

And if the lot size was a factor, what sized lots would be feasible?

I guess mid-rise is up to 8 stories?

I couldn't find anything about lot size in the memo and if I missed it I apologize.

Thanks and have a good day.

Sincerely,
Georgia

NOTE: It was puzzling to me why the lot size *(2,500 square feet)* was a factor in the Feasibility Analysis for the Rezoning in June 2025 as written in the excerpt shown on page 4 above, but lot size was not a factor in the Feasibility Analysis for the Inclusionary one year later as stated in the email above.

Exhibit K: Development Impact Fee Modifications Adopted in 2023 Legislation

Ordinance	Area	Impact
Ord. 187-23 (230769)	**Fee Reduction**	33% discount on all fees (with restrictions) for eligible projects
Ord. 193-23 (230769)	**Fee Deferral**	For eligible projects, deferred 80–85% of development impact fee payments from building permit issuance to no later than the first certificate of occupancy
Ord. 193-23 (230764)	**Fee Indexing**	Replaced the existing method of annual fee escalation based on Annual Infrastructure Construction Cost Inflation Estimate (AICCIE) with a flat 2% escalation rate per year
Ord. 193-23 (230764)	**Fee Assessment**	Froze the rates and applicability of development impact fees to the time of project approval for eligible projects

- BLA estimated lost total development impact fee collections, FY 2024-25: $1,902,077 is based on a 33 percent reduction in revenues collected. The loss in development impact fee revenue dedicated to affordable housing was only $211,030, a fairly insignificant amount relative to annual affordable housing spending in San Francisco, but a reflection of reduced housing production.

Impact on Housing Production

- Exhibit G above shows that housing production in San Francisco fell overall from a peak of 4,972 new units in 2017 to a low of just 1,457 units in 2024. Because the City's policy interventions were introduced while the market was already in retreat and facing pressures like high interest rates and slow-growing rents, isolating the specific impact of fee reductions from broader macroeconomic trends is challenging. However, even if some project developers made the decision to proceed with a development project, housing production was still well below pre-pandemic levels after the reductions were adopted.

- To estimate the potential impact of the reductions in development impact fees on development projects, we applied the 2023 fee discounts to a hypothetical project. Our hypothetical new construction project has an assumed 98 units total, is 100 percent residential, and is 80,000 gross square feet (average of 612 sq. ft, per unit plus 20,000 sq. ft for lobby, elevators and stairs, utilities, and common space)[3] on a 10,000 square foot lot.

- Exhibit L below shows what the relevant per-unit development impact fees would be for this hypothetical project across the different Planning Areas, given the relevant Special Area Fees in each location. We then add the fees to the applicable Citywide fees.

[3] On average, 20-25% of a building's square footage is needed for non-residential uses.

HOUSING ACTION COALITION

555 Montgomery Street Suite 720
San Francisco, CA 94111
(415) 300-0967
info@housingactioncoalition.org
housingactioncoalition.org

June 29, 2026

Government Audit and Oversight Committee
San Francisco City Hall
1 Dr Carlton B Goodlett Pl
San Francisco, CA 94102

Dear Supervisor Sherrill and Supervisor Mahmood,

The **Housing Action Coalition (HAC)** writes in strong support of the ordinance introduced by Mayor Lurie and Supervisor Melgar to amend San Francisco's inclusionary housing requirements and reduce development impact fees.

HAC is a member-supported nonprofit with over 200 member organizations and individuals that advocates for building more homes at all income levels across the Bay Area and California.

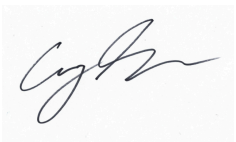
The city's Controller's Office and the Inclusionary Housing Technical Advisory Committee have been clear: under current requirements, no housing project type is financially feasible in San Francisco. The TAC voted unanimously to recommend amending the on-site requirement to 5%, contingent on the establishment of a long-term affordable housing funding source. The proposed Housing Trust Fund charter amendment - which would more than double annual funding to over $125 million - satisfies that condition.

San Francisco has approved thousands of homes that are not getting built. A 15% on-site requirement that produces zero homes is not an affordable housing policy - it is an obstacle to one. Amending the rate to where projects can actually proceed will result in more homes at every income level than the status quo.

What makes this package significant is the breadth of the coalition supporting it. Market-rate builders, affordable housing developers, labor, neighborhood organizations, and HAC's membership have aligned behind a shared framework: amend the inclusionary rate so homes actually get built, and invest at scale in affordability. This is the most comprehensive housing policy package San Francisco has considered in years.

We ask that the Committee recommend this ordinance for approval by the full Board of Supervisors. Thank you for your consideration.

Sincerely,



Corey Smith, *Executive Director*

SF YIMBY

SF YIMBY advocates for welcoming communities where everyone can thrive.

sfyimby.org

Board of Supervisors Government Audit and Oversight Committee

City and County of San Francisco

1 Dr. Carlton B. Goodlett Place, City Hall, Room 244

San Francisco, CA 94102

June 30, 2026

RE: Support for TAC Recommendations

Dear Government Audit and Oversight Committee:

SF YIMBY strongly supports the full set of TAC recommendations and the proposed ordinance to implement them. This ordinance's proposal to lower inclusionary requirements and impact fees would be an important step in jump-starting housing production and addressing our citywide housing shortage. We urge members of the Committee and the entire Board of Supervisors to support it.

SF YIMBY is an organization with over 13,000 supporters in San Francisco and is a part of YIMBY Action, a network of pro-housing activists fighting for more inclusive housing policies. Our vision is an integrated society where every person has access to a safe, affordable home near jobs, services, and opportunity.

San Francisco's severe housing shortage is causing skyrocketing homelessness and poverty, crippling our economy, and leading to debilitating commutes that

exacerbate our global climate crisis. These impacts fall disproportionately on our city's low-income workers and families, and disproportionately deny communities of color access to opportunity. If we strive to be a society that advances racial and class justice, we must do more to ensure abundant housing in our region. This legislation will help address this housing shortage and ensure a welcoming San Francisco where everyone can thrive.

Best regards,

Ben Ewing
SF YIMBY Volunteer Lead

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Machelle Burkstrand
Date: Thursday, June 25, 2026 12:45:39 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: mlburkstrand@gmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
2) reduce the offsite rates from 20%-20.5% to 10%,
3) eliminating area specific inclusionary housing fees
4) deleting certain Article 4 affordable housing and development impact fees

These types of reforms that provide a better chance for existing pipeline projects to get built is exactly what ConnectedSF has expressed interest in supporting in the past year.

Reducing or outright cutting various line items that result in added costs to build housing at a time when various costs are at an all-time high is not benefiting people looking to move to San Francisco, residents of San Francisco, nor the City as a whole.

We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Machelle Burkstrand

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Rebecca E Skinner
Date: Thursday, June 25, 2026 3:27:43 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: rebeccaelizskinner@hotmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements. We encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
2) reduce the offsite rates from 20%-20.5% to 10%,
3) eliminate area specific inclusionary housing fees
4) delete certain Article 4 affordable housing and development impact fees

These types of reforms, which provide a better chance for existing pipeline projects to get built, are exactly what ConnectedSF has expressed interest in supporting in the past year.

Reducing or outright cutting various line items that result in added costs to build housing at a time when various costs are at an all-time high is not benefiting people looking to move to San Francisco, residents of San Francisco, nor the City as a whole.

We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,
Rebecca E. Skinner
D4 Resident
Rebecca E Skinner

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Kathleen Powers
Date: Thursday, June 25, 2026 6:09:35 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: katpowers621@yahoo.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
2) reduce the offsite rates from 20%-20.5% to 10%,
3) eliminating area specific inclusionary housing fees
4) deleting certain Article 4 affordable housing and development impact fees

These types of reforms that provide a better chance for existing pipeline projects to get built is exactly what ConnectedSF has expressed interest in supporting in the past year.

Reducing or outright cutting various line items that result in added costs to build housing at a time when various costs are at an all-time high is not benefiting people looking to move to San Francisco, residents of San Francisco, nor the City as a whole.

We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,
Kathleen E Powers

Kathleen Powers

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Laura T
Date: Friday, June 26, 2026 10:18:51 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: lhigbie@hotmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
2) reduce the offsite rates from 20%-20.5% to 10%,
3) eliminating area specific inclusionary housing fees
4) deleting certain Article 4 affordable housing and development impact fees

These types of reforms that provide a better chance for existing pipeline projects to get built is exactly what ConnectedSF has expressed interest in supporting in the past year.

Reducing or outright cutting various line items that result in added costs to build housing at a time when various costs are at an all-time high is not benefiting people looking to move to San Francisco, residents of San Francisco, nor the City as a whole.

We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Laura T

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Susan Ford
Date: Sunday, June 28, 2026 1:53:30 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: susan.ford103@gmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.
IN ADDITION, please reduce some of the excessive building codes that make construction so expensive. Do we really need annuciators in EVERY room? Or sprinklers? If the buildings are build to be fire resistant, what are the odds or likelihood a deathly fire will break out?

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
2) reduce the offsite rates from 20%-20.5% to 10%,
3) eliminating area specific inclusionary housing fees
4) deleting certain Article 4 affordable housing and development impact fees

Reducing or outright cutting various line items that result in added costs to build housing at a time when various costs are at an all-time high is not benefiting people looking to move to San Francisco, residents of San Francisco, nor the City as a whole.

We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Susan Ford

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Natashja Dewolf
Date: Monday, June 29, 2026 11:38:37 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: natashjadewolf@yahoo.ca

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
2) reduce the offsite rates from 20%-20.5% to 10%,
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We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Natashja Dewolf

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Franco Lucchesi
Date: Monday, June 29, 2026 11:42:36 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: francolucchesi204@gmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
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We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Franco Lucchesi

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Judi Hurabiell
Date: Monday, June 29, 2026 11:43:39 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: jmhurabiell1@gmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
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We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Judi Hurabiell

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - David Soffa
Date: Monday, June 29, 2026 11:47:50 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: soffad@sbcglobal.net

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

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We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

David Soffa

From:	Graham Griffin
To:	Board of Supervisors (BOS); Crayton, Monique (BOS); Sherrill, Stephen (BOS); Mahmood, Bilal (BOS)
Cc:	Bintliff, Jacob (ECN)
Subject:	Re: Support for Item 260538: Planning, Administrative, and Building Code Amendments – Inclusionary Housing Program Updates and Development Impact Fee Reductions
Date:	Monday, June 29, 2026 11:56:44 AM
Attachments:	ASF Inclusionary Letter of Support.pdf

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Good morning,

I am sending the attached letter on behalf of Graeme Joeck, from Abundant San Francisco in support for Item 260538: Planning, Administrative, and Building Code Amendments – Inclusionary Housing Program Updates and Development Impact Fee Reductions.

Thank you,
Graham Griffin
--

Graham Griffin (she/her)

Advocacy & Operations Director

Abundant San Francisco

T (510) 283 8534

Government Audit and Oversight Committee
San Francisco Board of Supervisors
City Hall
San Francisco, CA

Re: Support for Item 260538: Planning, Administrative, and Building Code Amendments – Inclusionary Housing Program Updates and Development Impact Fee Reductions

Dear Chair Sherrill,

On behalf of Abundant SF, I write in strong support of Mayor Daniel Lurie's proposed legislation to update San Francisco's Inclusionary Housing Program and reduce development impact fees. We want to thank all the Supervisors who have signed on in early support of this critical pro-housing measure.

San Francisco cannot solve its affordability crisis without building significantly more homes. One of the greatest barriers to new housing right now is cost. Under the crushing weight of elevated construction costs, financing costs, and local requirements, fewer and fewer housing projects are financially viable. This means fewer homes get built, housing prices remain catastrophically high, and working families continue to struggle to find housing they can afford.

Reducing the inclusionary housing requirement to 5 percent is a practical, data-driven response. While inclusionary housing has long been a useful tool for producing affordable homes, requirements that make projects financially infeasible ultimately produce neither market-rate housing nor affordable housing. 15% of zero is still zero. Right now, we are seeing very few projects moving forward. This has to change.

Setting San Francisco’s inclusionary rate at a level that allows projects to reach feasibility will deliver more homes overall, and it will create more opportunities for future affordable housing production. We are also supportive of the proposed increase to the Housing Trust Fund that will provide a more stable base of affordable housing funding that will ensure we can continue to support critical projects to expand San Francisco’s affordable housing portfolio.

Through our Build More Homes campaign, Abundant SF has been working with our partners at YIMBY Action, the Housing Action Coalition, and SPUR to build public support for reforms that remove barriers to housing production. Through neighborhood house parties, advocacy trainings for local advocates, meetings with members of the Board of Supervisors, and coordinated outreach, we have helped educate residents about the need for housing reform and generated dozens of letters, emails, and public comment from constituents urging support for these policies. Everyone we are engaging with understands that solving San Francisco's housing shortage requires reducing unnecessary costs and creating conditions where homes

can actually be built. Hundreds of San Franciscans have now joined together in a unified call for SF to build more homes.

We appreciate the Committee's consideration of these important reforms, and we urge you to advance this proposal without delay. Passing this legislation would send a clear message that San Francisco remains committed to removing barriers that have prevented housing from being built for far too long.

And while this proposal is an important step forward, it should not be the last. San Francisco must continue aggressively pursuing additional reforms that reduce costs, streamline approvals, modernize outdated regulations, and make it easier to build homes at every income level. Every barrier we remove brings us closer to a city that is more affordable and more welcoming for current and future generations.

We respectfully urge the Government Audit and Oversight Committee to support this legislation and move it forward.

Sincerely,

Graeme Joeck, Director of Advocacy and Organizing
Abundant SF

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Edward Sullivan
Date: Monday, June 29, 2026 12:11:33 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: efsullyjr@aol.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
2) reduce the offsite rates from 20%-20.5% to 10%,
3) eliminating area specific inclusionary housing fees
4) deleting certain Article 4 affordable housing and development impact fees

These types of reforms that provide a better chance for existing pipeline projects to get built is exactly what ConnectedSF has expressed interest in supporting in the past year.

Reducing or outright cutting various line items that result in added costs to build housing at a time when various costs are at an all-time high is not benefiting people looking to move to San Francisco, residents of San Francisco, nor the City as a whole.

We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Edward Sullivan

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Marie Hurabiell
Date: Monday, June 29, 2026 12:31:37 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: mhurabie@yahoo.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

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Sincerely,

Marie Hurabiell

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Michael Barker
Date: Monday, June 29, 2026 12:37:31 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: mbarker@shea-co.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
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We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Michael Barker

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Karen Brooks
Date: Monday, June 29, 2026 2:01:02 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: karen.haakon@gmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
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We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely, Karen M Brooks (voter and resident)

Karen Brooks

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Barklee Sanders
Date: Monday, June 29, 2026 4:01:42 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: barkleesanders@gmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

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Sincerely,

Barklee Sanders

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Kathy Price
Date: Monday, June 29, 2026 4:05:38 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: kathyprice@yahoo.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
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We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Kathy Price

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Justin Truong
Date: Monday, June 29, 2026 11:48:34 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: justintruong56@gmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

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We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Justin Truong

From: Rey Javier
To: Crayton, Monique (BOS); Lurie, Daniel (MYR)
Cc: Board of Supervisors (BOS); DorseyStaff (BOS); SherrillStaff; MelgarStaff (BOS); SauterStaff
Subject: Public Comment on Item 260538 for July 2, 2026
Date: Wednesday, July 1, 2026 10:37:22 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Madam Clerk, Members of the Board of Supervisors and Honorable Mayor Daniel Lurie:

Good morning. In connection with Item 260538 for July 2, 2026, hearing, I am reaching out to request to have my public comment shared during the meeting (when floor is open for public comments), please:

My name is Rey Javier. I am a housing and community advocate in San Francisco. I live and work in San Francisco.

I previously served the Mayor's Office of Housing in San Francisco, as a Civil Servant. During that time, was responsible for assisting with the program administration and operations of the Inclusionary Housing program for 8 years, under now Supervisor Myrna Melgar, Executive Directors Douglas Shoemaker, Olson Lee and Matt Franklin.

I am reaching out today to encourage the Mayor, the Board of Supervisors and the authors of the amendments of the Inclusionary Housing Program to consider increasing the requirements, instead of decreasing the required number of units, the inclusionary fees and the overall oversight for the Program. Inclusionary must work for all neighborhoods and districts, so that the benefit of housing is equitable throughout the City.

As you may know, the current committee involved with the Inclusionary program does not have a term limit. This needs to change immediately. The City and County should place a term limit for this committee, and the appointees considered should have work or lived experience, so that new and creative ideas can be formed, tested and apply best practices.

In my reading of the current proposed update, there are sections that talk about reductions. We do not need reductions, we need additions.

As an advocate for housing and the homeless, I ask, please, if you would review and amend the program to consider shaving some of the collected in-lieu fee funding towards homelessness rapid rehousing programs. As you know - the funds for homelessness efforts are being cut by the Federal Government, as we speak. With San Francisco's homelessness crisis, we all need to find a holistic, healthy and

positive solutions to help solve this problem.

Finally, I ask the Board of Supervisors to please create a body to monitor the number of Mayoral Appointed positions at MOHCD. The City needs people who actually live in the City and do the work hands-on, and not two to three layers of appointed positions.

Having said the above, I thank all of you for the work that you do. Thank you.

Rey Javier
San Francisco Housing and Community Advocate
www.linkedin.com/in/reyjavier

Reference:
260538 [Planning, Administrative, Building Codes - Inclusionary Housing Program Updates and Reductions; Development Impact Fee Reductions] Sponsors: Mayor; Melgar, Dorsey, Sherrill and Sauter Ordinance amending the Planning Code

The Council of Community Housing Organizations (CCHO) consists of 18 neighborhood-based affordable housing and community development organizations whose mission is to foster the development of permanently affordable low-income housing under community control and through non-speculative means of ownership, with adequate provisions for tenant empowerment and services, and homeownership opportunities.

San Francisco Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: Equity Concerns Regarding the Proposed Reduction of Inclusionary Housing Requirements (Board File No. 260538)

Dear President Mandelman and Members of the Board:

The Council of Community Housing Organizations (CCHO) writes to share our concerns about the proposed ordinance reducing the City's inclusionary housing requirements and development impact fees. CCHO is a coalition, founded in 1978, of nonprofit affordable housing developers, community organizers, and tenant advocates.

In 2002, CCHO helped author the City's original inclusionary housing ordinance, and we have spent the decades since working to ensure that San Francisco's growth produces housing that working families, longtime residents, and our most impacted communities can actually afford.

We write in that spirit. We share the goal of getting housing built, and we recognize that the current market has made many projects difficult to finance. But how the City responds to a temporary downturn is itself a policy choice with lasting consequences.

Inclusionary requirements exist precisely so that the value created by new development is shared with the broader community rather than captured entirely by private investment. A feasibility measure aimed at near-term production should not permanently rewrite that equity commitment—particularly in the neighborhoods that have borne the longest history of disinvestment and displacement.

We therefore respectfully urge the Board to recommend the following modifications before approving this ordinance.

1. Provide a path back toward pre-reduction levels as the market recovers. Rather than locking in a permanent 5% rate, the ordinance should include a mechanism—tied to the Technical Advisory Committee's triennial review or to defined market-recovery triggers—that restores inclusionary requirements toward pre-reduction levels as feasibility improves. A reduction tied to current conditions should expire with those conditions, not outlast them.

2. Retain the 10-unit applicability threshold, and reject the permanent exemption of projects under 25 units. Raising the threshold to 25 units would permanently exempt a large share of future development from any affordable housing obligation, with disproportionate effects in lower-scale neighborhoods.

3. Preserve the geographic anti-displacement requirements in the Mission, SoMa, and the Eastern Neighborhoods. These protections were adopted in direct response to documented displacement pressure, and that pressure has not abated.

4. Protect the Jobs-Housing Linkage Fee (Section 413) and the community-stabilization fees from the proposed 67% reduction. These are dedicated affordable-housing and anti-displacement revenue streams—including the contribution that commercial development makes through the Linkage Fee—and they should not be swept into a feasibility measure aimed at housing production.

We want to underscore why the threshold and anti-displacement provisions matter so much, using the example of the 3rd Street corridor in Bayview-Hunters Point.

The corridor is defined by historically lower land values, decades of public and private disinvestment, and predominantly low-scale development, where many future projects are likely to be smaller than 25 units. That same disinvestment has suppressed land values relative to the rest of the city, creating a substantial gap between what land is worth today and what it could yield through redevelopment—a gap that draws speculative investment as soon as conditions shift.

Raising the inclusionary threshold from 10 units to 25 would allow developers to build 24-unit market-rate buildings with no affordable housing requirement at all, sharpening the incentive to acquire undervalued property and capture that value through market-rate development.

In a historically disinvested, low-income community, those incentives can accelerate speculation and a new wave of gentrification, directing the value created by redevelopment to private investors rather than to the surrounding community. The likely results are mounting displacement pressure on low-income households and community-serving small businesses, rising residential and commercial rents, and a faster erosion of the neighborhood's stability.

These stakes are especially acute in Bayview-Hunters Point, widely recognized as San Francisco's last historically Black neighborhood and cultural enclave, at a time when Black residents make up less than five percent of the city's population.

The neighborhood is home to the San Francisco African American Arts & Cultural District (SFAAACD), whose vision is "a robust, economically vibrant Black community that adds to the rich cultural tapestry of San Francisco" and whose mission is to advance, cultivate, enrich, and advocate for African American equity, cultural stability, and economic vitality.

Weakening affordable housing requirements in one of the few neighborhoods where Black families retain longstanding roots risks limiting the ability of existing residents to remain as investment returns. Without strong affordability requirements, redevelopment may hasten the out-migration of Black residents and legacy small businesses—undermining the neighborhood's cultural identity and eroding one of the last centers of Black homeownership, entrepreneurship, arts, and community life in San Francisco.

None of these recommendations asks the Board to abandon its housing production goals. Each asks that the path to more housing not run through a permanent rollback of the City's equity commitments, and that any relief offered to development be calibrated to present conditions and to the communities that stand to lose the most.

We would welcome the opportunity to work with the Board and staff to refine these provisions, and we thank you for your consideration.

Sincerely,

Quintin Mecke
Executive Director
Council of Community Housing Organizations

1 July 2026

Chair of the Board of Supervisors' Government, Audit and Oversight Committee,
Supervisor Stephen Sherrill
Supervisor Bilal Mahmood
Supervisor Jackie Fielder

Re: **Legislative File #260538 : Inclusionary Housing Program Updates and Reductions; Development Impact Fee Reductions**

Dear Chair Sherrill, and Supervisors Mahmood and Fielder,

The Race & Equity in all Planning Coalition, San Francisco (REP-SF) is writing to express our opposition to the above-referenced legislative proposal to gut San Francisco's inclusionary housing and developer mitigation fee programs.

REP-SF's objections center on the following:

1. Changing the project size trigger for inclusionary from 10 units to 24 units will mean that most of the City, especially the commercial corridors rezoned as part of last year's "Family Zoning Plan" will include no affordable housing. What this means is that instead of this legislation simply proposing a reduction in the inclusionary rate to 5%, for most of the City, the inclusionary rate will be removed entirely.
2. The reduction in development impact fees is proposed to be permanent. These fees were established through extensive nexus studies that looked at the impacts made by new developments. Growth does cause impacts to various aspects of the City's infrastructure. These impacts are felt in both the short and long term. Nexus studies are published to evaluate those impacts, and assess what fees developers can and should reasonably pay to mitigate those impacts. This legislation includes no updated nexus studies to show how the City plans to offset the impacts of the future development it's incentivizing.
3. This legislation disrespects years of community planning, especially in neighborhoods vulnerable to displacement by reducing increased inclusionary and development impact fees in communities with Area Plans that demanded more. The inclusionary reductions might be temporary but the development fee reductions are permanent. These

reductions have been proposed with no input from these communities, especially not from the organizations that led the creation of these Area Plans.

4. The reduction in the Jobs-Housing Linkage Fee is also included in this legislation without any updated nexus study to demonstrate how the City will address the need to house its workers. We keep hearing that building more market rate housing is somehow inherently environmentally responsible. However, if all the new housing that's built is for wealthy residents at the highest income tiers, yet most of the workers in San Francisco don't earn highest-tier incomes, then the presumption must be that everyone with an income that's below the very highest tier will be facing, at some point, an increasingly lengthy commute.

For these reasons, the proposed legislation closes off important avenues for equitable development policies that ensure sufficient levels of affordable housing to meet the needs of our growing city. We ask that this committee please oppose this legislation.

Respectfully submitted,

The Race & Equity in all Planning Coalition, San Francisco (REP-SF)

From:	T Flandrich
To:	Fielder, Jackie (BOS); SherrillStaff; MahmoodStaff
Cc:	FielderStaff
Subject:	File # 260538 Inclusionary Housing Program Updates and Development Impact Fee Reductions
Date:	Wednesday, July 1, 2026 4:15:08 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Supervisor Fielder, Mahmood and Sherrill,

Why can't a full Inclusionary/Impact Fees program and the Housing Trust Fund co-exist?
At many hearings, for well over a decade, I have heard developers' lobbyists complain about inclusionary/impact fees -and this during the best of financial times in our city, and huge waves of housing being built.

The reality is, many developers only want to maximize their profits by building luxury housing, it is about their pockets, not our communities.They didn't/and don't want to add to our affordable housing supply. They didn't/and don't want to pay the costs of infrastructure for their projects. And the swapping out amount of In-lieu fees have been but a fraction of the cost to actually build affordable units. We, as a city have suffered in the every decreasing number of affordable units being built.

Reducing, eliminating Inclusionary/Impact Fees is now placing the burden solely on us, the public.This is a huge shift in affordability responsibilities.

I urge you to not cut these fees any further today.

Thank you for your consideration,
Theresa Flandrich

From:	Christopher Roach
To:	FielderStaff
Cc:	Kevin Riley Jr; SherrillStaff; MahmoodStaff; Cooper, Raynell (BOS); Crayton, Monique (BOS)
Subject:	Please support reducing inclusionary housing and development impact fees
Date:	Thursday, July 2, 2026 8:58:37 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Supervisor Fielder and members of the GAO committee,

I am an almost 30-year resident and small business owner in the Mission, and as a constituent of your district, I am writing to you personally and in my capacity as an architect with a deep commitment to the present and future of our great city.

I am asking you to support the proposed legislation 260538 for inclusionary housing and development impact fee reduction as written.

Through my professional experience as an architect practicing in San Francisco, I believe that revising the inclusionary housing requirements to apply to buildings with over 25 units will help the desperately needed missing-middle housing actually get built. Also, revising the requirements to 5% will help all projects pencil. We are in a deep housing crisis, and we need to use multiple tools at our disposal to open the door for new housing opportunities. This is a problem that cannot be solved by upzoning alone.

As an architect who works specifically on affordable housing, and as an advocate for housing in general, I understand deeply the role that inclusionary zoning plays in the production of affordable housing. However, it is at best an in perfect tool, and one that needs to be refined and reconsidered on a regular basis to balance it with other social and economic forces shaping our city. This is one of those moments, and thus it is both appropriate and important to pass this legislation as written without unnecessary amendments or additional requirements.

Please listen to your constituents, and to experts like me who are working on housing projects every day, and vote to approve legislation 260538 as written, without any amendments.

Thank you,
Christopher A. Roach, AIA
Principal - Studio VARA
www.studiovara.com

+
Studio VARA's Fire Country Lookout on America by Design Architecture!

Christopher A. Roach AIA IIDA LEED *(he/him/his)*
Principal

Studio VARA
3130 20Th St. Suite 190
San Francisco, CA 94110
o. 415.826.1367
m. 415.609.1264

studiovara.com

From: Saki Bailey
To: Crayton, Monique (BOS)
Subject: Fwd: SFCLT Letter in Support of TAC Recommendations with 2 Requests to Modify
Date: Thursday, July 2, 2026 8:25:56 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

My letter for the record.
Saki Bailey
Executive Director
She/Her/Hers
San Francisco Community Land Trust



---------- Forwarded message ---------
From: **Saki Bailey** <sbailey@sfclt.org>
Date: Wed, Jul 1, 2026 at 9:15 PM
Subject: SFCLT Letter in Support of TAC Recommendations with 2 Requests to Modify
To: <jackie.fielder@sfgov.org>, <danny.sauter@sfgov.org>, <stephen.sherrill@sfgov.org>

Dear Chair Fielder, Sup. Sauter, and Sup. Sherrill,

SFCLT supports the TAC's recommendation to reduce the inclusionary requirement to **5%**, provided it is paired with a long-term, recurring Housing Trust Fund. **The Controller's**

analysis is clear: under today's market conditions, housing is simply not being built. And if we're not producing housing, we're not producing inclusionary units or inclusionary fee revenue. As a preservation organization, we believe we need both: a market that is producing housing again and a dedicated public funding source to preserve permanently affordable homes. Those goals are complementary, not in conflict.

I would ask the Committee to consider two clarifications.

First, please retain the City's existing exemption for projects under 10 units, rather than expanding it to projects under 25 units. The Inclusionary Housing Program has always served two purposes: creating permanently affordable homes and ensuring that as neighborhoods grow, they remain economically and racially diverse.

San Francisco has never taken a one-size-fits-all approach to inclusionary housing. The City has adopted neighborhood-specific inclusionary requirements because it recognizes that displacement pressures and market conditions differ across neighborhoods, including the Mission, Eastern Neighborhoods, North of Market, Divisadero, SoMa, and Bayview-Hunters Point.

Bayview's Third Street corridor is one example. After decades of public and private disinvestment, land values remain lower than much of the rest of the city, and much of the redevelopment likely to occur there is in the 10-to-24-unit range. Exempting those projects from inclusionary requirements would allow market-rate redevelopment with no affordable housing contribution at precisely the moment investment is returning. That risks accelerating speculation and displacement in one of San Francisco's last historic centers of Black homeownership, culture, and entrepreneurship.

For those reasons, I believe the City should retain its longstanding exemption for projects under 10 units rather than expanding it to 25 units. Doing so preserves feasibility for truly small projects while ensuring that new multifamily development continues to contribute to affordability and neighborhood stability in the communities where those protections matter most.

It also avoids creating a significant regulatory cliff. A 25-unit exemption creates an incentive to design projects just below the threshold to avoid inclusionary requirements. The City's longstanding 10-unit threshold has generally struck the right balance by protecting truly small projects while ensuring that new multifamily development continues to contribute to our affordable housing goals.

Second, I'd ask the Committee to clarify that the TAC's recommendation regarding fee reductions applies only to Planning Code development impact fees and development exactions that directly affect residential project feasibility—not to unrelated City fees or separate programs such as the commercial Jobs-Housing Linkage Fee.

With those two refinements, I believe this legislation better fulfills the TAC's intent by restoring housing production while continuing to advance affordability, prevent displacement, and preserve mixed-income neighborhoods.

Thank you for your time and consideration.

Sincerely,

Saki Bailey

Executive Director

She/Her/Hers
San Francisco Community Land Trust



From:	Kevin Riley Jr
To:	SherrillStaff; MahmoodStaff; FielderStaff
Cc:	Cooper, Raynell (BOS); Crayton, Monique (BOS)
Subject:	Legislation 260538 Support
Date:	Thursday, July 2, 2026 7:34:47 AM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear members of the GAO committee,

I am writing to support the proposed legislation 260538 for inclusionary housing and development impact fee reduction as written.

Through my professional experience as an architect practicing in San Francisco, I believe that revising the inclusionary housing requirements to apply to buildings with over 25 units will help the desperately needed missing-middle housing actually get built. Also, revising the requirements to 5% will help all projects pencil. We are in a deep housing crisis, and we need to use multiple tools at our disposal to open the door for new housing opportunities. This is a problem that cannot be solved by upzoning alone.

Please vote to approve legislation 260538 as written, without any amendments.

Thank you,
Kevin Riley Jr, AIA

--
Kevin Riley Jr, AIA, LEED AP

SIERRA CLUB
SAN FRANCISCO BAY

San Francisco Group of the San Francisco Bay Chapter

July 6, 2026

To:
Government Audit and Oversight Committee
Supervisor Stephen Sherrill
Supervisor Bilal Mahmood
Supervisor Jackie Fielder
CC:
Committee Clerk Monique Crayton

Subject: Clarification of public comment on Item 2 (file #260538) at July 2 hearing

Dear Committee Members and staff,

At the Committee hearing on Thursday, July 2, 2026, Sierra Club volunteer leader Prodan Statev made a public comment on Item 2, the ordinance for Inclusionary Housing Program Updates and Reductions (file #260538). Prodan identified himself as a member of the Sierra Club SF Bay Chapter Executive Committee and spoke in support of the ordinance.

However, the Sierra Club has not taken a position on the ordinance. Prodan's comment reflects only his personal view and not that of the SF Bay Chapter or any other Sierra Club entity.

Sincerely,

Charles Whitfield
Chair, Executive Committee
Sierra Club San Francisco Group

From:	Board of Supervisors (BOS)
To:	BOS-Supervisors; BOS-Legislative Aides
Cc:	BOS-Operations; Calvillo, Angela (BOS); Mchugh, Eileen (BOS); Somera, Alisa (BOS); De Asis, Edward (BOS); Ng, Wilson (BOS); Crayton, Monique (BOS); BOS Legislation, (BOS)
Subject:	File No. 260538 - Inclusionary Housing - 3 Letters
Date:	Thursday, July 9, 2026 2:23:11 PM
Attachments:	File No. 260538 Inclusionary Housing - 3 Letters.pdf

Hello Supervisors,

Please see the attached 3 Letters from members of the public, regarding:

> **File No. 260538:** Ordinance amending the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; and 6) adopt conforming amendments to various sections of the Planning Code; amending the Building Code to reduce Planning Code Article 4 development impact fees and allow deferral of payment of such fees; and amending the Administrative Code to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Sincerely,

Justice Alcantar
Office of the Clerk of the Board
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102
justice.alcantar@sfgov.org | www.sfbos.org

From: Jotform
To: Board of Supervisors (BOS); CPC-Commissions Secretary; So, Lydia (CPC); Moore, Kathrin (CPC); Williams, Gilbert A (CPC); MahmoodStaff; WongStaff (BOS); ChanStaff (BOS); MandelmanStaff (BOS); ChenStaff
Subject: Re: Support Amending the Inclusionary Housing Program - Justin Truong
Date: Monday, July 6, 2026 5:15:24 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

From: justintruong56@gmail.com

Subject: Support Amending the Inclusionary Housing Program

To the Planning Commission, Board of Supervisors, and Mayor Lurie,

We support the Affordable Housing Technical Advisory Committee's recommendation to amend and reduce the Inclusionary Housing Program requirements.

As a result, we encourage the Planning Commission and Board of Supervisors to pass the recommendations made by the Technical Advisory Committee. Specifically to:

1) reduce the on-site affordable rates from 12-15% to 5%,
2) reduce the offsite rates from 20%-20.5% to 10%,
3) eliminating area specific inclusionary housing fees
4) deleting certain Article 4 affordable housing and development impact fees

These types of reforms that provide a better chance for existing pipeline projects to get built is exactly what ConnectedSF has expressed interest in supporting in the past year.

Reducing or outright cutting various line items that result in added costs to build housing at a time when various costs are at an all-time high is not benefiting people looking to move to San Francisco, residents of San Francisco, nor the City as a whole.

We appreciate these reform efforts and would encourage taking this initiative a step further by completely removing the inclusionary affordable housing program to market rate development.

Sincerely,

Justin Truong

From:	Rey Javier
To:	Calvillo, Angela (BOS); Ng, Wilson (POL); Mchugh, Eileen (BOS); Board of Supervisors (BOS); Board of Supervisors (BOS)
Cc:	Lurie, Daniel (MYR)
Subject:	Request for Reasonable Accommodation for Public Comment
Date:	Thursday, July 2, 2026 6:20:50 PM

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

To The Clerk of the Board of Supervisors:

Good morning. In connection with Item 260538 for July 7, 2026, hearing, I am reaching out to ask for a reasonable accommodation request to have my public comment read by the clerk during the meeting (when floor is open for public comments), please:

My name is Rey Javier. I am a housing and community advocate in San Francisco. I live and work in San Francisco.

I previously served the Mayor's Office of Housing in San Francisco, as a Civil Servant. During that time, i was responsible for assisting with the program administration and operations of the Inclusionary Housing program for 8 years, under now Supervisor Myrna Melgar, Executive Directors Douglas Shoemaker, Olson Lee and Matt Franklin.

I am reaching out today to encourage the Mayor, the Board of Supervisors and the authors of the amendments of the Inclusionary Housing Program to consider increasing the requirements, instead of decreasing the required number of units, increasing the inclusionary in-lieu fees and the overall oversight for the Program.

Inclusionary must work for all neighborhoods and districts, so that the benefit of housing is equitable throughout the City. The problem here is not about the program or the Trust Fund, but the archaic zoning laws. There are improvements that can be made to the program, including having a fresh new set of staff.

In case you did not know, the current technical advisory committee involved with the Inclusionary program does not have a term limit. This needs must change immediately. The City and County should place a term limit for this committee, and the appointees considered should have work or lived experience, so that new and creative ideas can be formed, and apply best practices.

We do not need reductions, we need additions.

As an advocate for housing and the homeless, I also ask, please, if you would review

and amend the program to shaving a larger portion of the collected in-lieu fee funding towards homelessness rapid rehousing programs. As you know - the funds for homelessness efforts are being cut by the Federal Government, as we speak. With San Francisco's homelessness crisis, we all need to find a holistic, healthy and positive solutions to help solve this problem.

Finally, I ask the the City and County Board of Supervisors to please create a Commission to monitor the number of Mayoral Appointed positions at MOHCD. The City needs people who actually live in our neighborhoods in the City and do the work hands-on, and not two to three layers of appointed positions. For the record, there are appointees who have been in their posts at MOHCD for over twenty years. Are these supposed to be lifetime jobs, after 4-5 Mayoral Administrations?

Having said the above, I thank all of you for the work that you do. Thank you.

Rey Javier
San Francisco Housing and Community Advocate
www.linkedin.com/in/reyjavier

From:	factory 1 design
To:	Mandelman, Rafael (BOS)
Cc:	Sherrill, Stephen (BOS); Walton, Shamann (BOS); Chan, Connie (BOS); Dorsey, Matt (BOS); Chen, Chyanne (BOS); Melgar, Myrna (BOS); Mahmood, Bilal (BOS); Engardio, Joel (BOS); Sauter, Danny (BOS); Fielder, Jackie (BOS); Board of Supervisors (BOS); Herrera, Ana (BOS)
Subject:	USM letter - File no. 260538, Inclusionary Housing Program Updates and Reductions
Date:	Wednesday, July 8, 2026 10:23:49 AM
Attachments:	TAC INCLUSIONARY 2026.pdf

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear President Mandelman and Supervisors-

Please find the attached letter regarding the Inclusionary Housing Program Update and Reductions.

Thank you.

Larisa Pedroncelli
Member, United to Save the Mission

UNITED TO SAVE THE MISSION

July 8, 2026

Dear President Mandelman and Supervisors,

Re: File no. 260538, Inclusionary Housing Program Updates and Reductions

On behalf of United to Save the Mission's more than one dozen organizations, we ask that you honor the city's historic equity frameworks and retain a higher level of inclusionary housing for the Mission District, which has lost many thousands of low-income residents and small businesses – having lost 12,000 Latino residents since 2000.

The Neighborhood's needs are not the same – its displacement risks are not the same – nor is its ability to build market-rate housing.

The Mission is one of the three neighborhoods that has retained a historically higher threshold of inclusionary requirements, in recognition of its devastating community losses. At the same time, developers continued to build or fee out on several market rate projects at a higher rate than is proposed right now – *even during Covid*.

We think that these other neighborhoods with historic additional inclusionary housing -- the Tenderloin and SoMa, should also retain additional retention benefits considering the size of their affordable housing need. This retention is particularly important when weighed in the context of the lack of a *full link between these inclusionary cuts to replacing the lost units with the passage of the Housing Trust Fund – and the lack of a clear city commitment that these inclusionary cuts will be reversed to 10% if the fund fails to pass – as the recent GAO Hearing discussions underlined for all of us.*

While the current fee-cut proposal recognizes and honors our historic equity protection framework for these neighborhoods in the areas of off-site, fee out, and land dedication rates – *it entirely skips it for the onsite inclusionary.* This creates only the unhelpful illusion of an equity framework – as nearly all developers will opt to use the low citywide rate of 5% instead.

The retention of an 8% rate for the Mission and other equity geographies would recognize the current economic environment, while retaining the city's historic equity framework.

Many years of community/city partnership planning went into the establishment of this framework, and it is important to retain and honor the city's equity commitments in order to meet its AFFH requirement to "transform racially and ethnically concentrated areas of poverty into areas of opportunity."

These equitable housing commitments can be seen in many core city documents including:

- The San Francisco Housing Element
    - Which contains countless affordable housing commitments that would urge the honoring of this equity framework, including:
        - Action 1.5.1 - Where the city committed to "Increase production of housing affordable to extremely low and very low-income households."
        - Action 4.1.7 - Where the city committed to "target levels of investments that prevent community displacement through increased permanently affordable housing production."

- The Eastern Neighborhoods Plan
    - Which contains a city/community agreement to formalize the potential conversion of up to half of the city's industrial spaces under a new zoning – Urban Mixed Use – *but only in exchange for recapturing additional community value* in those formerly good-paying blue-collar job spaces through a higher inclusionary housing level. Dropping this higher requirement (rather than naming it as part of a fair 8% outcome), would trade away further critical blue-collar job spaces without the promised community benefits.

- Mission Action Plans 2020 and 2030
    - Acknowledge throughout the role that inclusionary units play an important role in achieving the neighborhoods affordable housing goals and meeting the needs of its residents.

Leaving behind our equitable housing frameworks is particularly concerning when weighed in the context of the recent Karen Chapple study (*Can New Housing Supply Mitigate Displacement and Exclusion?, 2024*) showing that without very large amounts of accompanying affordable housing, market-rate housing in San Francisco can be expected to contribute to displacing existing low-income residents by roughly 11-14%.

In summary: without an improved onsite inclusionary level that brings some parity with its offsite, fee out, and land dedication rates – the Mission can expect further blue-collar job losses and increased low-income resident displacement.

Thank you,

United to Save the Mission

The Council of Community Housing Organizations (CCHO) consists of 18 neighborhood-based affordable housing and community development organizations whose mission is to foster the development of permanently affordable low-income housing under community control and through non-speculative means of ownership, with adequate provisions for tenant empowerment and services, and homeownership opportunities.

San Francisco Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: Equity Concerns Regarding the Proposed Reduction of Inclusionary Housing Requirements (Board File No. 260538)

Dear President Mandelman and Members of the Board:

The Council of Community Housing Organizations (CCHO) writes to share our concerns about the proposed ordinance reducing the City's inclusionary housing requirements and development impact fees. CCHO is a coalition, founded in 1978, of nonprofit affordable housing developers, community organizers, and tenant advocates.

In 2002, CCHO helped author the City's original inclusionary housing ordinance, and we have spent the decades since working to ensure that San Francisco's growth produces housing that working families, longtime residents, and our most impacted communities can actually afford.

We write in that spirit. We share the goal of getting housing built, and we recognize that the current market has made many projects difficult to finance. But how the City responds to a temporary downturn is itself a policy choice with lasting consequences.

Inclusionary requirements exist precisely so that the value created by new development is shared with the broader community rather than captured entirely by private investment. A feasibility measure aimed at near-term production should not permanently rewrite that equity commitment—particularly in the neighborhoods that have borne the longest history of disinvestment and displacement.

We therefore respectfully urge the Board to recommend the following modifications before approving this ordinance.

1. Provide a path back toward pre-reduction levels as the market recovers. Rather than locking in a permanent 5% rate, the ordinance should include a mechanism—tied to the Technical Advisory Committee's triennial review or to defined market-recovery triggers—that restores inclusionary requirements toward pre-reduction levels as feasibility improves. A reduction tied to current conditions should expire with those conditions, not outlast them.

2. Retain the 10-unit applicability threshold, and reject the permanent exemption of projects under 25 units. Raising the threshold to 25 units would permanently exempt a large share of future development from any affordable housing obligation, with disproportionate effects in lower-scale neighborhoods.

3. Preserve the geographic anti-displacement requirements in the Mission, SoMa, and the Eastern Neighborhoods. These protections were adopted in direct response to documented displacement pressure, and that pressure has not abated.

4. Protect the Jobs-Housing Linkage Fee (Section 413) and the community-stabilization fees from the proposed 67% reduction. These are dedicated affordable-housing and anti-displacement revenue streams—including the contribution that commercial development makes through the Linkage Fee—and they should not be swept into a feasibility measure aimed at housing production.

We want to underscore why the threshold and anti-displacement provisions matter so much, using the example of the 3rd Street corridor in Bayview-Hunters Point.

The corridor is defined by historically lower land values, decades of public and private disinvestment, and predominantly low-scale development, where many future projects are likely to be smaller than 25 units. That same disinvestment has suppressed land values relative to the rest of the city, creating a substantial gap between what land is worth today and what it could yield through redevelopment—a gap that draws speculative investment as soon as conditions shift.

Raising the inclusionary threshold from 10 units to 25 would allow developers to build 24-unit market-rate buildings with no affordable housing requirement at all, sharpening the incentive to acquire undervalued property and capture that value through market-rate development.

In a historically disinvested, low-income community, those incentives can accelerate speculation and a new wave of gentrification, directing the value created by redevelopment to private investors rather than to the surrounding community. The likely results are mounting displacement pressure on low-income households and community-serving small businesses, rising residential and commercial rents, and a faster erosion of the neighborhood's stability.

These stakes are especially acute in Bayview-Hunters Point, widely recognized as San Francisco's last historically Black neighborhood and cultural enclave, at a time when Black residents make up less than five percent of the city's population.

The neighborhood is home to the San Francisco African American Arts & Cultural District (SFAAACD), whose vision is "a robust, economically vibrant Black community that adds to the rich cultural tapestry of San Francisco" and whose mission is to advance, cultivate, enrich, and advocate for African American equity, cultural stability, and economic vitality.

Weakening affordable housing requirements in one of the few neighborhoods where Black families retain longstanding roots risks limiting the ability of existing residents to remain as investment returns. Without strong affordability requirements, redevelopment may hasten the out-migration of Black residents and legacy small businesses—undermining the neighborhood's cultural identity and eroding one of the last centers of Black homeownership, entrepreneurship, arts, and community life in San Francisco.

None of these recommendations asks the Board to abandon its housing production goals. Each asks that the path to more housing not run through a permanent rollback of the City's equity commitments, and that any relief offered to development be calibrated to present conditions and to the communities that stand to lose the most.

We would welcome the opportunity to work with the Board and staff to refine these provisions, and we thank you for your consideration.

Sincerely,

Quintin Mecke
Executive Director
Council of Community Housing Organizations

BUILDING INSPECTION COMMISSION (BIC)

Department of Building Inspection **Voice (628) 652 -3510**
49 South Van Ness Avenue, 5th Floor San Francisco, California 94103

June 17, 2026

Daniel Lurie
Mayor

COMMISSION

Alysabeth Alexander-Tut
President

Catherine Meng
Vice-President

Dan Calamuci
Judy Lee
Lindsey Maclise
Bianca Neumann
Kavin Williams

Sonya Harris
Secretary

David Kane
Interim Director

Ms. Angela Calvillo
Clerk of the Board
Board of Supervisors, City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4694

Dear Ms. Calvillo:

RE: File No. 260538

Ordinance amending the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; and 6) adopt conforming amendments to various sections of the Planning Code; amending the Building Code to reduce Planning Code Article 4 development impact fees and allow deferral of payment of such fees; amending the Administrative Code to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Please see the attached document waiving Code Advisory Committee review of File No. 260538 in accordance with SF Building Code Section 105A.4.2.

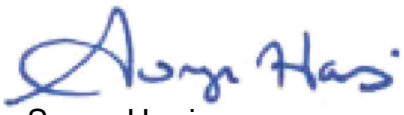
The Building Inspection Commission met and held a public hearing on June 17, 2026 regarding the proposed amendment to the Planning, Building, and Administrative Codes contained in Board File No. 260538.

The Commissioners voted unanimously to **recommend approval of the Ordinance**.

President Alexander-Tut	Yes
Vice-President Meng	Excused
Commissioner Calamuci	Yes
Commissioner Lee	Yes
Commissioner Maclise	Yes
Commissioner Neumann	Yes
Commissioner Williams	Yes

Should you have any questions, please do not hesitate to call me at (628) 652-3510.

Sincerely,



Sonya Harris
Commission Secretary

cc: David Kane, Interim Director
Mayor Daniel Lurie
Supervisor Myrna Melgar
Supervisor Matt Dorsey
Supervisor Danny Sauter
Supervisor Stephen Sherrill
Board of Supervisors

BOARD of SUPERVISORS

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. (415) 554-5184
Fax No. (415) 554-5163
TDD/TTY No. (415) 554-5227

MEMORANDUM

Date: June 11, 2026

To: Planning Department/Planning Commission

From: Monique Crayton, Assistant Clerk, Government Audit and Oversight Committee

Subject: Board of Supervisors Legislation Referral - File No. 260538 - Substituted Planning, Administrative, Building Codes - Inclusionary Housing Program Updates and Reductions; Development Impact Fee Reductions

☐ California Environmental Quality Act (CEQA) Determination
(California Public Resources Code, Sections 21000 et seq.)
☒ Ordinance / Resolution
☐ Ballot Measure

Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it would not result in a direct or reasonably foreseeable indirect physical change in the environment.

6/22/2026 Joy Navarrete

☐ Amendment to the Planning Code, including the following Findings:
(Planning Code, Section 302(b): 90 days for Planning Commission review)
☒ General Plan ☒ Planning Code, Section 101.1 ☒ Planning Code, Section 302

☐ Amendment to the Administrative Code, involving Land Use/Planning
(Board Rule 3.23: 30 days for possible Planning Department review)

☐ General Plan Referral for Non-Planning Code Amendments
(Charter, Section 4.105, and Administrative Code, Section 2A.53)
(Required for legislation concerning the acquisition, vacation, sale, or change in use of City property; subdivision of land; construction, improvement, extension, widening, narrowing, removal, or relocation of public ways, transportation routes, ground, open space, buildings, or structures; plans for public housing and publicly-assisted private housing; redevelopment plans; development agreements; the annual capital expenditure plan and six-year capital improvement program; and any capital improvement project or long-term financing proposal such as general obligation or revenue bonds.)

☐ Historic Preservation Commission
- ☐ Landmark *(Planning Code, Section 1004.3)*
- ☐ Cultural Districts *(Charter, Section 4.135 & Board Rule 3.23)*
- ☐ Mills Act Contract *(Government Code, Section 50280)*
- ☐ Designation for Significant/Contributory Buildings *(Planning Code, Article 11)*

Please send the Planning Department/Commission recommendation/determination to Monique Crayton at monique.crayton@sfgov.org.

San Francisco Planning

49 South Van Ness Avenue, Suite 1400
San Francisco, CA 94103
628.652.7600
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June 22, 2026

Ms. Angela Calvillo, Clerk
Honorable Mayor Lurie
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: **Transmittal of Planning Department Case Number 2026-003786PCA**
Updates to the Inclusionary Affordable Housing Program and Development Impact Fee Reductions
Board File No. 260538

Planning Commission Action: **Adopted a Recommendation for Approval with Modifications**

Dear Ms. Calvillo and Mayor Lurie,

On June 18, 2026, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance, introduced by Mayor Lurie. The proposed Ordinance would amend the Planning Code to reduce Inclusionary Affordable Housing Program ("Program") requirements for projects of 25 units or more and delete the requirements for projects under 25 units, allow all projects to dedicate land to the City as an alternative to payment of the Program fee, adopt a process for projects to request a modification to conditions of approval related to Program requirements, delete certain Article 4 affordable housing and development impact fees; and adopt conforming amendments to various sections of the Planning Code. The proposed Ordinance also amends the Building Code to allow deferral of payment of such fees and makes conforming amendments. The Administrative Code would also be amended to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund.

At the hearing the Planning Commission adopted a recommendation for approval with modifications.

The Commission's proposed modifications were as follows:

1. Amend Section 249.5(c)(6) to allow special exceptions to the 80-foot base height limit in the 80-120-T

and 80-130-T Height and Bulk Districts to be granted through Conditional Use approval.

2. Correct the references in Section 415.10(e) to state 415.4(g)(4) and 415.4(g)(2).

3. Correct the definition of "Development Application" – specifically, for projects that are subject to a development agreement, the "Development Application" shall mean an individual building's first site or building permit.

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c) and 15378 because they do not result in a physical change in the environment.

Mayor, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission.

Please find attached documents relating to the actions of the Commission. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

Veronica Flores, Acting Manager of Legislative Affairs

cc: Audrey Pearson, Deputy City Attorney
Adam Thongsavat, Liaison to the Board of Supervisors, Office of Mayor Daniel Lurie
Monique Crayton, Office of the Clerk of the Board
Jacob Bintliff, Office of Economic and Workforce Development

ATTACHMENTS :

Planning Commission Resolutions
Planning Department Executive Summary

San Francisco Planning

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PLANNING COMMISSION
RESOLUTION NO. 21923

HEARING DATE: June 18, 2026

Project Name:	Inclusionary Housing Requirements and Development Impact Fee Reductions
Case Number:	2026-003786PCA [Board File No. 260538]
Initiated by:	Mayor Daniel Lurie / Introduced May 19, 2026
Staff Contact:	Ada Tan, Housing Implementation ada.tan@sfgov.org, 628-652-7403
Reviewed by:	Carly Grob, Manager of Housing Implementation carly.grob@sfgov.org, 628-652-7532

RESOLUTION ADOPTING A RECOMMENDATION FOR APPROVAL OF A PROPOSED ORDINANCE THAT WOULD 1) REDUCE INCLUSIONARY AFFORDABLE HOUSING PROGRAM REQUIREMENTS FOR PROJECTS OF 25 UNITS OR MORE; 2) DELETE INCLUSIONARY AFFORDABLE HOUSING PROGRAM REQUIREMENTS FOR PROJECTS UNDER 25 UNITS; 3) ALLOW ALL PROJECTS TO DEDICATE LAND TO THE CITY AS AN ALTERNATIVE TO PAYMENT OF THE INCLUSIONARY AFFORDABLE HOUSING PROGRAM FEE; 4) ADOPT A PROCESS FOR PROJECTS TO REQUEST A MODIFICATION TO CONDITIONS OF APPROVAL RELATED TO INCLUSIONARY AFFORDABLE HOUSING PROGRAM REQUIREMENTS; 5) DELETE CERTAIN ARTICLE 4 AFFORDABLE HOUSING AND DEVELOPMENT IMPACT FEES; 6) ADOPT CONFORMING AMENDMENTS TO VARIOUS SECTIONS OF THE PLANNING CODE; AMENDING THE BUILDING CODE TO ALLOW DEFERRAL OF PAYMENT OF SUCH FEES AND MAKE CONFORMING AMENDMENTS; AMENDING THE ADMINISTRATIVE CODE TO ADOPT CONFORMING AMENDMENTS TO THE REQUIREMENTS OF THE CITYWIDE AFFORDABLE HOUSING FUND; AFFIRMING THE PLANNING DEPARTMENT'S DETERMINATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MAKING PUBLIC NECESSITY, CONVENIENCE, AND WELFARE FINDINGS UNDER PLANNING CODE, SECTION 302; AND MAKING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN, AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE, SECTION 101.1.

WHEREAS, on May 19, 2026 Mayor Lurie introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 260538, which would amend the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; 6) adopt conforming amendments to various sections of the Planning Code; amending the Building Code to reduce Planning Code Article 4 development impact fees and allow deferral of payment

of such fees; amending the Administrative Code to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund;

WHEREAS, on June 2, 2026 Mayor Lurie introduced a substitute Ordinance under the same Board File Number;

WHEREAS, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on June 18, 2026; and,

WHEREAS, this Resolution has been determined to not be defined as a project under the California Environmental Quality Act Sections 15060(c)(2) and 15378; and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the Custodian of Records, at 49 South Van Ness Avenue, Suite 1400, San Francisco; and

WHEREAS, the Planning Commission has reviewed the proposed Ordinance; and

WHEREAS, the Planning Commission finds from the facts presented that the public necessity, convenience, and general welfare require the proposed amendment; and

MOVED, that the Planning Commission hereby adopts a **recommendation for approval with modifications** of the proposed Ordinance. The Commission's proposed recommendations are as follows:

1. Amend Section 249.5(c)(6) to allow special exceptions to the 80-foot base height limit in the 80-120-T and 80-130-T Height and Bulk Districts to be granted through Conditional Use approval.

2. Correct the references in Section 415.10(e) to state 415.4(**g**)(4) and 415.4(**g**)(2).

3. Correct the definition of "Development Application" – specifically, for projects that are subject to a development agreement, the "Development Application" shall mean an individual building's first site or building permit.

Findings

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

San Francisco's Inclusionary Affordable Housing Program ("Program") is intended to help address the demonstrated need for affordable housing in San Francisco. As rents and sales prices for housing outpace what is affordable to the typical San Francisco family, the City faces a continuing shortage of affordable housing for all but households with the highest incomes.

San Francisco is facing a shortage of all types of housing. To meet San Francisco's share of the regional need for housing between 2023-2031, the City must accommodate over 82,000 units, including 32,881 units for extremely low, very-low and low- income households, and 49,188 units for moderate and above-moderate income households. The Program is an important part of the City's overall strategy for providing affordable housing to very-low, low- moderate-, and middle-income households, and has created more than 3,600 units since its inception. But the success of the Program is contingent on the overall feasibility of residential development. For that reason, Planning Code Section 415.10 requires periodic review of the program's requirements.

From December 2025 through April 2026, consistent with Planning Code Section 415.10, the Controller and the Inclusionary Housing Technical Advisory Committee ("TAC") met to conduct and review the feasibility of the City's inclusionary affordable housing obligations. The Controller and the TAC studied five condominium prototypes and five rental apartment prototypes, and considered key economic parameters, such as: interest rates, capitalization rates, land prices, construction costs, use of the State Density Bonus law, rents and sale prices.

The Controller and TAC found that none of the development prototypes studied were financially feasible at the current inclusionary housing rates in the Planning Code. Most prototypes studied had significant negative land value, indicating that the prototype would not be financially feasible, even setting aside the cost of land. The prototypes, which were studied because they represent the types of residential development that are common in San Francisco, account for a majority of the housing production in San Francisco. The finding that the prototypes are not feasible suggests that residential development is, broadly speaking, not financially feasible under current economic conditions at current inclusionary housing rates.

Economic conditions that render residential development infeasible threaten several important policy priorities of the City, including the expansion of the City's housing supply, the production of inclusionary affordable housing units, as well as the creation of jobs and growth in tax revenue.

On April 30, 2026, the Controller submitted a memorandum on the Triennial Review of Economic Feasibility to the Board of Supervisors that summarizes the residential development feasibility analysis and the recommendations developed by the Controller, with TAC agreement. That memorandum recommends that the City's inclusionary housing rates be reduced from the current citywide interim on-site rate of 15% to 5%, and the fee rate reduced from 20.5% (for large projects) to 10%.

The City's inclusionary housing requirements are an important policy lever, that, if optimized, can facilitate robust and ongoing production of both market rate housing and inclusionary housing. The Controller and the TAC found that the current citywide rates directly contribute to the economic infeasibility of residential development. By reducing the rates in line with the TAC's recommendation, the City will stimulate residential development, increase production of inclusionary affordable housing, create jobs, and grow tax revenue.

In addition to reducing inclusionary housing obligations for future residential development projects, the proposed changes would also apply to previously approved projects. This provision could improve the financial feasibility of approved developments representing tens of thousands of housing units, potentially enabling more projects to advance into the construction phase as project economics become more viable.

The sponsors of projects that have already been approved have likely spent considerable money securing land, pursuing entitlements, and advancing design, but have also been subject to significant construction cost escalation and rising interest rates during the time between project conception and today.

By reducing the inclusionary obligation over the next three years, the City will incentivize projects to advance into the construction phase and swiftly provide much needed market rate and inclusionary units. The recommended modifications from the Planning Commission are intended to further clarify the Code provisions and ensure their consistent application.

General Plan Compliance

The proposed Ordinance and the Commission's recommended modifications are consistent with the following Objectives and Policies of the General Plan:

HOUSING ELEMENT

POLICY 5
IMPROVE ACCESS TO THE AVAILABLE AFFORDABLE RENTAL AND HOMEOWNERSHIP UNITS ESPECIALLY FOR DISPROPORTIONTELY UNDERSSERVED RACIAL AND SOCIAL GROUPS.

POLICY 24
ENABLE MIXED-INCOME DEVELOPMENT PROJECTS TO MAXIMIZE THE NUMBER OF PERMANENTLY AFFORDABLE HOUSING UNITS CONSTRUCTED, IN BALANCE WITH DELIVERING OTHER PERMANENT COMMUNITY BENEFITS THAT ADVANCE RACIAL AND SOCIAL EQUITY.

Implementing Action Section 1.3 – Inclusionary Housing

Action 1.3.2: Through the Controller's Office triennial study of financial feasibility of the Inclusionary housing Program including feedback from the Technical Advisory Committee, assess by 2024 whether affordability levels of rental and ownership units created through the program could be made accessible to lower income groups in balance with ensuring financial feasibility as referenced in Action 1.3.1.

Action 1.3.3: Assess inclusionary tiers to address constraints on housing development including financial feasibility, to increase certainty for housing projects, to ensure that inclusionary requirements do not impede or undermine use of State Density Bonus Law, and to reduce staff time and need for specific expertise. Changes to inclusionary tiers should improve or maintain average affordability of inclusionary housing units. Changes to inclusionary tiers and their requirements should retain or expand the percentage of units required, including with consideration to rents, purchase prices, and HOA fees.

Action 1.3.6: Prioritize achieving the maximum number of permanently affordable housing units at lower- and moderate-incomes that are financially feasible, as an essential benefit of new mixed-use development agreements alongside other benefits such as community facilities and transit investments

Action 1.3.9: Ensure that implementation of the City's inclusionary ordinance for State Density Bonus projects does not undermine the feasibility of projects that already provide affordable units and are consistent with State Density Bonus Law.

- For projects already providing affordable housing through State Density Bonus Law, consider applying the inclusionary tier and requirement to the base project to increase the financial feasibility of smaller density bonus projects.
- Allow greater flexibility for projects that invoke State Density Bonus Law by allowing more deeply affordable units to be counted toward the affordability tiers required under the inclusionary ordinance.
- Study the applicability of the Affordable Housing Fee to bonus projects, evaluating its impacts on project feasibility and affordable housing production. Based on the findings of this study, take action to mitigate impacts of the Affordable Housing Fee program.

Implementing Action Section 8.9 – Post-Entitlement Permitting and Pipeline Support

The Inclusionary Affordable Housing Program is an important policy to facilitate the construction of housing that is affordable low- and moderate-income households without public subsidy; however, the production of affordable units can only occur if market-rate projects can move forward. As described in the Findings Section, the Controller and TAC have found that residential development with the current inclusionary rates is infeasible under current economic conditions. The Ordinance aims to improve the feasibility of residential development by temporarily reducing inclusionary rates and other development impact fees. The proposed reductions are consistent with Policy 24 of the Housing Element, to enable mixed-income projects to maximize affordability in balance with delivering other community benefits that advance racial and social equity, and with Policy 5, to improve access to available affordable units for disproportionately underserved racial and social groups.

The Housing Element of the General Plan includes a set of Implementing Programs that San Francisco may undertake to implement the policies set forth in the Housing Element and to achieve its goals and objectives. Section 1.3 sets forth policy recommendations related to the Inclusionary Housing Program. This Ordinance would implement Action No. 1.3.2, which instructs the City to consider feedback from the Controller's triennial feasibility study, with input from the TAC, to assess whether the inclusionary affordable housing program can provide access to affordable housing in balance with ensuring financial feasibility. The Ordinance would also implement Action No. 1.3.6 to prioritize achieving the maximum number of affordable units alongside other community benefits, and Action Nos. 1.3.3 and 1.3.9, which ensures that the Inclusionary Ordinance, along with any modification of the affordability tiers, does not undermine the feasibility of projects that are consistent with the State Density Bonus Law. The proposal to provide an administrative process for Projects to modify their affordability and impact fees is also consistent with the general goals of Implementing Program No. 8.9 to provide support to pipeline projects and improve post-entitlement processes.

POLICY 26

STREAMLINE AND SIMPLIFY PERMIT PROCESSES TO PROVIDE MORE EQUITABLE ACCESS TO THE APPLICATION PROCESS, IMPROVE CERTAINTY OF OUTCOMES, AND ENSURE MEETING STATE- AND

LOCAL-REQUIRED TIMELINES, ESPECIALLY FOR 100% AFFORDABLE HOUSING AND SHELTER PROJECTS.

Implementing Action Section 8.4 – Process and Permit Procedures

Action No. 8.4.19: Whenever Planning Code amendments or revisions are proposed, advocate for ensure and promote simpler or an overall reduction of rules that affect housing approvals to reduce the specific or institutional knowledge needed by City staff, applicants, and members of the public to increase accessibility.

Housing Element Policy No. 26 directs the City to streamline and simplify permit processes to provide more equitable access to the application process, improve certainty of outcomes, and ensure meeting State- and local-required timelines, especially for 100% affordable housing and shelter projects. This policy is reiterated in Implementation Action No. 8.4.19, directs the Department to advocate for simpler rules and/or an overall reduction in regulations that affect housing approvals, which in turn would reduce the specific or institutional knowledge required by City staff, applicants, and members of the public to engage with the information.

Planning Code Section 101 Findings

The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

   The proposed Ordinance would not have a negative effect on neighborhood serving retail uses and will not have a negative effect on opportunities for resident employment in and ownership of neighborhood-serving retail.

2. That existing housing be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

   The proposed Ordinance would not have a negative effect on existing housing. Projects that would benefit from development impact fee reductions may become feasible, and may further activate soft sites or vacant sites. Aside from stabilization efforts, the Inclusionary Program is an important tool to maintain economic diversity in our neighborhoods. Not only does the proposed Ordinance preserve cultural and economic diversity by ensuring a mix of income levels in new construction, it also furthers this goal by diversifying Well-resourced neighborhoods with mixed-income housing.

3. That the City's supply of affordable housing be preserved and enhanced;

   The Ordinance proposes reductions to inclusionary rates and impact fees to improve the feasibility of residential development, which enhances the affordability of housing by adding to the housing stock. Reductions in the inclusionary requirements balance the need for feasible residential development

while also providing affordable housing without City subsidy, either through the construction of affordable units or payment of fees to construct affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

   The proposed Ordinance would not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

   The proposed Ordinance would not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors would not be impaired.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

   The proposed Ordinance would not have an adverse effect on City's preparedness against injury and loss of life in an earthquake.

7. That landmarks and historic buildings be preserved;

   The proposed Ordinance would not have an adverse effect on the City's Landmarks and historic buildings.

8. That our parks and open space and their access to sunlight and vistas be protected from development.

   The proposed Ordinance would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas.

Planning Code Section 302 Findings.

The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed amendments to the Planning Code as set forth in Section 302.

NOW THEREFORE BE IT RESOLVED that the Commission hereby ADOPTS A RECOMMENDATION FOR APPROVAL WITH MODIFICATIONS of the proposed Ordinance as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on June 18, 2026.

Jonas P. Ionin
Commission Secretary

AYES:	McGarry, So, Braun, Campbell
NOES:	Williams, Moore
ABSENT:	None
ADOPTED:	June 18, 2026

San Francisco Planning

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PLANNING COMMISSION
RESOLUTION NO. 21924

HEARING DATE: **June 18, 2026**

Project Name:	Delegation of Authority to Modify the Conditions of Approval Relating to Inclusionary Affordable Housing Requirements, Validity and Period of Performance
Case Number:	2026-003786CRV [Board File No. 260538]
Staff Contact:	Ada Tan, Housing Implementation ada.tan@sfgov.org, 628-652-7403
Reviewed by:	Carly Grob, Manager of Housing Implementation carly.grob@sfgov.org, 628-652-7532

RESOLUTION DELEGATING THE PLANNING COMMISSION'S AUTHORITY TO THE PLANNING DIRECTOR OR THEIR DESIGNEE TO MODIFY THE CONDITIONS OF APPROVAL, CONDITIONS ON A PROJECT PERMIT, OR NOTICE OF SPECIAL RESTRICTIONS RELATED TO THE INCLUSIONARY AFFORDABLE HOUSING PROGRAM REQUIREMENTS, PURSUANT TO THE ADMINISTRATIVE MODIFICATION PROCEDURES AND REQUIREMENTS IN PLANNING CODE SECTION 415.4, PROVIDED SUCH PROCEDURES AND REQUIREMENTS ARE DULY ENACTED BY LAW. ADDITIONALLY, THE DIRECTOR OR THEIR DESIGNEE IS AUTHORIZED TO REVISE CONDITIONS OF APPROVAL, CONDITIONS ON A PROJECT PERMIT, OR NOTICE OF SPECIAL RESTRICTIONS RELATED TO VALIDITY AND PERIOD OF PERFORMANCE CONDITIONS AND IS AUTHORIZED TO INCLUDE ANY THEN-CURRENT STANDARD CONDITIONS OF APPROVAL IN ANY MODIFIED APPROVAL.

WHEREAS, on May 19, 2026 Mayor Lurie introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 260538, which would amend the Planning Code to update the Inclusionary Affordable Housing Program requirements, reduce development impact fees, and delegate authority to the Planning Director or their designee to administratively approve requests to modify certain Conditions of Approval;

WHEREAS, on June 2, 2026 Mayor Lurie introduced a substitute Ordinance under the same Board File Number;

WHEREAS, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider this Resolution on June 18, 2026; and,

WHEREAS, the Planning Commission adopted a recommendation for approval with modifications of the proposed Ordinance on June 18, 2026, which included a recommendation to delegate authority as described in this Resolution; and,

WHEREAS, this Resolution has been determined to not be defined as a project under the California Environmental Quality Act Sections 15378 and 15060(c)(2); and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the Custodian of Records, at 49 South Van Ness Avenue, Suite 1400, San Francisco; and

WHEREAS, the Planning Commission has reviewed this proposed Resolution allowing it to delegate its authority; and

WHEREAS, the Planning Commission finds from the facts presented that the public necessity, convenience, and general welfare require the proposed delegation of authority; and

MOVED, that the Planning Commission **adopts** this Resolution and hereby DELEGATES its authority to the Planning Director or their designee to modify the conditions of approval, conditions on a project permit, or notice of special restrictions related to the Inclusionary Affordable Housing Program requirements under Section 415 et seq, pursuant to the administrative modification procedures and requirements in Planning Code section 415.4, provided such procedures and requirements are duly enacted by law. The Director or their designee is also authorized to revise conditions of approval, conditions on a project permit, or notice of special restrictions related to conditions of validity and period of performance, and is authorized to include any then-current standard conditions of approval in any modified approval.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on June 18, 2026.



Jonas P. Ionin
Commission Secretary

AYES:	McGarry, So, Braun, Campbell
NOES:	Williams, Moore
ABSENT:	None
ADOPTED:	June 18, 2026

San Francisco Planning

49 South Van Ness Avenue, Suite 1400
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EXECUTIVE SUMMARY
PLANNING CODE TEXT AMENDMENT

HEARING DATE: June 18, 2026

90-Day Deadline: August 24, 2026

Project Name:	Inclusionary Housing Requirements and Development Impact Fee Reductions
Case Number:	2026-003786PCA/CRV [Board File No. 260538]
Initiated by:	Mayor Daniel Lurie / Introduced May 19, 2026
Staff Contact:	Ada Tan, Housing Implementation, Current Planning Division ada.tan@sfgov.org, 628-652-7403
Reviewed by:	Carly Grob, Manager of Housing Implementation carly.grob@sfgov.org, 628-652-7532
Environmental Review:	Not a Project Under CEQA

RECOMMENDATION: **Adopt a Recommendation for Approval with Modifications**

Planning Code Amendment

The proposed Ordinance would amend the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; 6) adopt conforming amendments to various sections of the Planning Code. The Ordinance also amends the Building Code to allow the deferral of fee payments and makes related conforming amendments. In addition, it amends the Administrative Code to make corresponding changes to the requirements of the Citywide Affordable Housing Fund.

Introduction

On May 19, 2026, Mayor Lurie introduced legislation [Board File No. 260538] to amend the Planning Code, Building Code, and Administrative Code requirements related to the Inclusionary Affordable Housing Program and development impact fees. On June 2, 2026, Mayor Lurie introduced a substitute Ordinance under the same Board File Number to clarify requirements, make corrections, ensure consistency with related Code provisions, and adopt conforming amendments.

Background

San Francisco's Inclusionary Affordable Housing Program ("Program"), Planning Code ("Code") Section 415 *et seq.*, requires market-rate housing development projects proposing 10 or more units to meet the Program requirements. A project sponsor can choose to comply with the Program by paying a fee to the City, which the City uses to construct affordable housing, provide a percentage of the units as below market rate ("BMR") units on-site within the project, or off-site at another location in the City. Certain areas within the City also allow project sponsors the option to comply by dedicating land to the City for affordable housing construction or by subjecting units to rent control. BMR units constructed through the Program are monitored by the Mayor's Office of Housing and Community Development ("MOHCD") and are subject to the Inclusionary Affordable Housing Program Monitoring and Procedures Manual ("Procedures Manual"). Updates to the Procedures Manual are proposed by MOHCD and Planning every five years and any changes must be adopted by the Planning Commission as required under Code Section 415.

Summary of May 28, 2026 Informational Hearing

On May 28, 2026 the Planning Commission heard an informational item about the proposed Ordinance. During the hearing, Commissioners highlighted that the data and findings presented in the Controller's Office Triennial Review of Economic Feasibility Report (Exhibit C), issued on April 30, 2026, clearly articulated the infeasibility of housing development. Several Commissioners agreed that the low rates would help to make housing more feasible, bringing more housing and jobs to the City. The Commissioners noted that the inclusionary rates will be revisited through the TAC process in three years and could respond to economic improvement at that time. The Commissioners also questioned whether a 5% on-site affordability requirement would be sufficient due to current economic conditions where many development projects remain financially infeasible. Commissioners also asked for clarification on the rationale for applying the inclusionary requirements to projects with 25 or more units instead of 10 or more units. Additionally, they asked whether any incentives exist for projects that exceed the 25 units or more threshold.

Commissioners requested any further reductions to impact fees include an analysis that clarifies the tradeoffs associated with such reductions. During the staff presentation, it was noted that impact fee revenues have declined due to a reduction in overall development activity.

Commissioners raised questions about the Affordable Housing Trust Fund ("HTF" or "Fund") and the need for voter approval of changes to the Fund. Staff clarified that the TAC recommendation was to place the measure on the November ballot and emphasized that the timing of the overall legislation is critical due to

the upcoming expiration of the current, temporary requirements. Staff also clarified that the HTF measure could be placed on the ballot by the Board of Supervisors and that advocates would not need to collect signatures to place the measure on the ballot. If the measure passes, the timing for the 2029 implementation of the Fund aligns with the City's budget cycle. Staff also provided additional detail on how the Fund works and what programs and activities are supported by the Fund.

History of the Inclusionary Program

From 1992 until 2002, Planning Commission policy required affordable units for certain projects of 10 units or more that received Department approval. The City adopted an Inclusionary Housing Ordinance in 2002 that set requirements for market rate development to include affordable units at 10% of the total. In 2007, the on-site requirement was increased to 15%, supported by a Nexus Study that demonstrated the necessity of affordable housing to mitigate the impacts of market rate housing.

Inclusionary requirements are one of several funding sources for the City's Program. Prior to 2011, the San Francisco Redevelopment Authority had been the City's largest provider of affordable housing funds. In 2011, Governor Jerry Brown and the State Legislature dissolved Redevelopment Agencies throughout the State. In 2012, in response to this loss and the slowing of housing development during the Great Recession, the voters amended the San Francisco Charter to create the Affordable Housing Trust Fund, which included a provision to lower the on-site inclusionary requirement to 12%. As a Charter amendment, the inclusionary rate could only be revised again by the voters.

In March 2016, the Board of Supervisors unanimously adopted a resolution declaring that it shall be City policy to maximize the economically feasible percentage of inclusionary affordable housing in market rate housing development. In June, as housing prices rose drastically, San Francisco voters approved a Charter Amendment (Proposition C), which restored the City's ability to adjust affordable housing requirements for new development by ordinance. The passage of Proposition C then triggered the provisions of an ordinance, adopted by the Board of Supervisors in May 2016, which amended the Planning and Administrative Codes to 1) increase the Inclusionary Affordable Housing requirements, pending further action by the Board of Supervisors; 2) provide lower inclusionary rates for projects in the pipeline at the time ("grandfathered rates"), 3) require an Economic Feasibility Study by the Office of the Controller; and 4) establish an Inclusionary Housing Technical Advisory Committee ("TAC") to advise the Controller. The City also updated the nexus analysis in 2016. The Board of Supervisors considered the findings of the Controller's Economic Feasibility Study that was required by Proposition C to determine the maximum economically feasible inclusionary requirements and ultimately adopted an ordinance updating the requirements in August 2017.

The 2017 ordinance was the most significant change to the City's Program since it was adopted. Not only did it increase the required on-site rates to 18% for rental projects and 20% for condominium projects, but it also introduced a variety of new controls and requirements. These included a requirement that project sponsors provide units at moderate- and middle-income "tiers" in addition to low-income units, an annual increase to the on-site inclusionary rates until the rates reached 24% for rental and 26% for condominium projects. Additional changes included a lower rate for small projects of 10-24 units, higher rates for specific geographic areas, and minimum unit sizes. The 2017 ordinance was also coupled with a new Citywide dwelling unit mix requirement.

The triennial economic feasibility study was not completed in 2020 due to the COVID-19 emergency. The Controller reconvened the TAC in October 2022 to prepare a new feasibility study. Economic conditions had changed following the pandemic, and the study found that various residential prototypes were generally infeasible to construct, even if there were no inclusionary requirements. The TAC recommended reducing inclusionary requirements and exploring other ways to improve housing feasibility. On September 5, 2023, the Board of Supervisors adopted legislation to temporarily reduce the Inclusionary Affordable Housing requirements for certain residential projects to improve the feasibility of residential development.
The on-site requirements were temporarily lowered to 12% for pipeline projects approved before November 1, 2023 and to 15% for projects approved after that date. The 2023 ordinance[1] also provided a temporary 33% reduction on other development impact fees. These temporary reductions are currently in effect and are set to expire on November 1, 2026. Without any legislative change, the applicable rates will increase automatically to 18% for large rental projects and 20% for large condominium projects and increase annually until they reach 24% for rental and 26% for ownership projects.

2026 Technical Advisory Committee

Planning Code Section 415.10 requires the Controller, in consultation with the Inclusionary Housing Technical Advisory Committee ("TAC"), to conduct a feasibility study of San Francisco's inclusionary housing requirements every three years. The TAC, established in Administrative Code Section 5.29, is a policy body made up of market-rate and affordable housing developers and service providers to advise the Controller and the Board about the Inclusionary Ordinance. Four members of the TAC are appointed by the Mayor, and four are appointed by the Board of Supervisors.

From December 2025 through April 2026, per the requirements in Section 415.10 of the Code, the Controller and the TAC met four times to conduct and review a feasibility study of the City's inclusionary affordable housing obligations prepared by a real estate consultant, Century Urban, under the direction of the Controller. This feasibility study analyzed five condominium prototypes and five apartment prototypes, ranging from small low-rise to large high-rise projects, and considered key economic parameters, such as: interest rates, capitalization rates, land prices, construction costs, rents, and sale prices. The prototypes were selected because they represent the types of residential development that are common in San Francisco and that account for most of the housing production in the City.

Based on this analysis, none of the development prototypes studied were financially feasible at the current inclusionary housing rates required by the Code. Each prototype studied had significant negative land value, indicating that the prototype would not be financeable, even setting aside the cost of land. The study also analyzed each prototype as a hypothetical market rate project with no inclusionary requirement. Only one prototype, a mid-rise condominium project, was found to be marginally feasible with no inclusionary requirement, but the low and high-rise condominium projects and all rental projects remained infeasible. The finding that these prototypes are not feasible indicates that residential development is, broadly speaking, not financially feasible under current economic conditions.

[1] Board File No. 230769 /Ordinance No. 187-23

On April 30, 2026, the Controller submitted a memorandum to the Board of Supervisors on the Triennial Review of Economic Feasibility summarizing the feasibility analysis and TAC recommendations. The memorandum is attached as Exhibit C. The Controller's report found that under current economic conditions the maximum economically feasible on-site inclusionary rate is 0%, and that inclusionary rates above 0% could further threaten the feasibility of multi-family construction, which would not create additional affordable housing. Given these findings, the TAC unanimously recommended that the City lower the on-site requirement to 5%, provided that the City establishes an alternative funding source for affordable housing other than the Program. The TAC also recommended exempting small projects of fewer than 25 units from the Program, consolidating the on-site requirement to provide units primarily for low-income households with some units for moderate-income households. Additionally, the TAC recommended applying a single set of requirements for both rental and ownership projects and a 67% reduction in non-inclusionary development impact fees on new housing development, in proportion to the reduction in the on-site inclusionary rate. The TAC did not specify the fee or off-site rates, but recommended the fee be set to encourage the provision of on-site inclusionary housing, in line with current practice. A complete list of the TAC's recommendations begins on page 5 of the Controller's memorandum (Exhibit C).

2026 Affordable Housing Trust Fund

On May 19, 2026, Supervisor Melgar, with the support of Mayor Lurie and five legislative co-sponsors on the Board of Supervisors, introduced an amendment to the City Charter for the November 2026 ballot that would significantly increase the City's annual contributions to the Affordable Housing Trust Fund ("Fund"). The Charter amendment would, starting in 2029, increase the annual appropriation into the Fund from the current $52 million per year by dedicating a portion of annual growth in the City's property tax base until the amount reaches $125 million per year, after which the amount would grow at the same rate as the City's annual General Fund discretionary revenue, up to 3% per year. The ballot measure would also extend the duration of the Fund from the current sunset in 2043 until 2058 and would be projected to dedicate an additional $3 billion for affordable housing production and preservation over this 30-year period.

The Fund was established in 2012 through a voter approved Charter amendment intended to support a range of affordable housing and homeownership initiatives. These include the creation, acquisition, and rehabilitation of rental and ownership housing affordable for households earning up to 120% of Area Median Income, homeowner downpayment assistance programs for residents and emergency first responders, and housing stabilization. As the Fund continues to grow, additional resources will become available to help expand these programs and support the construction and preservation of more affordable housing units.

The Fund measure would implement the TAC's recommendation to provide increased recurring local funding for affordable housing and was introduced together with the ordinance updating inclusionary and impact fee requirements that is before the Commission. The legislation and measure are intended to work in tandem, pairing increased support for housing development with a dedicated source of funding for affordable housing investment. Increased housing production expands the revenue base that supports affordable housing production. By making housing development more feasible, more projects can move forward, generating additional tax revenue and impact fees for the City.

Summary of Proposed Changes

The proposed Ordinance updates inclusionary housing requirements and applicability, establishes special inclusionary provisions for specific areas, revises the land dedication alternative criteria, clarifies the process for projects seeking modified inclusionary rates, reduces development impact fees, and streamlines and simplifies related regulations.

Below is a summary of the existing requirements (The Way It Is Now) and the proposed changes (The Way It Would Be) in the proposed Ordinance. This report breaks down the proposed changes into six sections, and each section includes a brief overview of the policy and implementation considerations. Recommendations of the Inclusionary Housing Technic Advisory Committee ("TAC") are identified in italics and include the note '*[TAC Recommendation]*' in the following charts.

Section 1: Inclusionary Requirements and Applicability

This Section generally describes the on-site, off-site, and Affordable Housing Fee requirements for projects subject to the Program, including density bonus programs that require the provision of affordable units. Along with Section 5 (Development Impact Fees), Section 1 is the primary section that summarizes the legislative changes that would implement the TAC recommendations.

The proposed Ordinance incorporates all the TAC's recommendations, with modifications to the following two items:

1) Upon further review of applicant data, MOHCD staff recommended modifying the ratio of the required tiers to better serve the households that are seeking affordable housing. Currently, the on-site inclusionary requirement is split into three "tiers" or income levels. The TAC recommended a 70/30 split, where 70% of on-site units would be allocated to the low-income tier (55% AMI ("Area Median Income") for rental, and 80% AMI for ownership), and 30% of on-site units would be allocated to the moderate-income tier (80% AMI for rental, and 105% AMI for ownership), and the upper tier (110% AMI for rental; 130% AMI for ownership) would be eliminated. Instead, the proposed Ordinance proposes an 80/20 split where 80% of the on-site units would be affordable at the low-income tier and 20% would be affordable to the moderate-income tier for both rental and ownership units. This recommendation is based on data of demand patterns and outcomes from MOHCD's analysis of DAHLIA listings, applicants, and lease/sales data between 2020–2025.

2) Ownership Units required at the moderate-income tier are currently priced to serve households earning up to 105% AMI. MOHCD reviewed applicant data and recommended that pricing these units for households earning up to 100% AMI instead of 105% AMI would serve a greater need.

The chart beginning on the next page reflects the proposed Ordinance as introduced, which includes the two modifications above.

Applicability		
Topic	**The Way It Is**	**The Way It Would Be**
Project Size (Planning Code Section 415.3(a))	The Inclusionary Program applies to projects with 10 units or more. There are different requirements for "small projects" (10-24 units) and "large projects" (25+ units).	*The Inclusionary Ordinance would apply to projects with 25 units or more. Inclusionary requirements would be the same for all sizes of projects.* *[TAC recommendation]*
Citywide Inclusionary Affordable Housing Requirements [2]		
Topic	**The Way It Is**	**The Way It Would Be**
Current On-Site Rates and Requirements (Citywide)	The current on-site rate is **15%** for projects that are approved between November 1, 2023 and November 1, 2026. This rate is temporary and will reset to higher rates on November 1, 2026. The rate for eligible projects approved prior to November 1, 2023 is 12%. (Section 415B)	*The Inclusionary Ordinance would require a Citywide on-site rate of **5%** unless modified legislatively. The Inclusionary Housing Technical Advisory Committee would continue to convene every 3 years to make recommendations based on current economic conditions.* *[TAC recommendation]* (Section 415.6(a))
On-Site Rates by Project Tenure	Once the temporary on-site rates expire on November 1, 2026, the inclusionary rates for large projects will be determined by tenure. The on-site rate will increase to 18% for rental projects and 20% for ownership projects. (Section 415B.2))	*The on-site inclusionary rate would be 5% for both tenures.* *[TAC recommendation]* (Section 415.6(a))

[2] Reference Exhibit D for a chart showing the inclusionary rate requirements (pre-2023, pipeline, interim, and after November 1, 2026).

Income Tiers for Rental Projects with On-Site Units	For large projects, affordable units are required at three income tiers: 10% at Low Income (55% AMI) 2.5% at Moderate Income (80% AMI) 2.5% at Middle Income (110% AMI) (Section 415B.2(a))	*Units would be required at two income tiers for all projects:* *4% at Low Income (55% AMI)* *1% at Moderate Income (80% AMI)* *[TAC recommendation]* (Section 415.6(a)(2))
Income Tiers for Ownership Projects with On-Site Units	For large projects, affordable units are required at three income tiers: 10% at Low Income (80% AMI) 2.5% at Moderate Income (105% AMI) 2.5% at Middle Income (130% AMI) (Section 415B.2(a))	*Units would be required at two income tiers for all projects:* *4% at Low Income (80% AMI)* *1% at Moderate Income (100% AMI [3])* *[TAC recommendation]* (Section 415.6(a)(1))
Affordable Housing Fee	The Affordable Housing Fee rate is 20% for small projects (10-24 units) and 20.5% for large projects (25+ units) until November 1, 2026. After November 1, 2026 the rates will increase to 24.5% for rental projects and 27% for ownership projects. (Section 415B.1(a))	The Affordable Housing Fee rate would be 10% for all projects that are subject to the Inclusionary Affordable Housing Program, except in the specific areas that are stated in Section 2. (Section 415.5(b)(1)(A))
Off-Site – Rate	For large projects, affordable units are required at three income tiers: 11.5% at Low Income (55% AMI rental, 80% AMI ownership) 5% at Moderate Income (80% AMI Rental, 105% AMI ownership) 4% at Middle Income (110% AMI rental, 130% AMI ownership) (Section 415B.3(a))	The off-site rate would be 10% and units are required at two income tiers: 8% at Low Income (55% AMI rental, 80% AMI ownership) 2% at Moderate Income (80% AMI Rental, 100% AMI ownership) (Section 415.7(b)(1))

[3] See Item 2) on page 6.

Off-Site – Proximity	Off-site units shall be located within one mile of the Principal Project. (Section 415.7(c)(1))	Off-site units shall be located within one mile of the Principal Project, or for projects located in the specific areas discussed in Section 2, or in a Well-Resourced Area, off-site units may be located within one mile of the Principal Project or anywhere within that area or district. (Section 415.7(b)(5))
Density Bonus Programs		
Topic	**The Way It Is**	**The Way It Would Be**
State Density Bonus Projects	State Density Bonus Projects must use the combination alternative to pay the Affordable Housing Fee on any bonus units or square footage. (Section 415.5(g)(1)(D))	*The Inclusionary requirements would only apply to a State Density Bonus "base" project.* *[TAC recommendation]* *(Section 415.6(a)(4))*
HOME-SF Rates Tier One (Section 206.3(f)(2)(A))	A Tier One HOME-SF Project with fewer than 25 units shall provide 20% of the units as affordable at the following levels: 10% at Low Income; 5% at Moderate Income, and 5% at Middle Income. A Tier One HOME-SF Project with 25 or more units shall provide 23% of the units as affordable at the following levels: 10% at Low Income; 8% at moderate Income, and 5% at Middle Income.	Any Tier One HOME-SF Project shall provide 7% of the units as affordable at the following levels: 5% at Low Income and 2% at Moderate Income.
HOME-SF Rates Tier Two (Section 206.3(f)(2)(B))	A Tier Two HOME-SF Project shall provide 25% of the units as affordable at the following levels: 10% at Low Income; 8% at moderate Income, and 7% at Middle Income.	A Tier Two HOME-SF Project shall provide 8% of the units as affordable at the following levels: 6% at Low Income and 2% at Moderate Income.
HOME-SF Rates Tier Three (Section 206.3(f)(2)(C))	A Tier Three HOME-SF Project shall provide 30% of the units as affordable at the following levels: 8% at Low Income; 10% at moderate Income, and 10% at Middle Income.	A Tier Three HOME-SF Project shall provide 10% of the units as affordable at the following levels: 8% at Low Income and 2% at Moderate Income.

Section 2: Specific Areas with Unique Inclusionary Requirements

Over the past 20 years, the City has established unique affordable housing requirements for specific areas within the City. Some of these requirements, such as those in the Urban Mixed Use (UMU) District and the Divisadero Neighborhood Commercial Transit District (NCT) shown in Exhibit E (Map 1), were developed in response to legislation upzoning those zoning districts. Other requirements, such as those in the North of Market Residential SUD or the Mission Area Plan (also shown in Exhibit E (Map 1)), were established to require higher amounts of affordable housing in areas with greater displacement pressure. The Code requires that if a project is subject to multiple affordable housing requirements, then the higher and/or more restrictive requirement applies.

This Section 2 primarily describes zoning districts, area plans, and special use districts with unique affordable housing requirements. As described in Section 3, several of the Land Dedication alternatives are currently only applicable in specified areas. Section 5 describes unique affordable housing impact fees for specific areas.

Topic	The Way It Is	The Way It Would Be
Eastern Neighborhoods	Planning Code Section 419 requires unique rates for projects located in the UMU zoning district. UMU rates are split into three tiers (A, B, and C) based on the amount of upzoning through the Eastern Neighborhoods Plan. Under the current interim rates, on-site rates range from 15-17.6%. off-site and Affordable Housing Fee rates range from 23-27%. After November 1, 2026, these rates would increase to 15–22.1%. Off-Site and Affordable Housing Fee rates will range from 20-27%. The SOMA Youth and Family SUD (Section 249.38) require projects over 45 feet in height to comply with Tier C UMU requirements. Western SOMA SUD (Section 249.39) requires projects of 0.5-3.0 acres comply with Tier B UMU requirements.	Projects in the Inclusionary Program specific areas (that are also located within the Eastern Neighborhoods Plan Area), would be subject to an Affordable Housing Fee rate of 15%. Projects in these areas would be subject to the Citywide on-site requirements. Projects in these areas would be subject to an off-site rate of 15%, with 12% of units required at Low Income and 3% of units required at Moderate Income. Sections 415.3((c)-(e)) and 419 would be deleted. Sections 249.38(c)(1)(C) and 249.39(c)(9)(B)(vi), which reference Section 419, would also be deleted.

Inclusionary Program Specific Areas	Section 415.3 requires unique rates for the North of Market Residential SUD, SOMA NCT, and the Mission Area Plan. The current temporary on-site rates range from 15-17% Off-Site and Affordable Housing Fee Rates range from 20-20.5%. After November 1, 2026, these rates would increase to 15–22.1%. off-site and Affordable Housing Fee rates will range from 20-27%.	Projects in the Inclusionary Program Specific Areas would be subject to an Affordable Housing Fee rate of 15%. Projects in these areas would be subject to the Citywide on-site requirements. Projects in these areas would be subject to an off-site rate of 15%, with 12% of units required at Low Income and 3% of units required at Moderate Income.
Divisadero Neighborhood Commercial Transit (NCT) District	Planning Code Section 428 requires unique rates in the Divisadero NCT. Section 759 references Planning Code Section 428. The current temporary on-site rates range from 15-23% Off-site and Affordable Housing Fee Rates range from 20.5-33%. After November 1, 2026, these rates would increase to 16.4-20% on-site. Off-site and Affordable Housing Fee rates will range from 24.5-27%.	Planning Code Section 428 would be eliminated and projects in the Divisadero NCT would be subject to the Citywide inclusionary requirements set forth in Section 415 *et seq*. Planning Code Section 759 would be modified to remove references to Section 428.
Geary-Masonic SUD (Section 249.20)	Projects within this SUD are required to satisfy the inclusionary requirements through payment of an affordable housing fee (33% for ownership and 30% for rental projects) or by providing units on-site (23% for rental projects and 26% for ownership projects).	Projects within this SUD would be required to meet the Citywide inclusionary requirements set forth in Section 415 *et seq*.

Non-Contiguous San Francisco Municipal Transportation Agency Sites SUD (Section 249.22)	This SUD allows projects to receive a development subsidy if the project provides the number of on-site units required in Section 415 *et seq*. or any temporary reductions set forth in Section 415A or 415B (rather than the increased number of on-site units otherwise required).	This SUD would continue to allow projects to receive a development subsidy if the project provides the number of on-site units required in Section 415 *et seq*.
Potrero Center Mixed-Use SUD (Section 249.40)	If a project elects to satisfy the inclusionary requirements by providing units off-site or through payment of the Affordable Housing Fee, the required rate is 25-30% of the total number of units produced in the principal project.	If the project elects to satisfy the inclusionary requirements by providing units off-site or through payment of the Affordable Housing Fee, the required rate would be 15% of the total number of units produced in the principal project.

Section 3: Land Dedication Alternative

Under the proposed Ordinance, applicants may elect to satisfy the inclusionary requirements by dedicating a parcel of land to the City for the purpose of constructing affordable housing. The applicant must demonstrate that the site can accommodate a minimum capacity of affordable units, and the dedicated site must meet a minimum standard before the City accepts the land. Exhibit E (Map 2) shows the areas in the City that may satisfy the inclusionary requirements through land dedication.

Topic	The Way It Is	The Way It Would Be
Applicability	Only projects in certain areas could comply with the Program through land dedication: • UMU (Section 419.5), • Mission NCT (419.5), • SOMA Youth and Family SUD (249.38), • Central SOMA SUD (249.78), or • Van Ness and Market Residential SUD (249.33). The land dedication alternative is also available to projects using the Housing Choice-SF (HC-SF) program (206.10) or the Well-Resourced Neighborhood Inclusionary Housing Waiver and Alternative (436).	The land dedication alternative would be available to projects citywide and would be incorporated into the Inclusionary Ordinance (Section 415.7). Section 419 would be deleted from the Planning Code. References to the Land Dedication Alternative would be deleted from Planning Code Sections 206.10, 249.33, 249.38, 249.78, and 436.
Requirements – Citywide	The land dedication alternative is only available to projects in certain areas that use specific programs, as detailed above.	Projects would need to dedicate a site equivalent to or greater than 10% of the units that would be provided on the principal site, except as noted in the following rows. (Section 415.7(a)(3)(A))
Requirements – Housing Choice-SF (HC-SF) Program (Section 206.10)	The HC-SF Program offers land dedication as an alternative and references the UMU Land Dedication requirements but does not identify the applicable Tier or rate.	
Requirements – Well-Resourced Neighborhood Inclusionary Housing Waiver and Alternative (Section 436)	Projects must dedicate a site with capacity equivalent to or greater than 35% of the number of units in the principal project.	

Requirements – UMU and Mission NCT (Section 419 *et seq*)	Projects need to dedicate land at the following rates based on the tiers (i.e. the height increase the project receives). If the principal site has less than 30,000 square feet of developable area: • Tier A: 35% • Tier B: 40% • Tier C: 45% If the principal site has 30,000 square feet of developable area or more: • Tier A: 30% • Tier B: 35% • Tier C: 40%	Projects would need to dedicate a site equivalent to or greater than 15% of the units that would be provided on the principal site. (Section 415.7(a)(3)(B))
Requirements – Central SOMA SUD (Section 249.78)	Projects must dedicate a site with capacity equivalent to or greater than 45% of the number of units in the principal project.	
Requirements – Van Ness and Market Residential SUD (Section 249.33)	Projects must dedicate a site with capacity equivalent to or greater than 45% of the number of units in the principal project.	
Requirements – Location of Dedicated Site	Each land dedication alternative sets a different standard for the location of the dedicated site: • Projects in the UMU and Mission NCT must dedicate a portion of the principal development site. • Central SoMa Projects must dedicate land in Central SoMa. (Section 249.78 (c)(6)(C)(v)) • Projects in the Van Ness and Market Residential SUD must dedicate land within one mile of the Market and Octavia Plan Area or the Upper	The dedicated site would need to be within one mile of the principal project. If the principal project is located in the Mission Area Plan, SoMa NCT, North of Market Residential SUD, South of Market Youth and Family SUD, UMU, Western SoMa SUD, Central SoMa SUD, or in a Well-Resourced Neighborhood as defined in Section 436, the dedicated site may be located within one mile of the Principal Project or anywhere within that area. (Section 415.7(a)(2))

	Market NCT. (Section 249.33)(b)(1)(A)) • Projects that use the HC-SF Program must dedicate land within ½ mile of the project site or within the R-4 Height and Bulk District (Section 206.10) • Projects that use the Well-Resourced Inclusionary Waiver must dedicate land within a Well-Resourced Area. (Section 436(b)(A)(2))	
Requirements – Minimum Site Capacity	The dedicated site must result in a total amount of inclusionary units not less than 40 units. MOHCD could also accept a collection of sites, rather than one parcel, if the number of units would be greater than otherwise required. (Section 419.5(a)(2)(A) and (C))	The dedicated site would need to demonstrate capacity for at least 70 affordable units. MOHCD may approve and accept sites which result in fewer units. Dedicated land must be comprised of a single development site, which may be comprised of multiple contiguous parcels. (Section 415.7(a)(1))
Jobs Housing Linkage Fee Land Dedication Alternative Planning Code Section 413.6	Section 413.6 allowed Projects to satisfy Jobs Housing Linkage Fee requirements through land dedication that complied with the same requirements for land dedication in the UMU zoning district, except that the land must be of a certain value, rather than size, and must be one site rather than a collection of sites.	Section 413.6 would allow Projects to satisfy Jobs Housing Linkage Fee requirements through land dedication that complies with the new citywide requirements.

Section 4: Modification Process for Inclusionary Requirements

The inclusionary requirements for a project are recorded as conditions of approval. Section 415A, created in 2023, establishes an administrative process for projects to take advantage of the temporary reductions to inclusionary requirements. Other changes to a project's inclusionary obligations generally require approval by the Planning Commission. In recent years, this discretionary process has proven to delay the completion and occupancy of affordable units, often for projects that have been negatively impacted by the timing of the current market conditions. This Section 4 outlines the proposed Ordinance's amendments related to modification processes.

Topic	The Way It Is	The Way It Would Be
Modification of Projects Following Legislative Changes to the Inclusionary Requirements	Section 415A establishes an administrative process that offers rate reductions and entitlement extensions for Pipeline Projects that had been approved prior to November 1, 2023, but had not received a first construction document. Pipeline Projects must obtain a first construction document by May 1, 2029, and this section will expire on that date.	Section 415.10 establishes a permanent section of the Inclusionary Ordinance that describes how changes to the Inclusionary Ordinance would apply to Pipeline Projects, meaning projects that have submitted a complete development application but have not yet obtained a first construction document. This Section replicates the administrative process that was created in Section 415A and permits a project to take advantage of new inclusionary rates and requirements, and to request an extension of the project's entitlement. The Commission would need to delegate authority to the Planning Director or their designee to approve all modification requests.
Modifications to Elected Alternatives and to Project Tenure	Following Planning Approval, applicants seeking to change their elected alternative from on-site to fee or change their approved tenure were required to request authorization from the Planning Commission. The Planning Code was silent about when modifications could be requested.	Planning Code 415.4 would establish an administrative process for post-approval changes to the elected alternative and to the project tenure. For changes in tenure, modification requests must be completed prior to MOHCD marketing. For changes in the elected alternative, requests must be completed prior to any MOHCD lottery. The Commission would delegate authority to the Planning Director or their designee to approve modification requests.

Section 5: Development Impact Fees

San Francisco assesses development impact fees on residential and non-residential projects for various public purposes, including fees for transit, parks, public infrastructure, and art. During the 2023 TAC process, the committee discussed other ways that the City can influence housing feasibility, including reductions in development impact fees, and the subsequent 2023 ordinance established a temporary 33% reduction of development impact fees (excluding the Affordable Housing Fee), proportional to the reduction in the on-site inclusionary rate in that ordinance. The members of the 2026 TAC continued this discussion, emphasizing the economic trade-offs between the Program and the City's various other impact fee requirements. The TAC unanimously recommended a reduction to impact fees (excluding the Affordable Housing Fee) of 67%, proportional to the reduction in the on-site inclusionary rate to improve the overall feasibility of development projects throughout the City. This Section 5 describes the ordinance's changes to the Planning Code, Building Code, and Administrative Code related to development impact fees.

Topic	The Way It Is	The Way It Would Be
Article 4 Impact Fee Reductions (Section 403)	Article 4 Impact Fees (aside from the Inclusionary Affordable Housing Fee) are reduced by 33% for 1) Pipeline Projects approved prior to November 1, 2023 that are issued a First Construction Document before May 1, 2029 and 2) all projects, including non-residential projects, assessed before November 1, 2026 that receive a First Construction Document within 30 months of Final Approval.	Article 4 Impact Fees (aside from the Inclusionary Affordable Housing Fee) would be reduced by 67% for all projects, including non-residential projects. *[Note: The TAC recommended a 67% reduction in non-inclusionary development impact fess applied to new housing development]* The reduction would apply to all projects that submit a complete Development Application after the effective date of the ordinance, and for any Pipeline Projects that have been Finally Approved but have not yet been issued a First Construction Document. This reduction would be applied to the full impact fee rate published in the Impact Fee Register, not any previously reduced amount.

		The reduction would continue to apply to all Article 4 impact fees, which include the following: (1) Transit Impact Development Fee (Section 411) (2) The Transportation Sustainability Fee (Section 411A); (3) The Downtown Park Fee (Section 412); (4) The Jobs Housing Linkage Fee (Section 413); (5) Childcare Fee - Office and Hotel Development Projects (Section 414); (6) Childcare Fee - Residential Projects (Section 414A); (7) Rincon Hill Community Infrastructure Fee (Section 418); (8) South of Market Area Community Stabilization Fee (Section 418.3(d)); (9) Visitation Valley Community Facilities and Infrastructure Fee (Section 420); (10) Market and Octavia Community Improvements Fee (Section 421);

		(11) Balboa Park Community Improvements Fee (Section 422); (12) Eastern Neighborhood Infrastructure Impact Fee (Section 423); (13) Transit Center District Open Space Impact Fee (Section 424.6); (14) Transit Center Transportation and Street Improvement Impact Fee (Section 424.7); (15) Transit Center District Transit Delay Mitigation Fee (Section 424.7); (16) Van Ness and Market Community Facilities Fee (Section 425); (17) Open Space Fees (Sections 426 and 427); (18) Public Art Fee (Section 429); (19) Bicycle Parking Fee (Section 430); (20) Central SOMA Community Services Facilities Fee (Section 432); (21) Central SOMA Infrastructure Fee (Section 433); (22) Union Square Park, Recreation, and Open Space Fee (Section 435).

Additional Affordable Housing Impact Fees (Administrative Code Section 10.100-49 (Citywide Affordable Housing Fund))	The City collects the following affordable housing fees in addition to the Inclusionary fee (see Exhibit E (Map 3): • North of Market Residential SUD Affordable Housing Fee (Planning Code Section 263.7) • Van Ness Avenue SUD Affordable Housing In-Lieu Fee (Planning Code Section 243) • Eastern Neighborhoods Area Plan Alternative Affordable Housing Fee (Planning Code Section 417.5) • Market and Octavia and Upper Market NCT Affordable Housing Fee (Planning Code Section 416.5) • Van Ness and Market Downtown Residential SUD Affordable Housing Fee (Planning Code Section 424.4) These fees are collected and prioritized for qualifying expenditures within each respective geographic area.	The Ordinance would delete these fees from the Planning Code. Any balances remaining in the funds on the effective date of the ordinance that was required to be separately accounted for and expended according to specific priorities, would continue to be separately accounted for and expended according to those priorities.
Van Ness & Market and Neighborhood Infrastructure Fee (Section 424.5)	All development projects within the Van Ness & Market Residential Special Use District are assessed an impact fee for neighborhood infrastructure for gross floor area above an FAR of 9:1. This fee is in addition to the Market and Octavia Community Infrastructure Fee (Sec. 421) that is assessed on all gross floor area for all projects within the same area.	The Neighborhood Infrastructure Fee would no longer be assessed for projects in the Van Ness & Market Residential SUD. Existing fees in the affordable housing fund would be expended as set forth above. Existing fees in the Infrastructure Fund would continue to be expended according to the

	The fee must be spent within the Van Ness & Market Residential SUD or the Market and Octavia Plan Area.	priorities set forth for the fund and once expended, the fund would be closed. The Market and Octavia Community Infrastructure Fee would continue to be assessed to all projects within the Market and Octavia Plan area, including those within the Van Ness & Market SUD.
Van Ness & Market Neighborhood Community Facilities Fund	All development projects within the Van Ness & Market Residential SUD are assessed the Van Ness and Market Community Facilities Fee. (Section 425.2)	The Van Ness & Market Neighborhood Community Facilities Fee would no longer be assessed for projects in the Van Ness & Market Residential SUD. Existing fees in the Van Ness and Market Neighborhood Community Facilities Fund would continue to be expended according to the priorities set forth for the fund and once expended, the fund would be closed. (Section 425.4)
Fee Deferral Program and Payment of Development Impact Fees (Planning Code Sections 402 and 403, Building Code Sections 107A.13.3.1 - 13.3.1.2)	The Fee Deferral Program allows projects to defer 85% of assessed impact fees to first certificate of occupancy, or 80% for projects in certain area plans. The remainder is owed at the time of First Construction Document and this amount must be paid into the Neighborhood Infrastructure Seed Fund for specific area plans before being deposited into account for other citywide impact fees. Fee Deferral does not apply to the Inclusionary fee or additional affordable housing fees that must be deposited in the Citywide Affordable Housing Fund.	The Fee Deferral Program would allow projects in all areas to defer 85% of assessed impact fees to first certificate of occupancy. The remainder would be owed at the time of First Construction Document and this amount would be distributed proportionally into the specific fund for each citywide and area plan fee. Fee Deferral would apply to all Article 4 impact fees, including the Inclusionary Housing Fee.

Amount and Applicability of Impact Fees (Section 402(e))	The Department assesses impact fees based on the types and rates of fees in effect at the time of Final Approval. For Development Agreement projects, impact fees are assessed at the time of an individual building's first site or building permit, unless stated otherwise in the Development Agreement.	The Department would apply the types of fees in effect at the time the Department determines that the Development Application is complete, or on the date a preliminary application is received, as applicable. The Department would assess the amount of the impact fees owed based on the impact fee rates in effect at Final Approval. For Development Agreement projects or other projects comprising more than one building, fees shall be subject to the types and rates of applicable fees in the same manner as all other projects, based on the time of application and issuance of each building's first site or building permit, unless stated otherwise in the Development Agreement.
Reassessment of Impact Fees for Modified Projects and Extensions after Final Approval (Section 402(e)(2))	For projects increasing Gross Floor Area of any use, the Department shall assess the new or increased Gross Floor Area by applying the types of impact fees in effect at the time of Final Approval.	For projects increasing Gross Floor Area of any use by 20% or less, the Department would assess the new or increased Gross Floor Area by applying the types of impact fees in effect at the time the Department determined that the original application was complete, at the rates in effect at the time of Final Approval. For projects increasing Gross Floor Area by more than 20%, the Department would apply the types and rates of impact fees in effect at the time the new Development Application is deemed complete and at the rates in effect at the time the modification is finally approved.

	For projects receiving an extension of the original entitlement, the Department shall reassess fees based on the types and rates of fees in effect at the time of extension.	Projects receiving an extension of the original entitlement would continue to be reassessed based on the types and rates of fees in effect at the time of extension.
Modifications to Impact Fee Assessments and Fee Reduction Following Legislative Amendments (Section 402(e)(3)) and Section 403(b)(2))	The Department assesses impact fees based on the types and rates of fees in effect at the time of Final Approval. After the issuance of the first construction document, projects are ineligible to seek a fee reduction.	For Pipeline Projects, if the Board of Supervisors removes or reduces the rate of an applicable development impact fee imposed by Article 4, the project would be able to modify the applicable fee types and rates to those in place as of the effective date of the ordinance. All other fees would continue to apply unchanged. Projects that have been issued a First Construction Document and that have deferred a portion of the impact fee amount would be entitled to receive an adjustment to the remaining unpaid balance such that the project receives the applicable reduction from the project's original assessment. No refund would be issued for any portion of the impact fee amount that has already been paid.
Inclusionary Program and Development Impact Fee Waivers in C-2 and C-3 Districts: Eligibility and Expiration (Section 406(h))	Projects must submit a complete Development Application on or before December 31, 2026, to be eligible for waivers from impact fees and the Inclusionary Program for Hotel, Restaurant, Bar, Outdoor Activity or Entertainment uses in C-2 and C-3 districts downtown. Section 406(h) will expire on December 31, 2026.	Projects that submit a complete Development Application after December 31, 2026 would be eligible for waivers from impact fees and the Inclusionary Program for a Retail Sales and Service (which includes Hotel, Restaurant, Bar, and Outdoor Activity uses), in addition to Entertainment, or Arts and Recreation uses. Section 406(h) would expire on December 31, 2029.

Section 6: Simplification and Clean Up

The proposed changes described in this Section 6 clarify and update Program implementation standards and processes for Planning and MOHCD. This Section 6 includes changes to the Planning Code, Building Code, and Administrative Code.

The Ordinance proposes to update, consolidate, and remove outdated Planning Code definitions. Generally, these changes are for consistency in formatting or phrasing, reflect current MOHCD or Planning practices, delete outdated references, or move definitions to more appropriate parts of the Code. The chart below only includes definitions that are either being added or substantively amended.

Topic	The Way It Is	The Way It Would Be
Planning Code Definition: "Alternative"	The Inclusionary Program discussed the alternatives to the Affordable Housing Fee (on-site, off-site, etc.), but did not formally define "Alternative." (Section 415.5(g))	The Ordinance adds a definition of "Alternative." (Section 401)
Planning Code Definition: "Development Application" (Section 102)	"Development Application" is defined, but the definition describes local, discretionary application types (Conditional Use, Variance, etc.).	The definition of "Development Application" is amended to explicitly include both discretionary and ministerial application types.
Planning Code Definition: "Final Approval" (Section 102)	"Final Approval" is defined but does not address phased projects.	The definition of "Final Approval" is amended to clarify that for development projects with multiple buildings, including Development Agreements, the Final Approval is the Department's approval of the first site or building permit for each building.

Planning Code Definition: "Household of low income" or "low-income household" (Section 401)	"Household of low income" is defined but does not reflect the different AMI thresholds for a rental and owned unit.	The definition of "Household of low income" is amended to clarify that the combined gross annual income for all members of a household shall not exceed 65% of AMI for a Rental Unit and 100% of AMI for an Owned Unit.
Planning Code Definition: "Household of moderate income" or "moderate-income household" (Section 401)	"Household of low income" is defined but does not reflect the different thresholds for a rental and owned unit.	The definition of "Household of moderate income" is amended to clarify that the combined gross annual income for all members of a household shall not exceed 90% of AMI for a Rental Unit and 120% of AMI for an Owned Unit.
Planning Code Definition: "Pipeline Project"	"Pipeline Project" was added to 415A to describe a certain set of projects during the temporary reduction of inclusionary rates 2023. A "Pipeline Project" is defined as a residential or live/work project that was subject to the Inclusionary Program, was Finally Approved prior to November 1, 2023, and was not issued a First Construction Document prior to November 1, 2023.	"Pipeline Project" was moved to Section 401 and modified to be a permanent definition. A "Pipeline Project" is now defined as a project that has submitted a complete Development Application but has not been issued a First Construction Document.
Planning Code Definition: "Planning Approval Letter"	The Code did not define Planning Approval Letter.	A Planning Approval Letter would be defined in Section 102 as "written documentation from the Planning Department verifying the Department's determination that a project with a complete Development Application may apply for a site or building permit."
First Construction Document Definition Building Code Section 107A.13.1	"First construction document" shall mean the first building permit issued for a development project or, in the case of a site permit, the first building permit addendum issued or other document that authorizes construction of the development	The definition of "First Construction Document" was amended to add that for projects with multiple buildings, including Development Agreements, First Construction Document means the building

	project. Construction document shall not include permits or addenda for demolition, grading, shoring, pile driving, or site preparation work.	permit or first addendum for each building.
Affordable Housing Exemption	100% affordable housing projects are exempt from the inclusionary program if MOHCD confirms that the project's rents are regulated or controlled by a government agency. (Section 415.3(f)(4)	100% affordable housing projects may be exempt from inclusionary requirements if they meet the requirements of Planning Code Section 406(b): 1. Affordable units are affordable to households earning up to 120% AMI, 2. The unit will be affordable for a minimum of 55 years, 3. A governmental agency will enforce the term of affordability, and 4. The developer pays prevailing wage to construction workers. (Section 415.3(b)(4))
Inclusionary Unit Designation Standards	Planning Code Section 415.6(f) establishes standards that require market rate and affordable units to be comparable. Standards include bedroom mix, exterior appearance, interior features, quality of construction, even distribution throughout the building, and parking distribution.	The Planning Code provision is amended and restated in Section 415.6(c). The Code clarifies that a comparable unit mix consists of the same ratio of bedrooms and bathrooms, requires each unit to include at least one private bathroom, establishes how to calculate unit mix requirements, and addresses phasing. The Code would also be amended to allow the Zoning Administrator to develop a methodology to assign unit types (1 bedroom, 2 bedrooms, etc.) to affordability tiers (AMIs).

		If more than 20% of the total units in a project are required as Affordable Units, these inclusionary designation standards shall not apply.
20% Below Market Rent or Sales Price	The maximum affordable rents or sales price shall be no higher than 20% below market rent or sales prices for the neighborhood within which the project is located, which shall be defined in accordable with the American Community Survey Neighborhood Profile Boundaries Map. (Section 415.6(a)(4))	The maximum affordable rents or sales price shall be no higher than 20% below market rents or sales prices for the neighborhood within which the project is located, which shall be defined as within one mile of the project site. (Section 415.6(a)(3))
Mixed-Tenure Projects	Planning Code Section 415.6(a)(9) requires the tenure of BMRs to match that of the market rate units. If an Ownership Housing Project converts to a Rental Housing Project, or more than 50% of the total units in the Principal Project operate as a Rental Housing Project, on-site Affordable Units shall be offered as Rental Units. Affordable Units may only be sold as Owned Units if more than 50% of the units in the building shall be sold to unaffiliated third-party homebuyers and are operated as an Ownership Housing Project.	Planning Code Section 415.6(a)(5) sets requirements for "Mixed Tenure Projects" that include both rental and ownership units. This section retains the 50% threshold and requires that the applicant comply with applicable requirements published by Fannie Mae and Freddie Mac, including investor ownership and owner-occupancy thresholds. Leasing units shall not inhibit mortgage financing eligibility or the purchase, sale, or refinancing of any ownership units, including Owned Units. The Project would be required to demonstrate compliance with these requirements to Planning and MOHCD. MOHCD and the Department are authorized to adopt other rules regulating Mixed-Tenure Projects in the Procedures Manual.

Housing Choice-San Francisco (HC-SF) Program (Section 206.10)(c)	HC-SF Projects of 10 or more units shall comply with Section 415 *et seq*.	Reference to "10 or more units" would be deleted to conform with the inclusionary requirements, which would only apply to projects with 25 or more units.
Well-Resourced Neighborhoods Inclusionary Housing Ordinance Waiver Option – Eligibility (Section 436(a))	The waiver option applies to Housing Projects in Residential – House (RH), Residential Mixed (RM), Neighborhood Commercial, or named Neighborhood Commercial Districts with a height limit of 65 feet or less located in a Well-Resourced Neighborhood.	The waiver option would also apply to the Residential Transit Oriented (RTO) district.
Student Housing	The monitoring requirements for Student Housing are outlined in Section 415.3(f)(5)(C)(Applicability).	The monitoring requirements for Student Housing would be moved to Section 415.9(e) (Monitoring).
Use of Subsidies (Section 415.6(e))	A project may use California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing, and 4% tax credits under the Tax Credit Allocation Committee (TCAC) to satisfy the inclusionary obligations as long as the project provides one of the following: 1. 20% of the units to households at 50% AMI, 2. 10% of the units to households at 50% AMI and 30% of units to household at 60% AMI, or 3. The same number of on-site affordable units required under Section 415 *et seq*. plus an additional number of on-site affordable units equal to 25% of the applicable on-site affordable units as affordable to households at or below 80% of AMI.	With the approval of MOHCD, a project may use subsidies to deepen the affordability of the units required under Section 415, or a project may use subsidies to provide additional affordable units beyond the requirements of Section 415, which are equal to 25% of the applicable on-site affordable units as affordable to households at or below 80% of AMI.

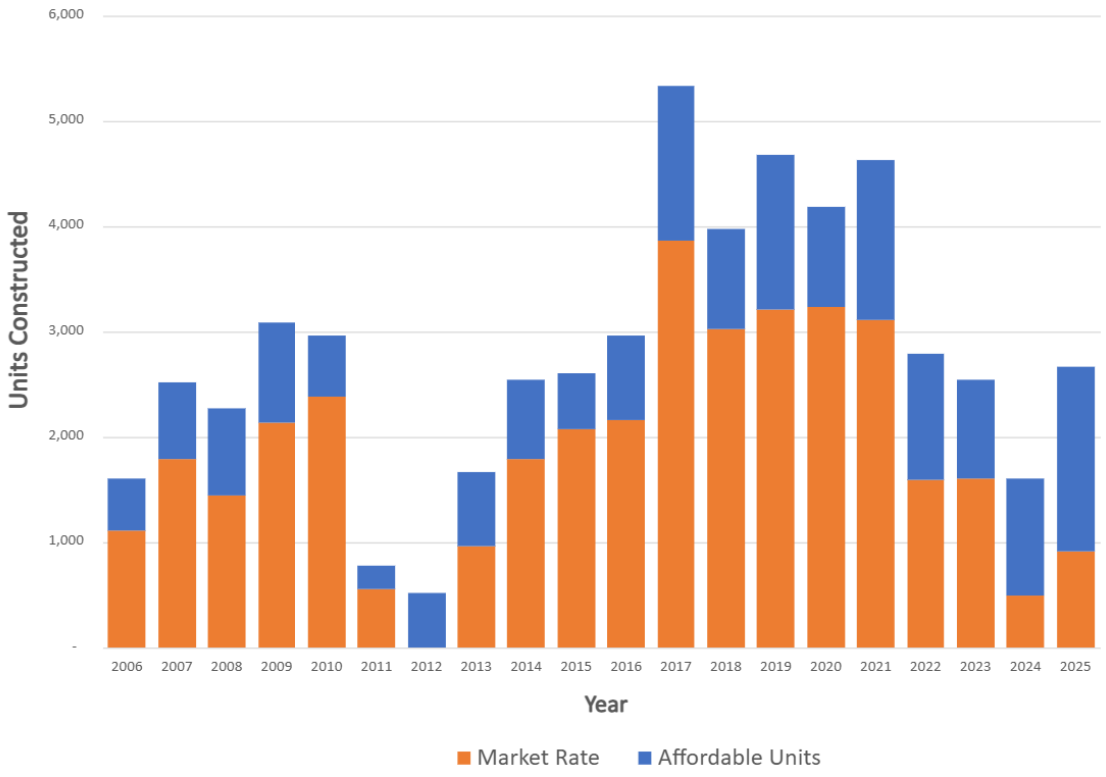
	MOHCD shall provide the TAC with a written report of projects approved under 415.6(h)(2)(B), 100% affordable housing projects applying for tax exempt bond financing under CDLAC and tax credits under TCAC, and information on the challenges for 100% affordable housing projects to obtain an award from CDLAC and TCAC. Projects that meet affordable housing requirements by building on-site affordable units may receive refunds on certain fees for the affordable portion of the project, however, the market-rate portions remain subject to standard fees.	Reporting on 100% affordable housing projects applying for tax exempt bond financing under CDLAC and tax credits under TCAC is provided biannually to the Board and posted on MOHCD's reports webpage, as required under Ordinance 298-24. Subsidized units would be counted towards the inclusionary requirements.
TAC Meetings and Procedures (Administrative Code Chapter 5, Article XXIX, Section 5.29-6) (Planning Code Section 415.10)	The Administrative Code required the Controller's Office to convene the TAC no later than January 1, 2026. Planning Code Section 415.10 requires the Controller's triennial economic analysis report to be issued by October 31 for "subsequent years."	*The Administrative Code would require the TAC to convene no later than April 1, 2029, and every 36 months thereafter.* *[TAC recommendation]* Planning Code Section 415.10 would require the triennial report to be issued by September 1, 2029 and every 36 months thereafter.

Issues and Considerations

Housing Development Trends

Housing development has fluctuated over the past two decades. There was a slowdown in production in 2011-12 following the Great Recession, but development picked up again after 2013. Total housing production peaked in 2017, when over 5,000 net new units were constructed in the city. Since 2020, the number of total units completed through new construction has significantly decreased, and the number of total new units produced in 2025 was nearly 50% below what was produced in 2020.

The chart below breaks down these trends between market-rate and affordable housing production. Construction of permanently affordable units accounted for 66% of total units completed in 2025, and 64% in 2024. When looking only at market-rate unit production, the total of 924 market-rate units completed in 2025 was roughly 70% below the 3,226 market-rate units completed in 2020. This substantial decrease is consistent with the findings of the Controller's economic feasibility study that found current economic conditions, along with existing inclusionary requirements and development impact fees, are contributing to the financial infeasibility of new residential projects. As fewer market-rate developments move forward, overall housing production declines, making it more difficult for the City to achieve its housing production goals. The proposed changes in the Ordinance are intended to address these challenges by improving project feasibility and help support the development of both new housing developments and previously approved pipeline projects that are currently infeasible.



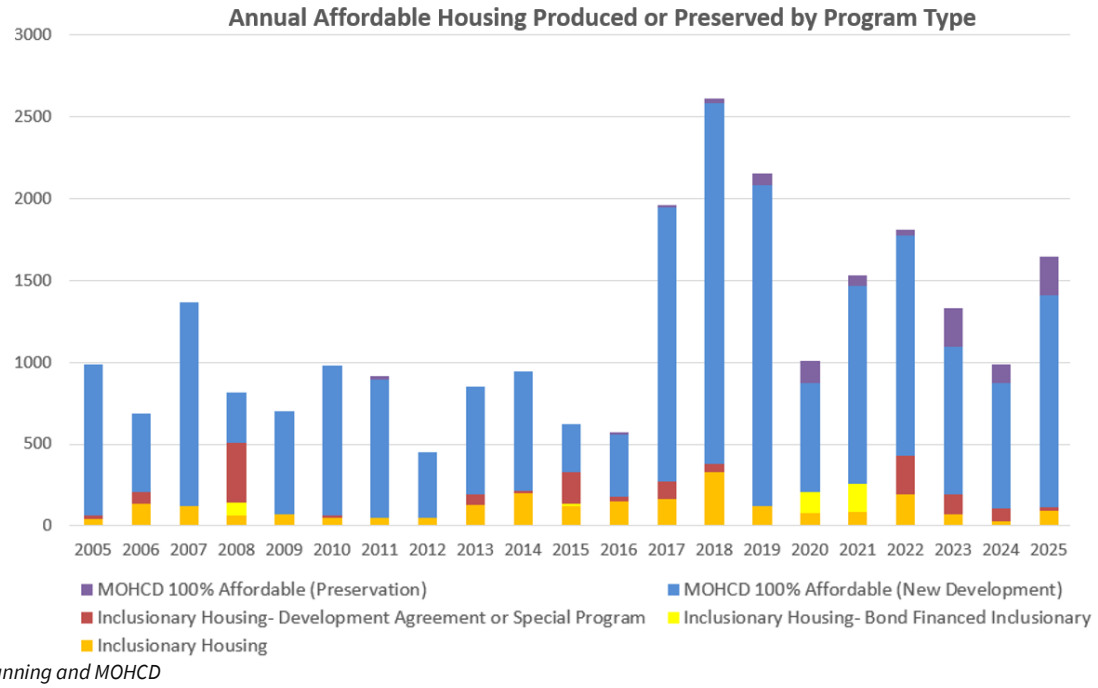
Source: Planning

Inclusionary Program Affordable Housing Production to Date

MOHCD manages a portfolio of approximately 35,000 affordable units, which includes subsidized 100% affordable housing and preservation projects in addition to affordable units provided through the Inclusionary Housing Program ("Program"). Many of the buildings in this portfolio include Permanent Supportive Housing. The portfolio includes 4,637 inclusionary units in mixed-income projects, approximately 13% of MOHCD's affordable housing, a meaningful but relatively small component of the overall portfolio.

The chart below shows how the Program has contributed to the City's overall affordable housing production since 2005. Since then, 2,330 units were produced through the inclusionary requirements of Section 415. An additional 1,791 inclusionary units were produced through bond financing or from projects subject to individually negotiated Development Agreements, or other unique agreements or programs like the HOME-SF density bonus program that provide higher inclusionary rates in exchange for increased density or other development incentives from the City or State. From 2010 to 2020, the inclusionary requirements of Section 415 provided an average of 11% of the City's total affordable housing production each year. However, since 2020 the Program has only produced an average of 7% of total affordable units per year, reflecting the decline in overall housing production following the COVID-19 pandemic at the same time that the City saw an infusion of bond financing for affordable housing production.

Given the City's affordable housing portfolio and the relatively small share provided by inclusionary units, there is a clear need to pursue strategies for affordable housing production more broadly, while refining the Program to ensure it can continue to complement those overall strategies by leveraging private development to produce additional affordable housing across income levels to the extent feasible. During a time where demand for affordable housing remains high and public resources are constrained, changes to the Program are necessary to stabilize production so that it continues to contribute to affordable housing goals and ensure that the City preserves every viable pathway for creating and maintaining long-term affordability.



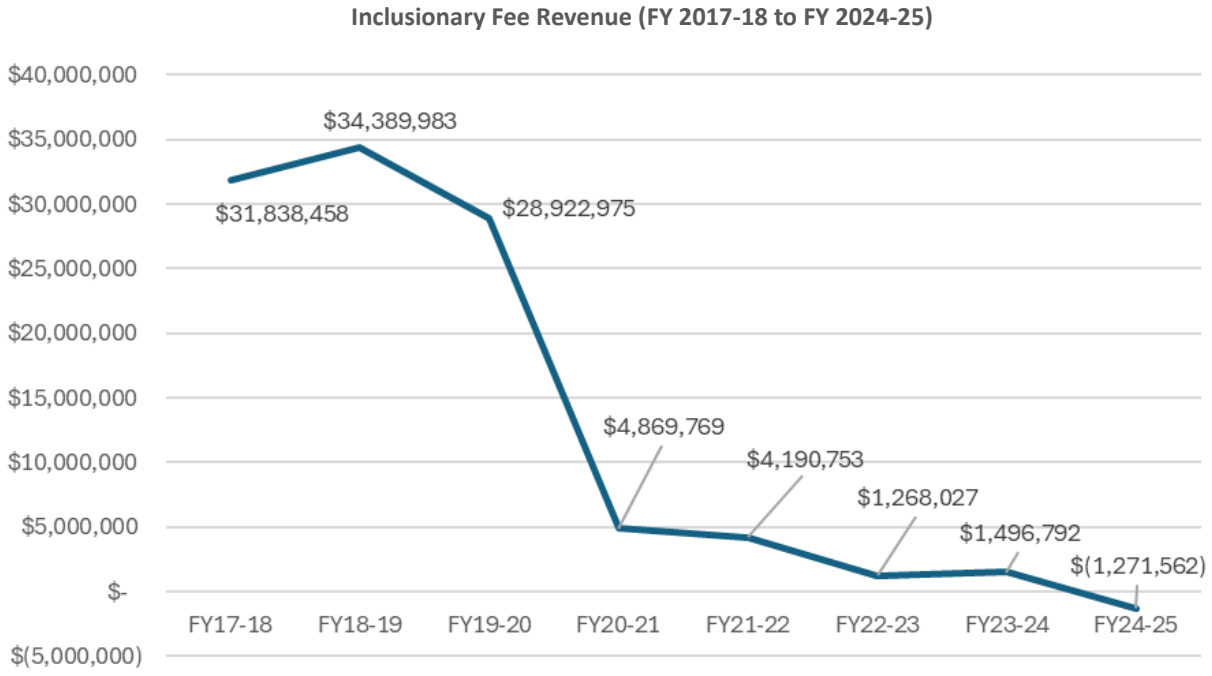
Source: Planning and MOHCD

Inclusionary Program Fee Revenue to Date

In addition to on-site affordable units, the Program also supports affordable housing production through the Affordable Housing Fee option. Since the establishment of the fee in 2002 through fiscal year 2019-20, the inclusionary fee generated approximately $20 million per year on average. Since fiscal year 2020-21, annual fee revenue has declined sharply to an average of just over $2 million per year, again reflecting the decline in overall housing production since the pandemic.

The chart below shows the annual inclusionary fee revenue collected since fiscal year 2017-18, the most recent year for which this data was readily available on an annual basis. The cumulative total revenue collected in fiscal year 2016-17 and all prior years was $238.7 million, or an average of $19.6 million per year since fiscal year 2002-03. As shown, the annual fee revenue has declined sharply when compared to the years immediately prior to the pandemic, dropping from $31.7 million in fiscal years 2017-18 through 2019-20 to a post-pandemic average of $2.1 million per year.

Inclusionary Affordable Housing Fee revenue has declined significantly since the pandemic, reflecting the reduction in market-rate housing production and highlighting the volatility of this funding source. This decline in revenue has been a loss of a valuable resources to support new affordable housing projects and sustain the development pipeline. The dramatic reduction in fees coupled with other challenges in the affordable housing funding landscape, like volatility of federal funding, makes it difficult to move planned projects forward to keep up with growing housing needs, and points to the need to develop more broad-based and sustainable sources of funding for subsidized affordable housing production and preservation.



Source: MOHCD
*Negative values reflect fees that MOHCD refunded to developers that cancelled their project.

Key Goals

The intent of the proposed Ordinance is to achieve the following three goals:

1) *Meet the housing production objectives set forth in the 2022 Housing Element.*

   The Housing Element identifies the need for local regulations that support feasible housing development and encourage housing production at all income levels. To meet the City's Regional Housing Needs Allocation ("RHNA") target, housing production must increase and any barriers impacting the feasibility of development projects must be addressed.

2) *Incentivize development through local zoning regulations and the Family Zoning Plan.*

   The Family Zoning Plan ("FZP"), including the Housing Choice-SF Program, encourages the production of family-oriented and neighborhood-scale housing by making local zoning pathways attractive and feasible. The FZP seeks to increase overall housing supply, support equitable distribution of housing growth across the City, and encourages the use of local zoning laws to provide a broader range of housing types.

3) Streamline and simplify affordable housing and impact fee requirements.

   Over time, affordable housing and development impact fee requirements have become increasingly complex and dependent not only on project size, but also project location and tenure. The Housing Element directs the City to streamline housing production, to remove barriers for residential development, and to provide greater transparency and predictability on how affordable housing requirements and impact fees are applied.

Housing Affordability

One of the primary goals of the proposed Ordinance is to improve the feasibility of residential development in San Francisco, which is consistent with the policies in the City's Housing Element and contributes to the City's state-mandated housing production targets. Improving the feasibility of residential development increases market-rate and affordable housing stock, both directly through the provision of affordable units in mixed-income housing, and indirectly by using the Affordable Housing Fee to fund development of more deeply affordable housing projects.

> The Planning Department's paramount concern is ensuring the feasibility and delivery of new market rate and affordable housing, recognizing that continued housing production is critical to addressing the City's housing stock and affordability challenges.

General Plan Compliance

The Program facilitates the construction of housing that is affordable to low- and moderate-income households without public subsidy; however, the production of these affordable units can only occur if market-rate projects can move forward. The Controller and the TAC have found that residential development with the current inclusionary rates is infeasible under current economic conditions.

The proposed Ordinance aims to improve the feasibility of residential development by reducing inclusionary rates and other development impact fees. The proposed reductions are consistent with Policy 24 of the Housing Element, to enable mixed-income development projects to maximize the number of permanently affordable housing units constructed, in balance with delivering other permanent community benefits that advance racial and social equity, and with Policy 5, to improve access to available affordable rental and homeownership units especially for disproportionately underserved racial and social groups.

The Housing Element of the General Plan includes a set of Implementing Programs that the City must undertake to implement the policies set forth in the Housing Element and to achieve its goals and objectives. Section 1.3 of the Implementing Programs sets forth policy recommendations related to the Program. This Ordinance would implement Action No. 1.3.2, which instructs the City to consider feedback from the Controller's Triennial Economic Feasibility Study, with input from the TAC, to assess whether the Program can provide access to affordable housing in balance with ensuring financial feasibility. The proposed Ordinance would also implement Action No. 1.3.6 to prioritize achieving the maximum number of affordable units alongside other community benefits, and Action Nos. 1.3.3 and 1.3.9, which ensures that the Inclusionary Ordinance, along with any modification of the affordability tiers, does not undermine the feasibility of projects that are consistent with the State Density Bonus Law. The proposal to provide an administrative process for Pipeline Projects to modify their affordability requirements and impact fees is also consistent with the general goals of Implementing Program No. 8.9 to provide support to Pipeline Projects and improve post-entitlement permitting and processes.

Housing Element Policy No. 26 directs the City to streamline and simplify permit processes to provide more equitable access to the application process, improve certainty of outcomes, and ensure meeting State and local required timelines, especially for 100% affordable housing and shelter projects. This policy is reiterated in Implementation Action No. 8.4.19, directs the Department to advocate for simpler rules and/or an overall reduction in regulations that affect housing approvals, which in turn would reduce the specific or institutional knowledge required by City staff, applicants, and members of the public to engage with the information. The Ordinance proposes to simplify the Program in many respects.

Racial and Social Equity Analysis

The Planning Code amendments in the proposed Ordinance facilitate mid- to large-scale residential development that maximizes affordable housing while also balancing feasibility and the provision of other community benefits. The Program is one of the tools the City has to improve racial and social equity. Improving the feasibility of residential developments that are subject to the Program results in more affordable units that are available to disproportionately underserved racial and social groups. These affordable units may be constructed within market rate residential projects, and when taken in conjunction

with other policies, facilitate integrated, mixed income communities, especially when inclusionary projects are constructed in Well-Resourced Neighborhoods. Affordable Housing Fees and revenues from the companion expansion of the Affordable Housing Trust Fund are used to facilitate the development of more deeply affordable housing, available to individuals and households that are most vulnerable to eviction, displacement, and homelessness. Simplification of the Program also reduces the specific knowledge that a person needs to engage with the information, making the Program more accessible to a broader range of people.

In the Specific Areas shown on Exhibit E (Map 1), the proposed Ordinance establishes a higher Affordable Housing Fee and off-site rate relative to the on-site rate to encourage projects to provide inclusionary units on-site, which is consistent with the TAC recommendations. This approach supports mixed-income communities, expands housing opportunities for lower-income households, and does not rely on public subsidies. When developers elect to pay the fee rather than provide units on-site, those funds support MOHCD's affordable housing programs, which also leverage public resources to produce a greater number of affordable units citywide, including units serving households at deeper levels of affordability.

Implementation

The Department has determined that this proposed Ordinance will have an impact on current implementation procedures in the following ways:

- The changes proposed under the Ordinance will simplify and clarify existing requirements at a time when residential multifamily development is facing significant challenges, including high construction costs, financing constraints, and uncertain market conditions. Currently, inclusionary requirements vary based on project size, tenure, and location. The varying requirements, as shown in Exhibit F, make the Program complex to navigate and may add time, cost, and uncertainty to the development process. The Ordinance would address this by standardizing and consolidating requirements, in turn making the Program more straightforward for both applicants and Department staff.
- The proposed Ordinance establishes an administrative review process for qualifying Pipeline Projects to request modifications to conditions of approval, specifically related to inclusionary requirements, validity, and period of performance timelines. The administrative process would provide a streamlined and predictable pathway for Department staff to review and approve eligible requests, support coordinated decision-making, and help projects move forward more efficiently.
- The proposed changes would modernize Program implementation to better align with MOHCD procedures, which supports interagency coordination, consistent application of affordability requirements, and clearer documentation and monitoring. The proposed updates would streamline administration of the Program while maintaining the City's affordable housing obligations and goals under Section 415 *et seq*.

Recommendation

The Department recommends that the ***Commission adopt a recommendation for approval with modifications*** of the proposed Ordinance and adopt the attached Draft Resolutions (Exhibit A and B) to that effect. The Department's proposed recommendation is as follows:

1. Amend Section 249.5(c)(6) to allow special exceptions to the 80-foot base height limit in the 80-120-T and 80-130-T Height and Bulk Districts to be granted through Conditional Use approval.

Basis for Recommendation

The Department generally supports the proposed Ordinance as it improves the feasibility of development and contributes to the City's ability to meet housing production goals. The proposed Ordinance supports the Key Goals (stated on page 33) in the following ways:

***Goal 1*: Meet the housing production objectives set forth in the 2022 Housing Element.**

The Ordinance supports the Housing Element's objectives to increase housing production and remove regulatory constraints to development by reducing inclusionary requirements and development impact fees that have been identified as barriers to project feasibility. Consistent with the Controller's Triennial Economic Feasibility Analysis and the TAC's recommendations, the proposed reductions are intended to facilitate the construction of market-rate and mixed-income housing, help move stalled development projects forward, and improve the economic viability of new housing. MOHCD data shows that demand is higher for units serving lower-income households. Consolidating inclusionary AMI tiers to focus on low and moderate income households aligns with demonstrated demand and supports delivery of housing that better meets household needs, while also helping advance RHNA targets. By encouraging additional housing production citywide, the ordinance advances the Housing Element's goals of expanding housing supply, increasing housing choice, and meeting the City's long-term housing production and RHNA targets. The companion ballot measure to expand the Affordable Housing Trust Fund would specifically increase the production of subsidized affordable housing production and preservation, using increased overall growth in the City's property tax base resulting from the increased market-rate development supported by the Ordinance.

***Goal 2:* Incentivize development through local zoning regulations and the Family Zoning Plan.**

The Ordinance incentivizes housing development using local zoning regulations developed through the Family Zoning Plan ("FZP"), specifically, the Housing Choice-SF (HC-SF) local density bonus program, by exempting projects with fewer than 25 units from the inclusionary requirements. This is intended to improve feasibility for the development of small and mid-scale infill housing that is envisioned under the FZP, particularly in Well-Resourced Neighborhoods. In combination with lower inclusionary rates, reduced development impact fees, and the incentives offered by the FZP, the changes proposed under the Ordinance would encourage housing production while supporting the City's broader land use and urban Design objectives.

Goal 3: **Streamline and simplify affordable housing requirements.**

The Ordinance advances several key objectives of the City's Housing Element by reducing regulatory and administrative barriers that have constrained residential development and limited the City's ability to increase housing production. The Ordinance streamlines and simplifies the Program requirements by establishing more consistent, predictable, and administratively efficient standards for all residential development projects. By reducing and consolidating the inclusionary obligations, exempting small projects (10-24 units), consolidating requirements for both rental and ownership projects, eliminating certain geographically specific requirements, expanding compliance options, and reducing development impact fees, the Ordinance addresses barriers that have been identified as constraints on housing feasibility. The changes proposed under the Ordinance are intended to improve clarity for project sponsors, reduce complexity, and create more uniform requirements to help support affordable housing production.

Recommended Modification

The proposed Ordinance supports and advances the identified Key Goals. To further clarify the Code provisions and ensure their consistent application, the Department recommends the following modification:

Recommendation 1: Amend Section 249.5(c)(6) to allow special exceptions to the 80-foot base height limit in the 80-120-T and 80-130-T Height and Bulk Districts to be granted through Conditional Use approval.

Section 249.5(c)(6) currently allows projects within the North of Market Residential SUD and located in the 80-120-T and 80-130-T Height and Bulk Districts to obtain exceptions to the 80-foot base height limit pursuant to Section 263.7. The proposed Ordinance would delete Section 263.7 because it establishes an additional affordable housing fee that is proposed for removal (see Section 5 of this report). As Section 263.7(c) currently requires Conditional Use approval for projects seeking an exception to the 80-foot height limit, this recommended modification would provide a conforming change to ensure that a process remains in place for reviewing and approving such exception requests.

Required Commission Action

The proposed Ordinance is before the Commission so that it may adopt a recommendation of approval with modifications for the proposed Code Amendments.

Additionally, the Commission is required to act on the proposed delegation of authority Resolution.

Environmental Review

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c)(2) and 15378 because it would not result in a direct or reasonably foreseeable indirect physical change in the environment.

Public Comment and Outreach

As of June 11, 2026, the Planning Department has received 16 public comments in support of the proposed Ordinance. The letters of support (Exhibit G) argue that the current inclusionary requirements and impact fees have made residential development financially infeasible, with City data indicating that no major project type can proceed under existing conditions. Due to this, approved projects remain stalled and exacerbate the housing shortage, causing increases to rents, and undermines the affordability goals. The supporters deem the proposed legislation necessary to help restore financial feasibility to unlock housing production across income levels. The supporters advocate for the proposed changes in the Ordinance along with the expansion of the Housing Trust Fund to support long-term affordable housing investment. These letters strongly urge the Commission to approve the legislation.

On June 9, 2026, City staff presented the proposed Ordinance to the Department's Community Equity Advisory Council. Council members provided feedback on the proposed Ordinance and its potential impacts on housing affordability and development. Discussion focused on the proposed inclusionary rates, the removal of the middle-income tier, whether the requirements would adequately support affordability goals, and the extent to which the proposed Ordinance would increase housing production and affordable housing opportunities. Staff responded that the changes to income tiers were driven by TAC recommendations and MOHCD applicant data and that the intention of the legislative package, including both the proposed Ordinance and Housing Trust Fund ballot measure, was to achieve a net increase in affordable housing production and preservation. Council members also expressed concerns about the timing of the Housing Trust Fund ballot measure relative to adoption of the Ordinance, noting the uncertainty of election outcomes. Staff responded that the proposed Ordinance timeline is driven by the expiration of the current temporary inclusionary rates on November 1, 2026. In addition, Council members raised broader housing and equity issues beyond the direct scope of the proposed Ordinance. This included concerns about gentrification, potential displacement of homeowners who may be asset rich but income constrained, and barriers to accessing affordable housing opportunities, particularly for residents with limited access and familiarity with the DAHLIA housing portal.

ATTACHMENTS:

Exhibit A:	Draft Planning Commission Code Amendment Resolution
Exhibit B:	Draft Planning Commission Delegation of Authority Resolution
Exhibit C:	Controller's Office Memorandum on the Triennial Review of Economic Feasibility, dated April 30, 2026 (corrected May 19, 2026)
Exhibit D:	Chart of Inclusionary Rate Requirements
Exhibit E:	Reference Maps
Exhibit F:	Inclusionary Affidavit of Compliance
Exhibit G:	Letters of Support
Exhibit H :	Board of Supervisors File No. 260538, substituted June 2, 2026

INCLUSIONARY HOUSING AND DEVELOPMENT IMPACT FEE REDUCTIONS

GOVERNMENT AUDIT AND OVERSIGHT COMMITTEE

JULY 2, 2026



Image: Jiri Foltyn

San Francisco Planning

SAN FRANCISCO
OFFICE OF ECONOMIC & WORKFORCE DEVELOPMENT

MAYOR'S OFFICE OF
HOUSING & COMMUNITY DEVELOPMENT

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO
ORO EN PAZ
FIERRO
EN GUERRA
CONTROLLER'S OFFICE

INCLUSIONARY REQUIREMENTS AND APPLICABILITY (CITYWIDE)

	THE WAY IT IS	THE WAY IT WOULD BE
Project Size	10+ units	25+ units
On-Site Rate	15% (Interim) / 12% (Pipeline)	5%
Tenure (On-Site Rate)	18% Rental 20% Ownership (after temporary rates expire on November 1, 2026)	
Income Tiers	10% at Low 2.5% at Moderate 2.5% at Middle Income	4% at Low 1% at Moderate Income
Fee Rate	20% (10-24 units) 20.5% (25+ units)	10% (25+ units)
Off-Site Rate	20.5%	10%

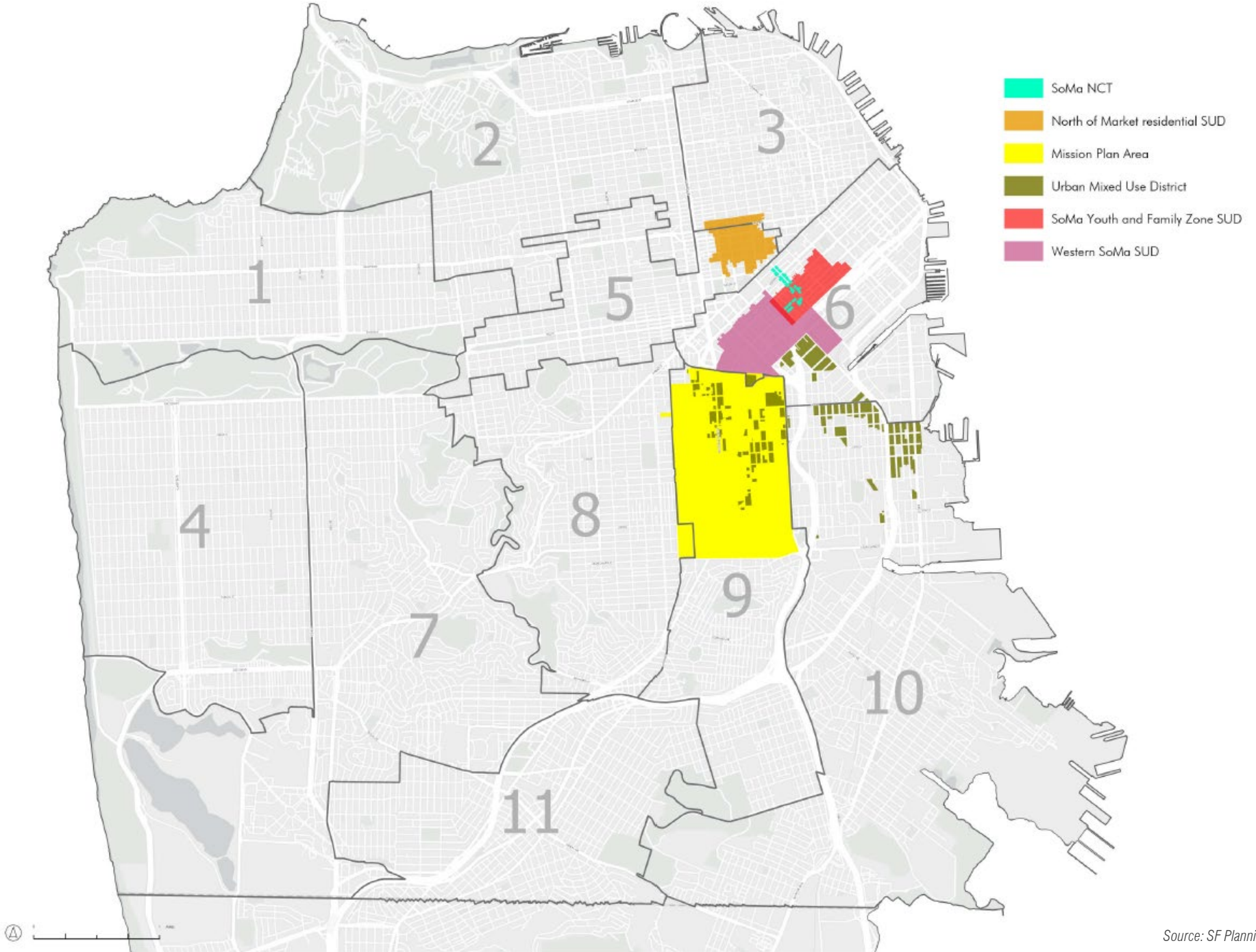
UNIQUE INCLUSIONARY REQUIREMENTS

Current Rates:

- On-site rate: 15 – 17.6%
- Fee/Off-site rate: 20 - 27%

Proposed Ordinance:

- On-site: Citywide rate (5%)
- Fee/Off-site rate: 15%



Source: SF Planning

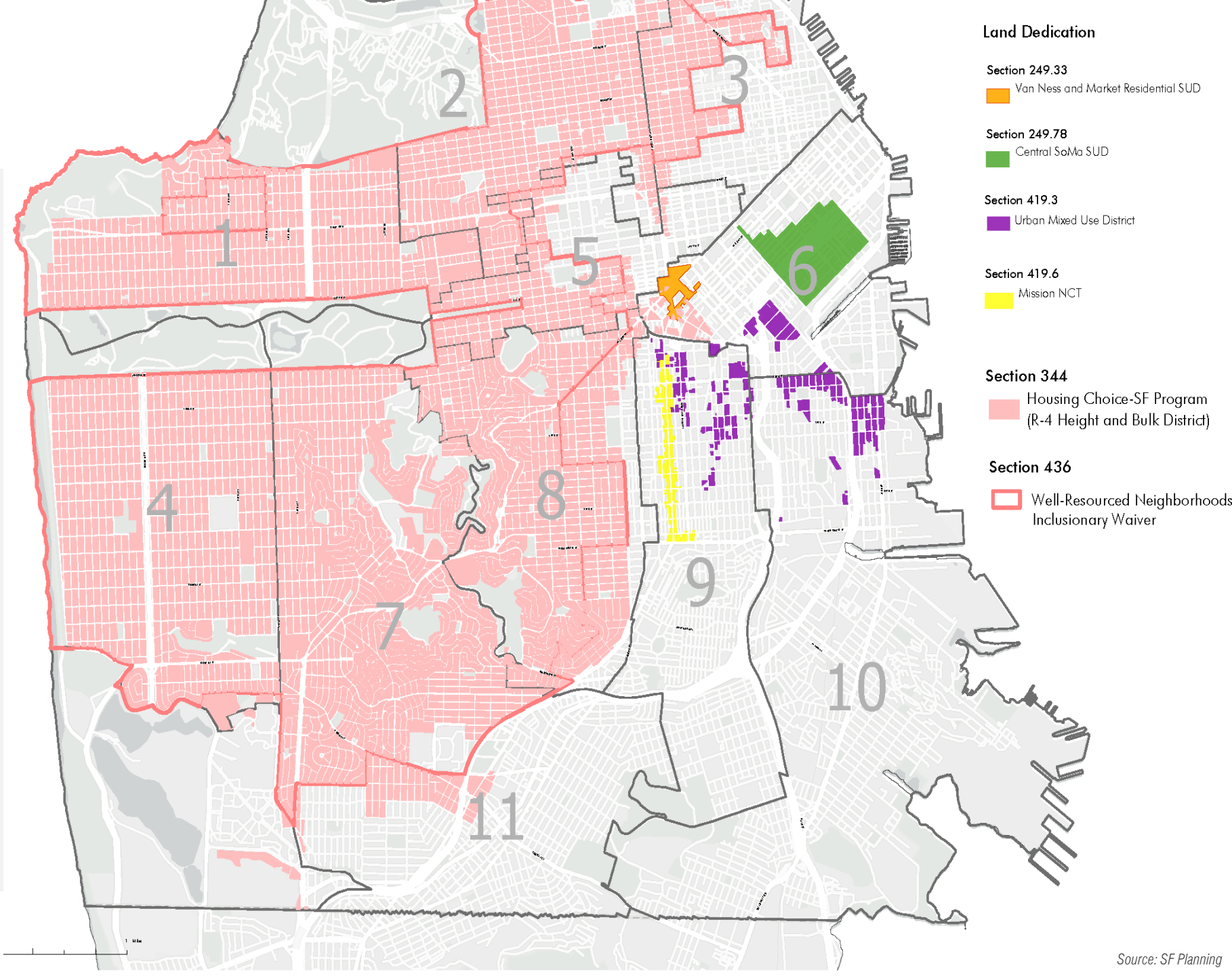
LAND DEDICATION

- Specific Areas
  Van Ness & Market Residential SUD
  Central SoMa SUD
  Urban Mixed Use
  Mission NCT

  ≥ 15% of units on principal site

- Citywide, Housing Choice-SF, Well-Resourced Neighborhoods

  ≥ 10% of units on principal site



Source: SF Planning

MODIFICATION PROCESS



Section 415.10 establishes requirements for how legislated changes apply to Pipeline Projects.



Delegate authority to Planning Director or designee for administrative approval.



Projects can apply to take advantage of new rates and request extension of entitlement.



Changes to elected inclusionary alternative and project tenure qualify for administrative approval (Section 415.4).

IMPACT FEES



All Planning Code Article 4 **Impact Fees would be reduced by 67%** from the Impact Fee Register amount, which would continue to index by 2% annually.

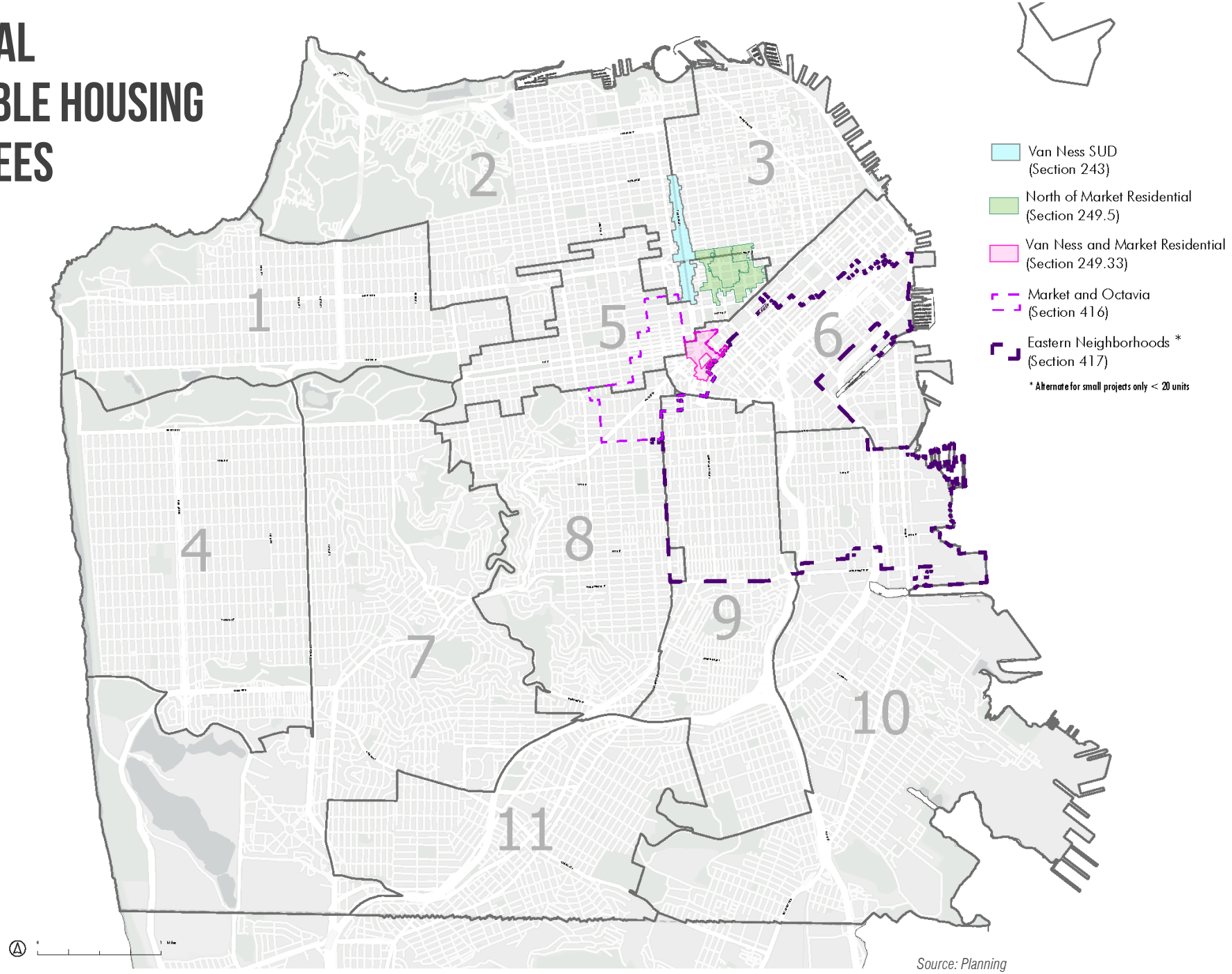
The **Fee Deferral Program** would continue and allow all projects to defer 85% of fees to Certificate of Occupancy



Fee Reduction applies to:

- All projects, including non-residential projects.
- **New projects** that submit a complete Development Application after ordinance effective date.
- **Pipeline Projects** that have been finally approved but have not been issued a First Construction Document.

ADDITIONAL AFFORDABLE HOUSING IMPACT FEES



Source: Planning

PIPELINE PROJECTS APPLICABILITY

Legislated Fee Reductions



Legislative reductions to reduce or eliminate fees would apply to Pipeline Projects*

Minor Modifications (≤20% GFA Increase)



Impact fee types and rates remain as assessed at Final Approval

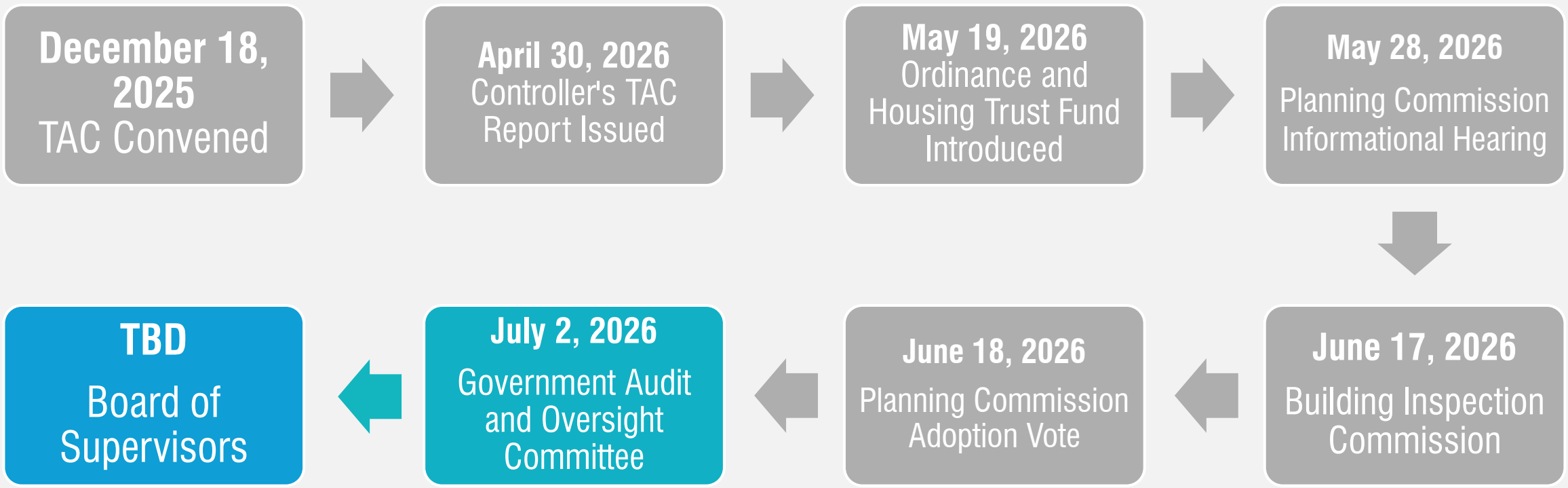
Major Modifications (>20% GFA) or Entitlement Extension



Impact fee types and rates reassessed at time of modification/extension

*Pipeline Projects: Eligible for reduced/removed rates on unpaid balances. No refunds for fees already paid.

LEGISLATIVE TIMELINE



PLANNING COMMISSION ACTION

- Adopted a Recommendation of Approval with modifications (Resolution 21923)
- Adopted a Recommendation to Delegate Authority (Resolution 21924)

Recommended Modifications

1) Amend the North of Market Residential SUD to allow special exceptions to the 80-foot base height limit in the 80-120-T and 80-130-T Height and Bulk Districts to be granted through Conditional Use approval.

2) Update Section 415.10(e) to correct the references to 415.4(g)(4), and 415.4(g)(2).

3) Correct the definition of "Development Application" – specifically, for projects that are subject to a development agreement, the "Development Application" shall mean an individual building's first site or building permit.

Image: iStock



THANK YOU

San Francisco Planning

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OFFICE OF ECONOMIC &
WORKFORCE DEVELOPMENT

MAYOR'S OFFICE OF
HOUSING & COMMUNITY DEVELOPMENT

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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

June 26, 2026

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 2, 2026 Government Audit and Oversight Committee Meeting

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Item 2 File 26-0538	Department: Planning (CPC), Building Inspection (DBI), Economic & Workforce Development (ECN)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance aims to increase the financial feasibility of residential development in San Francisco by amending the Planning, Building, and Administrative Codes to eliminate or reduce inclusionary housing requirements, reduce development impact fees, and offer additional pathways for projects across the City to meet inclusionary housing requirements.

Key Points

- The proposed ordinance was informed by findings from the April 2026 Technical Advisory Committee (TAC) report which indicated that existing inclusionary housing requirements make residential development financially infeasible.
- The proposed ordinance would reduce development impact fees by 67 percent, eliminate inclusionary housing requirements for projects of 10-24 units, and reduce inclusionary housing requirements for projects exceeding 25 units. Citywide, projects with 25 units or more would have an inclusionary requirement of five percent for on-site units or ten percent (and 15 percent in select areas) for the off-site and in-lieu fee options. These rates would be the same for both ownership and rental developments and replace area-specific inclusionary requirements. The ordinance would also expand the option of dedicating land to the City for affordable housing, which is currently only available in certain areas of the City, to be available to all projects in the City.

Fiscal Impact

- Relative to rates in effect in recent years, the proposed ordinance would reduce development impact fee revenue by 50 percent and in-lieu fee revenue by 39 percent for projects with more than 25 units that commence construction. In FY 2023-24, the City collected $1.5 million in inclusionary fees and $2.6 million in other impact fees. The reduced rates would reduce revenues for public improvements and affordable housing. If the ordinance enables the completion of developments that otherwise would not have proceeded, there would be offsetting increases in in-lieu and development impact fee revenues, as well as property tax revenues.

Policy Consideration

- The proposed inclusionary rates are higher than what is suggested by the TAC's feasibility analysis, which showed most residential development is not financially feasible even with no inclusionary and other impact fees.

Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

Recent Changes to Citywide Impact Fees and Inclusionary Affordable Housing Requirements

In September 2023, the Board of Supervisors passed an ordinance (Files 23-0769 and 23-0855) to reduce the amount of citywide development impact fees charged to private development projects to fund public improvements by 33 percent for projects approved through November 1, 2026.[1] These fees include the citywide childcare fee, the transportation sustainability fee (and prior transit impact development fee), and various area-specific affordable housing and infrastructure fees , but did not include the inclusionary housing fee. Furthermore, the legislation established the fee deferral program that defers payment of 85% of impact fees, excluding the inclusionary housing fee, to the project's certificate of occupancy. Development impact fees had previously been due at the time the project issued its First Construction Document. Additionally, as of 2025 State law requires that the full amount of development impact fees for certain residential projects are deferred to when a certificate of occupancy is issued.[2] The 2023 legislation also reduced the City's requirements for the inclusionary affordable housing program by approximately 54 percent for pipeline projects approved prior to November 1, 2023 that are issued a building permit by May 1, 2029 and by 32 percent for new projects approved through November 1, 2026.

TAC's Triennial Review of Inclusionary Housing Feasibility

Following the passage of Proposition C in 2016, the Controller is required to convene the Inclusionary Housing Technical Advisory Committee (TAC) every three years to provide guidance on an economic feasibility study to determine the maximum feasible rate and issue recommendations for the City's inclusionary housing requirements to the Board of Supervisors. The most recent of these triennial reports was published on April 30, 2026 and used a similar methodology as prior reports to estimate the financial feasibility of building five different prototypes of residential projects, ranging from a small low-rise building of only 45 ft. to a high-rise project of 245 ft. Each of these prototypes was then evaluated as either a rental apartment or for-sale condominium scenario under six different sets of affordable housing requirements,

[1] Funds for these programs are collected, assessed, and dispersed by various Departments and are authorized by the Planning Code.

[2] Enacted by California Senate Bill 937.

including one scenario where developers were allowed to build 100% market-rate units without contributing any in-lieu fees or off-site affordable units.

For all prototypes and policy scenarios, the feasibility analysis incorporated the most recent construction material, labor, and financing costs for building in San Francisco and compared the cumulative costs to the projected revenue generated from either selling or renting the units. The analysis found that the current financial feasibility of constructing housing is very challenging, with all five prototypes infeasible under all policy scenarios that require any level of affordable housing requirements. Additionally, four of the five prototypes were found to be infeasible even under the 100% market-rate scenario, with one prototype (a mid-rise project of 85 ft.) being borderline feasible as a condominium project.

Based on the results of the feasibility analysis that highlight the current financial challenges of building in San Francisco, the TAC issued nine recommendations that would substantially decrease the current levels of inclusionary housing and impact fee requirements for private developers while standardizing requirements across the city. Specifically, the TAC recommended eliminating inclusionary housing requirements for projects with 24 or fewer units and lowering onsite inclusionary housing requirements to five percent of units for projects with 25 units or more. The TAC also made a variety of recommendations to improve development feasibility, such as aligning the requirements for rental and ownership projects and eliminating the requirement for developers to provide middle-income units for households earning up to 120% of Area Median Income (AMI). In addition, the TAC recommended reducing all other development impact fees imposed by the Article 4 of the Planning Code by 67 percent for all projects.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance amends the Planning Code, Building Code and Administrative Codes to implement the TAC recommendation to reduce the inclusionary housing requirements and development impact fees. These changes would consolidate the neighborhood-by-neighborhood patchwork of inclusionary requirements by bringing most areas of the city under one standard set of inclusionary requirements, provide for a standardized higher inclusionary fee rates for certain neighborhoods, and expand the land dedication alternative to make it an option citywide. The ordinance also standardizes post-approval modification processes and includes clean up and simplification. The details of the proposed ordinance are outlined below.

Unlike the 2023 reductions to inclusionary requirements, the proposed ordinance does not set temporary rates which will expire after a set term. Projects that do not receive a site or building permit within three years of Final Approval, or projects that change by more than 20% Gross Floor Area, would be subject to the rates in effect at the time of the request for extension or modification.

The proposed ordinance would amend the Administrative Code to require the Technical Advisory Committee to reconvene no later than April 2029 and issue its report to the Board of Supervisors by September 2029 regarding the maximum feasible inclusionary rate, and repeat this process

every three years. The Board of Supervisors could then modify the Planning Code to update inclusionary rates based on this new information (though the Board can do so at any time).

Reduction to Citywide Development Impact Fees

The proposed ordinance reduces all development impact fees established by Article 4 of the Planning Code, except for the Inclusionary Affordable Housing Fees, for residential and commercial projects by 67 percent from the published rates at the time of collection.[3] New projects as well as pipeline projects that have not yet been issued a First Construction Document are entitled to receive this reduction while projects that have been issued a First Construction Document under the fee deferral program would be entitled to receive an adjustment to the remaining unpaid balance that was deferred pursuant to Building Code Section 107A.13.3. No impact fees that have already been paid would be refunded.

Additionally, the ordinance amends the temporary waiver of development impact fees for active uses in projects in the downtown area (C-2 and C-3 districts) to include all Retail Sales and Service Uses and Entertainment, Arts and Recreation Uses and extend the waiver through December 31, 2029. The waiver currently applies only to Hotel, Restaurant, Bar, Outdoor Activity, or Entertainment uses and is set to expire December 31, 2026.

To increase the standardization of development impact fees citywide, the proposed ordinance also deletes two area specific impact fees for infrastructure: the Van Ness and Market Residential Special Use District Infrastructure Fee and the Van Ness and Market Community Facilities Fee. The Market and Octavia Community Infrastructure Fee would continue to apply to projects in these areas. The ordinance would also delete four area specific fees for affordable housing: the Market and Octavia and Upper Market NCT Affordable Housing Fee, the Eastern Neighborhoods Area Plan Alternative Affordable Housing Fee, the North of Market Residential SUD Affordable Housing Fee, and the Van Ness Avenue SUD Affordable Housing Fee. Projects in these areas would continue to be subject to citywide inclusionary housing requirements. Money generated from the deleted fees that are already deposited into the relevant funds could still be expended, but the funds would dissolve when the remaining monies are fully expended.

Reduction to Citywide Inclusionary Housing Rates

Under the proposed ordinance, the on-site inclusionary housing requirement for projects of 25 units or more will be lowered to five percent of units for both ownership and rental properties, with four percent of units affordable for low-income households (55% of AMI for rental and 80% of AMI for ownership) and one percent affordable for moderate-income households (80% of AMI for rental and 100% of AMI for ownership). The in-lieu Affordable Housing Fee and off-site affordable housing options will be reduced to 10 percent for most areas, with select areas having both these rates at 15 percent (see following section for additional details). All Affordable Housing Fees collected could be used to fund affordable housing initiatives across the city, and off-site affordable housing units would have to be provided within one mile of the principal

[3] See Appendix I for the complete list of the impact fees affected by the proposed ordinance.

project. Additionally, the current inclusionary housing requirements for projects of 10 to 24 units will be eliminated under the proposed ordinance. These small projects have been subject to lower inclusionary requirements than large projects since 2017. The main changes to inclusionary requirements relative to prior levels are shown below in Exhibit 1.

Exhibit 1: Citywide Inclusionary Housing Rate Changes

	Project Size	Pre-2023 ordinance citywide rates	Rates for "Pipeline Projects" (approved before 11/1/2023)	Interim Rates (projects approved 11/1/2023 - 11/1/2026)	Upcoming Rates (projects approved after 11/1/2026)	Proposed Ordinance
In-lieu Affordable Housing Fee	**Small (10-24 units)**	20%	16.4%	20%	20%	0%
	Large (25+ units)	30% rental 33% ownership	16.4%	20.5%	24.5% rental 27% ownership	10% Citywide 15% for certain areas
On-site	**Small**	15%	12%	15%	15%	0%
	Large	22% rental 24% ownership	12%	15%	18% rental 20% ownership with 0.5% annual increases starting 1/1/28	5%
Off-site	**Small**	20%	16.4%	20%	20%	0%
	Large	30% rental 33% ownership	16.4%	20.5%	24.5% rental 27% ownership	10% Citywide 15% for certain areas

Source: Proposed Ordinance and Legislative Digest

In general, the inclusionary requirements in the proposed ordinance would supersede current rates for pipeline and interim projects as well as requirements scheduled to become effective November 2026.

Changes to Income Tiers for Inclusionary Units

Under the existing Inclusionary Housing Program, developers that elect to provide on-site or off-site units must provide units at three different tiers—low income (55% of AMI for rental and 80% of AMI for ownership), moderate income (80% of AMI for rental and 105% of AMI for ownership), and middle income (110% of AMI for rental and 130% of AMI for ownership). The proposed ordinance eliminates the middle income tier for all projects and modifies the definition of moderate income for ownership units to reduce the average income to 100 percent of area

median income (down from 105 percent of area median income). Low income units in ownership projects are designated for households earning up to 80% of AMI.

Under the proposed ordinance, projects that provide on-site units equal to five percent must provide four percent of units affordable to low-income households and one percent of units affordable to moderate income households. Projects that provide off-site units equal to ten percent must provide eight percent of units affordable to low-income households and two percent of units affordable to moderate income households.

Standardization of Area-Specific Inclusionary Rates

Overall, the proposed ordinance significantly reduces variation in inclusionary housing requirements for projects in different parts of the city. In particular, all variations are eliminated for on-site requirements, while the only variations that remain for off-site and Affordable Housing Fee alternatives are that six areas within the city have a 15 percent rate compared to the citywide 10 percent rate. In this way, the proposed ordinance is a notable departure from the current inclusionary policy which has a variety of area-specific inclusionary rates and requirements. On the following pages, Exhibit 2 shows these area-specific policies that are being deleted under the proposed ordinance, while Exhibit 3 lists out the policy changes for the six districts that will maintain higher inclusionary rates for the off-site and Affordable Housing Fee alternatives.

Exhibit 2: Area-specific Affordable Housing and Infrastructure Fees Deleted Under Proposed Ordinance

Area specific inclusionary rates deletions:	Current Requirement	Type of Fee
Van Ness Avenue SUD	Developers have the option to reduce their obligation for building required housing by 50% by paying an in-lieu fee to the Affordable Housing Fund that equates to $15 for every residential square foot under the required amount that the development ends up building. Alternatively, the developer can reduce their obligation for building required housing by 50% by providing permanent affordable housing.	Affordable Housing
North of Market Residential SUD Affordable Housing Fee	Projects must pay $5 for every gross square ft. of floor space located above 80 feet in height.	Affordable Housing
Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee	In addition to city-wide requirements, developers must pay an additional Affordable Housing Fee that ranges from $3.80-$7.20 per square ft.	Affordable Housing
Eastern Neighborhoods Area Plan Alternate Affordable Housing Fee	Any developer choosing to pay the in-lieu fee may opt to pay $40 per gross square foot of net new residential development instead of the standard fee.	Affordable Housing
Van Ness and Market Affordable Housing and Neighborhood Infrastructure Fee and Program	Projects must pay a $30 fee per net additional gross square ft. for building areas that exceed the base development site Floor Area Ratio (FAR) of 6:1 up to a FAR of 9:1.	Affordable Housing and Infrastructure
Van Ness and Market Community Facilities Fee	Additional $1.44 per square foot for residential uses for community facilities in the area.	Infrastructure

Source: Proposed Ordinance and Planning Department

Exhibit 3: Area-specific Inclusionary Requirements Modified Under Proposed Ordinance

Area specific inclusionary rates modifications	Current	Proposed
Mission Area Plan	Projects must build 15-17% of units on-site as affordable housing or alternatively build off-site or pay in-lieu fees ranging from 20-20.5% of units.	5% onsite, 15% offsite or 15% fee
SOMA Neighborhood Commercial Transit District	Projects must build 15-17% of units on-site as affordable housing or alternatively build off-site or pay in-lieu fees ranging from 20-20.5% of units.	5% onsite, 15% offsite or 15% fee
North of Market Residential Special Use District	Projects must build 15-17% of units on-site as affordable housing or alternatively build off-site or pay in-lieu fees ranging from 20-20.5% of units.	5% onsite, 15% offsite or 15% fee
South of Market Youth and Family Special Use District	Projects in excess of 45 ft. in height are subject to Tier C of the UMU affordable housing requirements, meaning that 17.6% of units must be built as onsite affordable housing. Alternatively, the developer can build off-site or pay in-lieu fees for 27% of the units or dedicate land to the City that allows for the future construction of 40-45% of the project's units.	5% onsite, 15% offsite or 15% fee
Urban Mixed Use (UMU) District	The Urban Mixed Use (UMU) zoning districts in this Area are split into three tiers based on the level of upzoning that occurred. On-site rates range from 14.4-17.6% while off-site and in-lieu fee rates range from 23-27%. Alternatively, developers can dedicate land to the City for affordable housing that allows for between 30-45% of the units of the project. Finally, developers have the option to dedicate 30-40% of units to qualifying "middle income" households, which must be affordable to households earning 135% of median income.	5% onsite, 15% offsite or 15% fee
Potrero Mixed Use SUD	If a project elects to satisfy the inclusionary requirements by providing units off-site or through payment of the in-lieu Affordable Housing Fee, the required rate is 25-30%.	5% onsite, 15% offsite or 15% fee

Area specific inclusionary rates modifications	Current	Proposed
Western SOMA Special Use District	Projects between .5 and 3.0 acres must comply with Tier B UMU requirements, meaning that the on-site affordable housing requirement is 16% and the off-site and in-lieu fee requirements are 25%. Alternatively, developers can dedicate land to the City for affordable housing that allows for between 35-40% of the units of the project. Finally, developers have the option to dedicate 40% of units to qualifying "middle income" households, which must be affordable to households earning 135% of median income.	5% onsite, 15% offsite or 15% fee
Geary and Masonic SUD	Projects must build units on-site that equate to 23% of all units for rental projects and 26% of units for ownership projects. Alternatively, they can pay an in-lieu affordable housing fee of 33% for ownership projects and 30% for rental projects.	5% on-site, 10% off-site, 10% in-lieu fee (citywide standard)
Divisadero Street Neighborhood Commercial Transit District Affordable Housing Fee and Requirements	Projects must build 15-23% of units on-site as affordable housing or alternatively build off-site or pay in-lieu fees ranging from 20.5-33% of units.	5% on-site, 10% off-site, 10% in-lieu fee (citywide standard)

Source: Proposed Ordinance and Planning Department

Expansion of Land Dedication Alternative

The proposed ordinance further increases standardization of inclusionary housing requirements by expanding the option of dedicating land to the City for affordable housing, which is currently only available in certain areas of the City, to be available to all projects in the City. The dedicated land must allow for a minimum of 70 units, as determined by the Mayor's Office of Housing and Community Development (MOHCD). In most areas of the City, the dedicated site must provide 10 percent of the total units being constructed for the original project, and the dedicated land must be located within a mile of the project site.

The only exceptions to the standard land dedication requirements are for the seven areas listed below. For these areas, the dedicated land must allow for 15 percent of the total units at the original project but can be located within a mile of the project site or anywhere within the designated area.

1. Mission Area Plan (See San Francisco General Plan, Eastern Neighborhoods Area Plan, Map 1)
2. SoMa Neighborhood Commercial Transit District (Section 753)
3. North of Market Residential Special Use District (Section 249.5)
4. South of Market Youth and Family Special Use District (Section 249.38)
5. Urban Mixed Use (UMU) District (See Section 838)
6. Western SoMa Special Use District (Section 249.39)
7. Central South of Market (Central SOMA) Special Use District (Section 249.78)

Amendment of HOME-SF Housing Program

The HOME-SF program is a preexisting local density bonus program that provides three tiers of benefits to developers who set aside units for affordable housing at rates higher than what is required by the Inclusionary Housing Ordinance. To make the program more attractive to potential developers, the proposed ordinance would reduce the affordable housing requirements in HOME-SF (Section 206.3) by approximately 67 percent, in proportion to the Citywide fee reductions in the proposed ordinance, as well as lower the income levels at which the units must be affordable.

Exhibit 4: Modifications to HOME-SF Requirements

HOME-SF Tier	Current	Proposed
Tier One (density relief)	Projects with fewer than 25 units must designate 20% of units as affordable as follows: • 10% at Low Income • 5% at Moderate Income, and • 5% at Middle Income Projects with 25 units or more must designate 23% of units as affordable as follows: • 10% at Low Income • 8% at Moderate Income, and • 5% at Middle Income	Projects of any size must designate 7% of units as affordable as follows: • 5% at Low Income and • 2% at Moderate Income
Tier Two (1 add'l floor)	Projects must designate 25% of units as affordable as follows: • 10% at Low Income • 8% at Moderate Income, and • 7% at Middle Income	Projects must designate 8% of units as affordable as follows: • 6% at Low Income and • 2% at Moderate Income.
Tier Three (2 add'l floors)	Projects must designate 30% of units as affordable as follows: • 10% at Low Income • 10% at Moderate Income, and • 10% at Middle Income	Projects must designate 10% of units as affordable as follows: • 8% at Low Income and • 2% at Moderate Income

Source: Proposed Ordinance

Applicability to Projects under Development Agreements

Under Chapter 56 of the Administrative Code, the City may enter into Development Agreements for certain large multi-phase projects that may provide inclusionary affordable housing and development impact fees at higher levels than the standard requirements under the Planning Code. The affordable housing and impact fee requirements for most Development Agreement projects are established in the unique terms of the agreement, and may only be modified through legislative action by the Board of Supervisors. For some Development Agreement projects, the project's development impact fees may be set to default to the standard Planning Code requirements in certain circumstances.

The ordinance amends the definitions of the Planning and Building Code definitions of "Development Application," "Final Approval." and "First Construction Document" to specify that in such cases, the Code requirements shall be applied as in effect at the time each individual building permit is issued for Development Agreement projects and other projects comprising multiple buildings.

FISCAL IMPACT

The proposed ordinance would reduce fee revenue from those projects that are able to commence construction due to the 67 percent reduction to citywide development impact fees, extension of development impact fee waivers for projects in the downtown area, elimination of various area specific impact fees, exemption of small projects with fewer than 25 units from inclusionary housing requirements, and reductions to the In-Lieu Affordable Housing Fee percentage requirement for those projects.

Given the year-to-year volatility of real estate development it is difficult to forecast the impact of the proposed legislation on fee revenue over the coming years. Inclusionary fee revenue was $1.3 million in FY 2022-23, $1.5 million in FY 2023-24, and negative $1.3 million in FY 2024-25 due to refunds.[4] Other citywide and area specific development impact fees generated approximately $2.6 million in FY 2023-24 and $2.7 million in FY 2024-25 in total.[5] Relative to the pipeline rates in effect for projects approved before November 2023, we would expect inclusionary fee revenue to decline by approximately 39 percent for projects with more than 25 units that commence construction. Relative to the current citywide development impact fees, which are temporarily reduced by 33 percent, we would expect development impact fee revenue to decline by approximately 50 percent. If the ordinance accelerates the delivery of projects or enables the completion of developments that otherwise would not have proceeded due to the existing fee requirements, there may be increases in inclusionary housing and development impact fee revenues, as well as property tax revenues generated by new development.

POLICY CONSIDERATION

Inclusionary Requirements and Project Feasibility

The 2026 TAC analysis finds that no inclusionary housing rate is feasible under the current macroeconomic conditions and fee requirements. Even with no inclusionary housing requirements and other impact fees, the report found that new development remains financially infeasible in almost all cases, though reducing the inclusionary requirement improved project feasibility in all cases. The proposed ordinance sets a minimum five percent inclusionary requirement for large projects (for onsite units) and provides for a 10 percent requirement for off-site units or fees Citywide and a 15 percent rate for certain areas. While the 10 percent Citywide inclusionary rate is a 30 percent to 51 percent reduction from the current Citywide fee rates of 16.4 percent to 20.5 percent, a strict reading of the TAC's feasibility analysis would conclude that the City's inclusionary program should be dissolved entirely and staff reassigned

[4] According to MOCHD data, inclusionary fee revenue declined from $34.4 million in FY 2018-19 to $4.9 million in FY 2020-21 due to the reduction in market rate housing production.

[5] See Exhibit 17 of our June 5, 2026 report, "Funding and Incentivizing Affordable Housing in San Francisco." Development impact fee payments decreased substantially after FY 2022-23 due to a decline in development activity and the 33 percent discount on impact fees approved in 2023.

to other work. Similarly, the proposed 15 percent inclusionary fee rate for certain area plans may continue to inhibit residential development in those areas.

In the Controller's report, the TAC recommends eliminating inclusionary housing requirements for small projects with fewer than 25 units. For large projects, the TAC recommended reducing the rates to five percent for onsite affordable units. Notable justifications for maintaining this lower rate rather than eliminating it entirely are that it allows the City to hedge against a potential change in macroeconomic conditions before the next TAC report and there will likely be some outlier developments who secure lower than normal costs and are therefore able to remain financially feasible under the five percent onsite rate. As discussed in our May 5, 2026 report, "Evaluation of Financial Incentives for Housing," 880 units were under construction in Q4 2025 with another 420 units having received building permits during that time, demonstrating that some developers are overcoming challenging economic conditions (including the City's fee rates). However, these figures are lower than they were in Q4 2023, when 1,228 units were under construction and 1,576 units received building permits. As we noted in that report, eliminating inclusionary requirements does not close the feasibility gap facing most residential development in San Francisco. However, reducing inclusionary requirements and City fees would reduce the amount of additional rent/sale prices developers charge to cover the costs of these requirements and increases in development costs that have occurred since 2020.

Affordable Housing Unit Production

The proposed ordinance may decrease the number of new affordable housing units constructed by private developers under the inclusionary affordable housing program.

In 2025, the program resulted in the completion of 91 units of affordable housing by private developers, and over the past five years from 2021-2025 the average was similarly 92.6 units annually,[6] with the majority of those units in buildings with more than 50 units and only three percent in buildings with fewer than 25 units. During this time, on-site inclusionary housing requirements ranged from 12 to 24 percent of units depending on the type and size of project. Given that under the proposed ordinance, small projects have no inclusionary housing requirements and large projects would have on-site requirements of five percent of units, it may be that the number of affordable housing units developed through this program would decrease if overall development trends continue at the current pace.

Alternative Funding Sources for Affordable Housing

Given the ongoing challenges of funding the production and preservation of affordable housing, identifying alternative funding sources for affordable housing remains critical. Prior to the pandemic, inclusionary units and in-lieu fees were notable contributors to affordable housing production, but since 2020 both the number of inclusionary units coming online and the fee revenue has declined. As noted above, the proposed ordinance would likely reduce in-lieu

[6] This does not include affordable housing units created through Development Agreements for large scale projects.

affordable housing fee revenue and inclusionary units produced under the inclusionary program further. A significant increase to the Housing Trust Fund has been proposed for the November 2026 ballot (File 26-0537). If this measure passes, the City would more than double the City's required annual spending on affordable housing from roughly $50 million to $125 million over the next decade. Were this measure to fail, the City would need to continue to look for ways to secure stable local funding for affordable housing. Our June 5, 2026 report, "Funding and Incentivizing Affordable Housing in San Francisco," provides affordable housing financing and funding options for the Board of Supervisors to consider.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Appendix I: Article 4 Development Impact Fees

Below is a list of all the Development Impact Fees that would be reduced by 67% by the proposed ordinance:

1. Transit Impact Development Fee (Section 411)
2. The Transportation Sustainability Fee (Section 411A)
3. The Downtown Park Fee (Section 412)
4. The Jobs Housing Linkage Fee (Section 413)
5. Childcare Fee - Office and Hotel Development Projects (Section 414)
6. Childcare Fee - Residential Projects (Section 414A)
7. Rincon Hill Community Infrastructure Fee (Section 418)
8. South of Market Area Community Stabilization Fee (Section 418.3(d))
9. Visitation Valley Community Facilities and Infrastructure Fee (Section 420)
10. Market and Octavia Community Improvements Fee (Section 421)
11. Balboa Park Community Improvements Fee (Section 422)
12. Eastern Neighborhood Infrastructure Impact Fee (Section 423)
13. Transit Center District Open Space Impact Fee (Section 424.6)
14. Transit Center Transportation and Street Improvement Impact Fee (Section 424.7)
15. Transit Center District Transit Delay Mitigation Fee (Section 424.7)
16. Van Ness and Market Community Facilities Fee (Section 425)
17. Open Space Fees (Sections 426 and 427)
18. Public Art Fee (Section 429)
19. Bicycle Parking Fee (Section 430)
20. Central SOMA Community Services Facilities Fee (Section 432)
21. Central SOMA Infrastructure Fee (Section 433)
22. Union Square Park, Recreation, and Open Space Fee (Section 435)