

REVISED LEGISLATIVE DIGEST

(12/1/2025, Amended in Committee)

[Planning Code - Inclusionary Housing Waiver and Land Dedication in Well-Resourced Neighborhoods]

Ordinance amending the Planning Code to allow the City to waive the Inclusionary Housing Fee and other requirements in certain residential and neighborhood commercial districts outside of the Priority Equity Geographies Special Use District (SUD) in exchange for a project sponsor's agreement to subject all units in the project to rent control; and allow projects in certain residential and neighborhood commercial districts outside of the Priority Equity Geographies SUD to comply with the Inclusionary Housing Ordinance by dedicating land to the City; requiring periodic reports to the Planning Commission; affirming the Planning Department's determination under the California Environmental Quality Act; making findings of consistency with the General Plan, and the eight priority policies of Planning Code Section, 101.1; and making public necessity, convenience, and welfare findings under Planning Code, Section 302.

Existing Law

Most residential projects of 10 units or more must comply with the Inclusionary Housing Ordinance, Planning Code section 415 *et seq.* The Inclusionary Housing Ordinance requires developers to pay a development impact fee to the Mayor's Office of Housing and Community Development. Developers also have the option to (1) set aside a percentage of units on-site as affordable to low to middle income households; or (2) provide such affordable units off-site. Currently, the impact fee is approximately \$250/square foot of gross floor area, multiplied by between 16.4% and 20.5%, depending on the project. In certain areas, a project sponsor can also comply with the Inclusionary Housing Ordinance by dedicating land to the City that can be used for affordable housing.

Administrative Code section 37 *et seq.*, the Residential Rent Stabilization and Arbitration Ordinance, limits the amount a landlord can increase the rent of certain rental units in the City ("rent control"). With some limited exceptions, rent control only applies to rental units constructed before 1979.

The Priority Equity Geographies Special Use District, Planning Code section 249.97 is a planning district in the City consisting of parcels primarily on the City's south and east sides. Well-resourced areas are neighborhoods identified in the 2022 Housing Element that provide strong economic, health, and educational outcomes for its residents.

Amendments to Current Law

This ordinance would allow the City to waive the Inclusionary Housing Fee if the project sponsor agrees to impose rent control on all units in the project. The ordinance would require a project sponsor to enter into a regulatory agreement with the City acknowledging that the units in the project would be subject to rent control for the life of the project and that the units must be rented. The Legislation would also allow a developer to dedicate land to the City. The ordinance would only apply to residential projects in Residential – House (RH), Residential Mixed (RM), Neighborhood Commercial and Named Neighborhood Commercial districts with a height limit of 65 feet or less that are located in well-resourced areas, defined as areas outside the Priority Equity Geographies SUD.

Background Information

The ordinance would provide an additional option for certain housing projects in the City to comply with the Inclusionary Housing Ordinance by providing rent-controlled units, or by dedicating land to the City for use as affordable housing.

On December 1, 2025, the Land Use and Transportation Committee adopted amendments to the ordinance (1) to apply the ordinance only to residential projects in Residential – House (RH), Residential Mixed (RM), Neighborhood Commercial and Named Neighborhood Commercial districts with a height limit of 65 feet or less located in well-resourced areas; (2) to clarify that units must be held in an undivided ownership and cannot be subdivided; (3) to base compliance with the land dedication option on the number of units that can be constructed rather than square footage of land; and to require periodic reports to the Planning Commission.

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