CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

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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

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[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)