



October 21, 2025

Ms. Angela Calvillo, Clerk
Honorable Supervisor Melgar
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 2025-007361PCA:**
Inclusionary Housing Waiver and Land Dedication in Well-Resourced Neighborhoods
Board File No. 250815

Planning Commission Action: Adopt a Recommendation for Approval with Modifications

Dear Ms. Calvillo and Supervisor Melgar,

On October 9, 2025, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance, introduced by Supervisor Melgar. The proposed ordinance would amend the Planning Code to allow the City to waive the Inclusionary Housing requirements for projects in areas outside of the Priority Equity Geography (PEG) Special Use District (SUD). To be eligible, the project must comply with one of the following: 1) subjecting all units in the project to rent control or 2) dedicating land to the City.

The Commission's proposed modifications were as follows:

1. Explicitly prohibit condominium conversion of the new units resulting from this proposed Ordinance.
2. For the Land Dedication Alternative, specify the minimum housing requirements for the dedicated land.
3. Encourage the Board of Supervisors to consider the following:
 - a. Include language to also prohibit Tenants in Common (TIC);
 - b. Require these rent-controlled units be added to the Rent Control Registry;
 - c. Incorporate amendments suggested in the letter from Chinatown Community Development

Center and the Council of Community Housing Organizations; and

4. Require a one-to-two-year update memo to the Planning Commission.

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.

Supervisor, 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,



Aaron D. Starr
Manager of Legislative Affairs

cc: Audrey Pearson, Deputy City Attorney
Jen Low, Aide to Supervisor Melgar
John Carroll, Office of the Clerk of the Board

ATTACHMENTS :

Planning Commission Resolution
Planning Department Executive Summary



PLANNING COMMISSION RESOLUTION NO. 21844

HEARING DATE: October 9, 2025

Project Name: Inclusionary Housing Waiver and Land Dedication in Well-Resourced Neighborhoods
Case Number: 2025-007361PCA [Board File No. 250815]
Initiated by: Supervisor Melgar / Introduced July 29, 2025
Staff Contact: Veronica Flores Legislative Affairs
veronica.flores@sfgov.org, 628-652-7525
Reviewed by: Aaron Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 628-652-7533

RESOLUTION ADOPTING A RECOMMENDATION FOR APPROVAL WITH MODIFICATION OF A PROPOSED ORDINANCE THAT WOULD ORDINANCE AMEND THE PLANNING CODE TO ALLOW THE CITY TO WAIVE THE INCLUSIONARY HOUSING FEE AND OTHER REQUIREMENTS IN AREAS 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 OUTSIDE OF THE PRIORITY EQUITY GEOGRAPHIES SUD TO COMPLY WITH THE INCLUSIONARY HOUSING ORDINANCE BY DEDICATING LAND TO THE CITY; 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.

WHEREAS, on July 29, 2025 Supervisor Melgar introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 250815, which would Ordinance amend the Planning Code to allow the City to waive the Inclusionary Housing Fee and other requirements in areas 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. The proposed Ordinance would also allow projects outside of the Priority Equity Geographies SUD to waive the Inclusionary Housing requirements by dedicating land to the City;

WHEREAS, the Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on October 9, 2025; and,

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 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 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. Explicitly prohibit condominium conversion of the new units resulting from this proposed Ordinance.
2. For the Land Dedication Alternative, specify the minimum housing requirements for the dedicated land.
3. Encourage the Board of Supervisors to consider the following:
 - a. Include language to also prohibit Tenants in Common (TIC);
 - b. Require these rent-controlled units be added to the Rent Control Registry;
 - c. Incorporate amendments suggested in the letter from Chinatown Community Development Center and the Council of Community Housing Organizations; and
4. Require a one-to-two-year update memo to the Planning Commission.

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:

The proposed Ordinance facilitates rental housing within the Well-Resourced Neighborhoods.

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

OBJECTIVE 1.A

ENSURE HOUSING STABILITY AND HEALTHY HOMES.

OBJECTIVE 3.B

CREATE A SENSE OF BELONGING FOR ALL COMMUNITIES OF COLOR WITHIN WELL-RESOURCED NEIGHBORHOODS THROUGH EXPANDED HOUSING CHOICE.

OBJECTIVE 4.B

EXPAND SMALL AND MID-RISE MULTI-FAMILY HOUSING PRODUCTION TO SERVE OUR WORKFORCE, PRIORITIZING MIDDLE-INCOME HOUSEHOLDS.

Policy 25

Reduce governmental constraints on development in Well-resourced Neighborhoods to enable small and mid-rise multi-family buildings providing improved housing choice and affordability.

The proposed Ordinance supports Objective 1.A of the Housing Element by promoting stable and healthy homes. It also advances Objective 3.B by expanding housing choices within Well-Resourced Neighborhoods, specifically through the creation of additional rent-controlled housing. Furthermore, the Ordinance aligns with Objective 4.B, which calls for expanding small- and mid-rise multifamily housing production to serve the workforce, with a focus on middle-income households. The resulting housing projects would consist of fully rent-controlled buildings, directly supporting workforce stability. The Ordinance also enhances opportunities for the Land Dedication Alternative, enabling the City to produce housing that is both contextually appropriate and affordable for the neighborhood. Lastly, by waiving Inclusionary Housing requirements, the Ordinance reduces governmental constraints on development in Well-Resourced Neighborhoods, directly aligning with Policy 25.

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 and neighborhood character 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 housing or neighborhood character.

3. That the City's supply of affordable housing be preserved and enhanced;

The proposed Ordinance would not have an adverse effect on the City's supply of 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 the 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 the proposed Ordinance as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on October 9, 2025.



Jonas P. Ionin
Commission Secretary

Jonas P Ionin

Digitally signed by Jonas P Ionin
Date: 2025.10.15 10:30:03
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AYES: Campbell, McGarry, Braun, Imperial, Moore, So
NOES: None
ABSENT: Williams
ADOPTED: October 9, 2025

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EXECUTIVE SUMMARY

PLANNING CODE TEXT AMENDMENT

HEARING DATE: OCTOBER 9, 2025

90-Day Deadline: November 5, 2025

Project Name: Inclusionary Housing Waiver and Land Dedication in Well-Resourced Neighborhoods
Case Number: 2025-007361PCA [Board File No. 250815]
Initiated by: Supervisor Melgar / Introduced July 29, 2025
Staff Contact: Veronica Flores Legislative Affairs
veronica.flores@sfgov.org, 628-652-7525
Reviewed by: Aaron Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 628-652-7533
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 allow the City to waive the Inclusionary Housing requirements for projects in areas outside of the Priority Equity Geography (PEG) Special Use District (SUD) if the project complies with either 1) subjecting all units in the project to rent control or 2) dedicating land to the City.

The Way It Is Now:

Housing projects with 10 or more units trigger Inclusionary Housing requirements. This can be provided through on-site Inclusionary Housing units or by paying an in-lieu fee. Certain districts also allow a project to waive the Inclusionary Housing requirements by dedicating land to the City.

The Way It Would Be:

Housing projects outside the PEG SUD would be able to waive the Inclusionary Housing requirements if the project sponsor agrees to one of the following:

1. Make all units rent control for the life of the project via a Regulatory Agreement, or
2. Dedicate land to the City to support affordable housing instead of providing on- or off-site units or paying fees. Land should be provided outside the PEG SUD.

Background

Most housing built in San Francisco in recent decades has been concentrated in the eastern neighborhoods, where zoning generally allows for mid-rise and high-rise developments. Meanwhile, the northern and western parts of the city have seen relatively little growth. The goal of the proposed Ordinance is to increase rental housing in the western parts of the city, especially rental and rent-controlled housing. To that end, Supervisor Melgar introduced this legislation to facilitate more rental housing in the Well-Resourced Neighborhoods.

Issues and Considerations

Inclusionary Housing Requirements

San Francisco's Inclusionary Housing Program (hereinafter "Program") requires new residential projects of 10 or more units to pay an Affordable Housing Fee, or meet the inclusionary requirement by providing a percentage of the units as "below market rate" (BMR) units at a price that is affordable to low- or middle-income households. These units should be either "on-site" within the project, or "off-site" at another location in the city. Additionally, there is a Land Dedication Alternative within certain Zoning Districts in the eastern neighborhoods.

The Program is governed by [Planning Code Section 415](#) and the [Inclusionary Housing Program Procedures Manual](#), and is administered by the Mayor's Office of Housing and Community Development (MOHCD) and the Planning Department. The inclusionary rate is calculated on several factors including when relevant applications were submitted, if the inclusionary units are provided on- or off-site, and the Zoning District in which the residential project is proposed.

The Inclusionary Housing Technical Advisory Committee (TAC) conducts a feasibility study of the City's Inclusionary Housing requirement every three years. The Controller and the TAC met several times between October 2022 and April 2023. They found that none of the development prototypes studied were financially feasible at the required Inclusionary Housing rates, and recommended the rates be lowered. The

inclusionary requirements for pipeline projects¹ and interim projects² were temporarily reduced³ based on this feedback. The TAC is set to reconvene early next year. Even so, housing developers regularly express that the inclusionary rates make projects infeasible or very difficult to build. The proposed Ordinance seeks to facilitate more rental housing by waiving the Inclusionary Housing requirements.

Well-Resourced Neighborhoods

The proposed Ordinance focuses on development opportunities in Well-Resourced Neighborhoods, which is defined as areas outside the PEG SUD under this proposed Ordinance. Well-Resourced Neighborhoods as defined as the high- and highest-resource by the California Tax Credit Allocation Committee (TCAC). Well-Resourced Neighborhoods have a higher concentration of and greater access to parks, quality schools, better environmental conditions, and have higher median incomes. Collectively, these identified characteristics have been shown by research to support positive economic, educational, and health outcomes for low-income families – particularly long-term outcomes for children.

Despite having a higher concentration of resources, the Well-Resourced Neighborhoods have had low rates of housing production.

Since 2005, just 10% of all new housing in San Francisco and 10% of new affordable housing has been built in Well-Resourced Neighborhoods though these areas cover almost 52% of all the residential zoned land in the city. Exhibit C, which is based off the 2021 Opportunity Map, shows that the Well-Resourced Neighborhoods are mostly concentrated on the western side of the city. Well-Resourced Neighborhoods have experienced the lowest rates of new housing development over the last few decades. This may be partially due to recent rezoning in the inverse geographies since much of the eastern side of the city has established form-based density. Additionally, small projects have historically faced strong neighborhood opposition on the western side of the city. The proposed Ordinance seeks to increase housing production within these Well-Resourced Neighborhoods by waiving Inclusionary Housing requirements for eligible projects.

Rent Control

The Rent Ordinance provides limits how much landlords can increase rent for covered units, which are typically those built before June 13, 1979. The price increase regulations under the Rent Ordinance are also known as rent control. The allowable annual rent increase is determined by the Rent Board and is based on a certain percentage each year based on the Bay Area Consumer Price Index. Currently, the allowed rent increase percentage in San Francisco is 1.4%.⁴ This percentage is effective March 1, 2025 through February 28, 2026.

¹ Projects approved prior to November 1, 2023. Pipeline rates under Section 415A require projects to pull the first construction document by May 1, 2029 to lock in the reduced rates.

² Projects approved on or after November 1, 2023 but before November 1, 2026. Interims rates under Section 415B require projects to have final approval by November 1, 2026, and pull a first construction document within 30 months of final approval.

³ Ordinance Nos. [187-23](#) and [201-23](#).

⁴ [Rent Board](#).

Rent control does not limit the rental price when a unit first comes onto the market or after a tenant vacates the unit. This means that the new units resulting from this proposed Ordinance would be leased at market rates. Caps on allowable increases would be less than inflation, making these units more affordable over time. Rents would reset to market rate when the master tenants change. This contrasts with Inclusionary Housing where rents are limited throughout the life of the building. Even without this price cap, rent control is still highly attractive for tenants as it guarantees that the rent is only increased based on the Consumer Price Index. According to a 2022 study performed by the UC Berkeley Urban Displacement Project, “[Who Benefits From Tenant Protections?](#)”, rent control was identified as among the most effective tools for preventing displacement of residential tenants and for stabilizing neighborhoods and communities. This helps protect against extreme rent increases and safeguards residents’ housing.

Regulatory Agreement

The proposed Ordinance would waive Inclusionary Housing requirements for projects outside the PEG if they provide rent-controlled units via Regulatory Agreement. The Regulatory Agreement must include the following:

- Must state new units created are not subject to Costa-Hawkins,
- A statement that the units will be rented for the life of the project, and
- A calculation of the direct financial contribution provided to the property owner in the form of a financial fee waiver.

This Regulatory Agreement is required as a condition of approval. This would be administered through the Planning Approval Letter or entitlement process, if applicable. Like other Regulatory Agreements, this Regulatory Agreement would need to be executed prior to City’s issuance of First Construction Document.

Costa-Hawkins Rental Housing Act

The Costa-Hawkins Rental Housing Act (hereinafter “Costa-Hawkins”) is a state law that prohibits the City from imposing rent control unless there is a direct financial contribution. Waiving the Inclusionary Housing requirements is a direct financial incentive. This allows the new units resulting from this proposed Ordinance to be subject to rent control. This Costa-Hawkins exemption would be outlined in the Regulatory Agreement between the City and the applicant.

Land Dedication Alternative

The Land Dedication Alternative is currently only available in the Urban Mixed Use (UMU) District, Mission Street Neighborhood Commercial Transit District (NCT), Central South of Market (Central SoMa) SUD, and Van Ness & Market Residential SUD (see map in Exhibit D). The proposed Ordinance expands the geographic area of potential Land Dedication Alternatives tremendously. Any land dedicated under this proposed Ordinance would need to be provided outside the PEG SUD.

Minimum Housing Requirements of Dedicated Land

The Land Dedication Alternative was first available within the UMU Districts, and the requirements are outlined in Section 419.5(a)(2). This Code section also lists the amount of required affordable housing the dedicated land needs to be accommodated. For example, Tier A projects with sites that have less than 30,000 square feet of developable area need to accommodate 35% of the potential units that could be provided on the principal project site.

As the opportunity for Land Dedication Alternatives expanded to other districts, some districts introduced different requirements than those outlined under Section 419.5(a)(2) and lists them within their respective Zoning District. For example, Section 419.6 outlines the Land Dedication Alternative requirements for the Mission Street NCT and the Central SoMa SUD. Within the Central SoMa SUD, Inclusionary Housing requirements may be waived by dedicating land for affordable housing if the dedicated site could accommodate 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 project site.

Process

There is already a process in place for reviewing proposed land dedications. Planning Department reviews proposals based on the requirements outlined in Section 419.5(a)(2), and any other relevant Code sections. The major criterion is that the proposed dedicated land could accommodate the minimum housing requirements prescribed for that specific Zoning District. Once the property has been deemed appropriate, MOHCD facilitates projects under the Land Dedication Alternative. Before a property can be transferred to the City, standard due diligence is completed, and a purchase and sale agreement is drawn up with all terms and conditions. Afterwards, there is a legislative process for approval, followed by the transaction closing. After this process is complete, the property ownership is officially transferred to the City.

At that point, the connection to the market-rate project is done. It also is not necessarily commensurate to the number of inclusionary units that would have been included at the time of the project if they were on- or off-site affordable units. Once the City owns the land and upon funding availability, MOHCD will issue a Request for Qualification (RFQ) for Development Partners and provide pre-development funds. MOHCD determines the number of units, affordability level, and unit size. Some factors MOHCD considers when making this determination include the size of the parcel, location, available funding, programming needs, and housing need. This fit test is included in the RFQ assumptions for Development partners.

Replacement Units + Protected Units

The Housing Crisis Act of 2019 (SB 330) requires that any housing project demolishing existing residential units must replace them. Specifically, the project must include at least as many units as the highest number of residential units that existed on the site in the past five years, including any that were previously demolished. Supervisor Chen recently introduced legislation to codify Senate Bill 330 and strengthen some of the replacement requirements.⁵ This is scheduled to appear in front of the Planning Commission on October 16, 2025.

If a housing or non-housing project demolishes “protected” units, as specified below, special provisions apply. Protected units are units that are or were in the five years prior to the development application one of the following:

⁵ [Board File No. 250926](#).

1. affordable units deed-restricted to households earning below 80% of Area Median Income (AMI),
2. subject to a local rent control program,
3. rented by low-income households earning below 80% of AMI, or
4. withdrawn from the rental market under the Ellis Act within 10 years prior to development application.
5. Additionally, single-family homes may be considered protected units. Units constructed without permit, or Unauthorized Units, may be considered protected units if they meet any of the criteria above.

Except in limited circumstances, any development project that would demolish any protected units shall, as a condition of approval, provide comparable replacement units with the same number of bedrooms and at the same affordability level. These would be deed restricted. The only exception is if the unit is going from rent control to rent control, in which case there is no additional deed restriction. Therefore, projects pursuing the rent control option under this proposed Ordinance might result in a fully rent-controlled building, plus one inclusionary unit if there is an existing protected unit located at the project site.

Local Program Under Family Housing Zoning

The Housing Choice SF Local Program (hereinafter “Local Program”) is meant to be a parallel program to state programs (such as the State Density Bonus) and sponsors may elect either option depending on which is most advantageous for the project. The Local Program allows us to keep what makes San Francisco special while welcoming new homes.

How to Qualify

Projects using the Local Program must opt out of using state bonus programs and meet objective code requirements and design standards. Local Program projects may still use provisions in state law that provide for process streamlining (i.e., ministerial review), such as those created by Assembly Bill 2011 and Senate Bill 423, provided they meet those program’s applicable criteria. Projects that choose to use the Local Program would be able to choose an unlimited number of benefits from this menu of “local waivers” providing flexibility for some Planning Code requirements. Some examples of these local waivers include form-based density rather than lot-based density or reduced rear yard requirements. Additionally, the Local Program proposes a new “R-4” height and bulk district in which all properties are designated with two height designations: 1) a “Local Program height” that is applicable to projects using the Housing Choice SF Program, and 2) a “base height” that is applicable to projects not using the Local Program.

Interaction with Proposed Inclusionary Housing Waiver

Under the Local Program, projects of 24 units or less also have the option of providing a 100% rent-controlled building instead of providing inclusionary units. The proposed Ordinance adds an additional rent-controlled option for projects outside of the PEG SUD. Therefore, it takes away from the uniqueness of the Local Program since it offers another rent-controlled path, but it is still better and more desirable than having projects pursue the State Density Bonus where we have little control over the project specifics. As in the case today, projects that are eligible for multiple density bonus programs or waivers can choose which option best meets their goals.

General Plan Compliance

The proposed Ordinance supports Objective 1.A of the Housing Element by promoting stable and healthy homes. It also advances Objective 3.B by expanding housing choices within Well-Resourced Neighborhoods, specifically through the creation of additional rent-controlled housing. Furthermore, the Ordinance aligns with Objective 4.B, which calls for expanding small- and mid-rise multifamily housing production to serve the workforce, with a focus on middle-income households. The resulting housing projects would consist of fully rent-controlled buildings, directly supporting workforce stability. The Ordinance also enhances opportunities for the Land Dedication Alternative, enabling the City to produce housing that is both contextually appropriate and affordable for the neighborhood. Lastly, by waiving Inclusionary Housing requirements, the Ordinance reduces governmental constraints on development in Well-Resourced Neighborhoods, directly aligning with Policy 25.

Racial and Social Equity Analysis

The proposed Ordinance presents an opportunity to expand rent-controlled housing in Well-Resourced Neighborhoods—areas that have historically been less accessible to low- and moderate-income households. By increasing the availability of long-term affordable units in these neighborhoods, the policy could help promote greater economic and racial integration, offering more residents access to high-opportunity areas with strong schools, transit, and amenities.

However, this shift also requires careful consideration of potential tradeoffs. While rent control provides stability, it may limit mobility for some tenants, particularly if their income remains stagnant and market-rate options remain out of reach. Addressing this challenge through complementary policies—such as tenant support programs or pathways to affordable homeownership—can help ensure that rent control enhances, rather than restricts, housing choice.

The Land Dedication Alternative introduces a flexible tool for delivering Inclusionary Housing, with the potential to unlock larger or more strategically located affordable housing sites. To maximize its impact, it is essential that dedicated land is actively developed and monitored to ensure timely delivery of affordable units. With strong oversight and accountability, this approach can complement traditional Inclusionary Housing and expand the overall supply of affordable homes.

Finally, the Ordinance raises important questions about equitable investment across neighborhoods. While focusing on Well-Resourced Neighborhoods can help address historic exclusion, it is equally important to ensure that PEG SUD areas—often home to communities of color and lower-income residents—receive the resources needed to support affordable housing development. A balanced approach that invests in both high-opportunity areas and historically underserved communities will be key to advancing racial and social equity citywide.

Implementation

The Department has determined that this Ordinance will impact our current implementation procedures; however, the proposed changes can be implemented without increasing permit costs or review time.

For the rent control option, the Department would need to create a new Regulatory Agreement with the required information. This could be modeled under the Regulatory Agreements for either the Fourplex or Local Accessory Dwelling Unit Program and should emphasize the project needs to remain rental for the life of the project. The City Attorney's Office is aware of this Regulatory Agreement requirement and has started the drafting process. The Department anticipates this will be ready by the time the proposed Ordinance is enacted.

For the land dedication option: the Department would use the existing process to determine if the proposed land for dedication meets the criteria. This includes ensuring that the proposed land for dedication has the capacity for the number of inclusionary units required under the project. MOHCD would still administer the project after the land has been deemed appropriate. Thus, there is no implementation impact to Planning under this Land Dedication Alternative.

Recommendation

The Department recommends that the **Commission adopt a recommendation for approval with modifications** of the proposed Ordinance and adopt the attached Draft Resolution to that effect. The Department's proposed recommendations are as follows:

1. Explicitly prohibit condominium conversion of the new units resulting from this proposed Ordinance.
2. For the Land Dedication Alternative, specify the minimum housing requirements for the dedicated land.
3. Apply this Inclusionary Housing waiver citywide, instead of just outside PEG SUD.

Basis for Recommendation

The Department supports the proposed Ordinance because it allows for more housing in Well-Resourced Neighborhoods. While this would mean the rental units start at the market rate (i.e. not inclusionary), this would create more opportunities for rent controlled units. This is beneficial for developers to help make projects more financially feasible. This also supports residents as it guarantees limits on annual rent increases helping create stability for the residents. The landlord can reset the rent with new tenants. With that said, the Department believes that the proposed Ordinance could be strengthened with the following modifications:

Recommendation 1: Explicitly prohibit condominium conversion of the new units resulting from this proposed Ordinance. The goal of the proposed Ordinance is two-fold: to increase rental housing outside the PEG and to create more rent-controlled units. The Regulatory Agreement stipulates that the new net units remain rental for the life of the project. It is silent on the condominium conversion process. Conversions can typically be rented out still; however, once the mapping is completed and the unit is converted to a condominium, the rent control provisions are terminated. To prevent this potential loophole, the Department recommends modifying the proposed Ordinance so that condominium conversions are explicitly prohibited. This would safeguard the rent-controlled units resulting from this proposed Ordinance.

Recommendation 2: For the Land Dedication Alternative, specify the minimum housing requirements for the dedicated land. The proposed Ordinance defers to an established process for land dedication under Section 419.5(a)(2). However, it does not specify the minimum housing requirements. The recommendation is to require that the dedicated land could accommodate 35% of the potential units that could be provided on the principal project site. This is modeled after the housing requirements under the most recently established Land Dedication Alternative in Section 249.33 for the Van Ness & Market Residential SUD. This threshold is the most feasible of the various housing requirements for land dedications. Additionally, basing requirements on a percentage of the units is more contextually understandable than Gross Floor Area like the requirements within the Central SoMa SUD.

Recommendation 3: Apply this Inclusionary Housing waiver citywide, instead of just outside PEG SUD. The Department supports this policy and would also support this Inclusionary Housing Waiver if it were applied citywide, not just outside of PEG SUD. The Department supports increasing rental housing overall and believes this is an opportunity to facilitate it citywide. This also supports investment within the PEG SUD.

There are some areas in the PEG SUD where the Local Program is applicable (see map in Exhibit E). In those cases, this Inclusionary Housing waiver may compete with the Local Program since it offers another rent-controlled path. However, it is still better and more desirable than having projects pursue State Density Bonus. These parcels that overlap both the PEG SUD and the proposed R-4 height and bulk district would still have the ability to choose with path suits their project goals best.

Required Commission Action

The proposed Ordinance is before the Commission so that it may adopt a recommendation of approval, disapproval, or approval with modifications.

Environmental Review

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c)(2) and 15378 because they do not result in a physical change in the environment.

Public Comment

As of the date of this report, the Planning Department has not received any public comment regarding the proposed Ordinance.

ATTACHMENTS:

- Exhibit A: Draft Planning Commission Resolution
- Exhibit B: Board of Supervisors File No. 250815
- Exhibit C: Map of Well-Resourced Neighborhoods
- Exhibit D: Map of Zoning Districts that Allow a Land Dedication Alternative
- Exhibit E: Map of Proposed Local Program R-4 Parcels and the Priority Equity Geography SUD

Portions of this report were drafted and/or edited with the assistance of Microsoft Copilot, in accordance with the City and County of San Francisco's policy on the use of generative AI tools.



PLANNING COMMISSION

DRAFT RESOLUTION

HEARING DATE: October 9, 2025

Project Name: Inclusionary Housing Waiver and Land Dedication in Well-Resourced Neighborhoods
Case Number: 2025-007361PCA [Board File No. 250815]
Initiated by: Supervisor Melgar / Introduced July 29, 2025
Staff Contact: Veronica Flores Legislative Affairs
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Reviewed by: Aaron Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 628-652-7533

RESOLUTION ADOPTING A RECOMMENDATION FOR APPROVAL WITH MODIFICATION OF A PROPOSED ORDINANCE THAT WOULD ORDINANCE AMEND THE PLANNING CODE TO ALLOW THE CITY TO WAIVE THE INCLUSIONARY HOUSING FEE AND OTHER REQUIREMENTS IN AREAS 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 OUTSIDE OF THE PRIORITY EQUITY GEOGRAPHIES SUD TO COMPLY WITH THE INCLUSIONARY HOUSING ORDINANCE BY DEDICATING LAND TO THE CITY; 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.

WHEREAS, on July 29, 2025 Supervisor Melgar introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 250815, which would Ordinance amend the Planning Code to allow the City to waive the Inclusionary Housing Fee and other requirements in areas 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. The proposed Ordinance would also allow projects outside of the Priority Equity Geographies SUD to waive the Inclusionary Housing requirements by dedicating land to the City;

WHEREAS, the Planning Commission (hereinafter “Commission”) conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on October 9, 2025; and,

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 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 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. Explicitly prohibit condominium conversion of the new units resulting from this proposed Ordinance.
2. For the Land Dedication Alternative, specify the minimum housing requirements for the dedicated land.
3. Apply this Inclusionary Housing waiver citywide, instead of just outside PEG SUD.

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:

The proposed Ordinance facilitates rental housing within the Well-Resourced Neighborhoods.

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

OBJECTIVE 1.A

ENSURE HOUSING STABILITY AND HEALTHY HOMES.

OBJECTIVE 3.B

CREATE A SENSE OF BELONGING FOR ALL COMMUNITIES OF COLOR WITHIN WELL-RESOURCED NEIGHBORHOODS THROUGH EXPANDED HOUSING CHOICE.

OBJECTIVE 4.B

EXPAND SMALL AND MID-RISE MULTI-FAMILY HOUSING PRODUCTION TO SERVE OUR WORKFORCE, PRIORITIZING MIDDLE-INCOME HOUSEHOLDS.

Policy 25

Reduce governmental constraints on development in Well-resourced Neighborhoods to enable small and mid-rise multi-family buildings providing improved housing choice and affordability.

The proposed Ordinance supports Objective 1.A of the Housing Element by promoting stable and healthy homes. It also advances Objective 3.B by expanding housing choices within Well-Resourced Neighborhoods, specifically through the creation of additional rent-controlled housing. Furthermore, the Ordinance aligns with Objective 4.B, which calls for expanding small- and mid-rise multifamily housing production to serve the workforce, with a focus on middle-income households. The resulting housing projects would consist of fully rent-controlled buildings, directly supporting workforce stability. The Ordinance also enhances opportunities for the Land Dedication Alternative, enabling the City to produce housing that is both contextually appropriate and affordable for the neighborhood. Lastly, by waiving Inclusionary Housing requirements, the Ordinance reduces governmental constraints on development in Well-Resourced Neighborhoods, directly aligning with Policy 25.

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 and neighborhood character 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 housing or neighborhood character.

3. That the City's supply of affordable housing be preserved and enhanced;

The proposed Ordinance would not have an adverse effect on the City's supply of 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 the 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 the proposed Ordinance as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on October 9, 2025.

Jonas P. Ionin

Resolution XXXXXX
October 9, 2025

Case No. 2025-007361PCA
Inclusionary Housing Waiver and Land Dedication
in Well-Resourced Neighborhoods

Commission Secretary

AYES:

NOES:

ABSENT:

ADOPTED: October 9, 2025

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EXHIBIT B

[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 areas 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 outside of the Priority Equity Geographies SUD to comply with the Inclusionary Housing Ordinance by dedicating land to the City; 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.

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 ~~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. Environmental and Land Use 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. _____ and is incorporated herein by reference. The Board affirms this determination.

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

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

11
12 Section 2. General Findings.

13 (a) Since 1969, California has required that all local governments adequately plan
14 to meet the housing needs of everyone in the community. California's local governments
15 meet this requirement by adopting housing elements as part of their "general plans," as
16 required by the state. A general plan serves as a local government's "blueprint" for how it will
17 grow and develop. Among other requirements, a housing element in a general plan must
18 identify and analyze the jurisdiction's existing and projected housing needs, including a
19 statement of goals, policies, and objectives for the preservation, improvement, and
20 development of housing, and identify adequate sites for housing for all economic segments of
21 the community. (California Government Code Section 65583.)

22 (b) A jurisdiction's existing and projected housing needs is known as its Regional
23 Housing Needs Allocation (RHNA). In December 2021, the Association of Bay Area
24 Governments determined that the City and County of San Francisco's (City) RHNA is
25

1 approximately 82,000 new residential units, broken down into tiers of affordability to meet the
2 needs of very low-, low-, and moderate-income San Franciscans.

3 (c) In furtherance of the imperative to meet San Francisco's RHNA, the City
4 updated its Housing Element in 2022. The 2022 Update to the Housing Element (2022
5 Housing Element) is San Francisco's plan for housing between 2023 and 2031, and the first
6 such plan in the City that is centered on racial and social equity.

7 (d) The California Department of Housing and Community Development publishes
8 "Opportunity Area Maps" where it designated "Highest Resource" and "High Resource" areas.
9 These areas are neighborhoods that provide strong economic, health, and educational
10 outcomes for its residents, and were called "Well-resourced Neighborhoods" in the 2022
11 Housing Element. One of the objectives of the 2022 Housing Element is to foster inclusive
12 neighborhoods throughout the City and ensure access to housing for all members of the
13 community, including Indian, Black, and other communities of color. To do so, the 2022
14 Housing Element recognized that the City needed to allow more housing, including affordable
15 housing, in Well-resourced Neighborhoods, by, among other strategies, amending the zoning
16 to allow mid-rise, multifamily buildings. This ordinance fosters the goals of the 2022 Housing
17 Element to increase housing in the Well-resourced Neighborhoods by waiving the
18 requirements of San Francisco's Inclusionary Housing Ordinance for project sponsors that
19 agree to subject the project to the San Francisco Residential Rent Stabilization and Arbitration
20 Ordinance (Rent Ordinance) (Chapter 37 of the Administrative Code).

21 (e) In contrast with Well-resourced Neighborhoods, the Department of Public Health's
22 Community Health Needs Assessment identified areas of vulnerability, which are
23 neighborhoods or areas with a higher density of vulnerable populations. These areas and
24 neighborhoods, identified in the 2022 Housing Element, have been designated in the Priority
25 Equity Geographies Special Use District, as adopted in 2024 in Ordinance 248-23.

1 (f) The 2022 Housing Element acknowledges that in the face of widening inequality,
2 and the historic and ongoing displacement of low-income communities and communities of
3 color, the City faces an extraordinary imperative over the next decade to permit more housing,
4 facilitate its construction, and prevent further displacement. The 2022 Housing Element
5 analyzes housing needs in San Francisco, includes policies that address those needs based
6 on the collective vision and values of local communities, and identifies programs that will help
7 implement those policies and a guiding framework for future legislation. To meet these
8 challenges, the City must implement a multi-pronged strategy that includes, among other
9 approaches, the development of affordable housing and the expansion of tenant protections
10 to ensure the long-term stability of residents and communities.

11 (g) Several of these strategies center around rent control. Rent control is one of the
12 most important tools for individuals, families, and vulnerable communities seeking to establish
13 roots in a community. A 2022 study performed by the UC Berkeley Urban Displacement
14 Project, “Who Benefits From Tenant Protections?”, identified rent control as among the most
15 effective tools for preventing displacement of residential tenants and for stabilizing
16 neighborhoods and communities. The study also found that combining rent control with just
17 cause eviction protections reduces the rate of displacement for residential tenants, particularly
18 those of lower socio-economic status. This has been particularly true in San Francisco. The
19 City adopted its Rent Ordinance in 1979, and the Rent Ordinance has been critical in
20 safeguarding tenants from excessive rent increases and evictions without just cause.
21 Similarly, a 2018 working paper from the National Bureau of Economic Research titled “The
22 Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San
23 Francisco,” found that rent control helps tenants by providing security and enabling them to
24 remain in their apartments longer, compared to those not protected by rent control. Thus, rent
25 control serves as an important policy tool to stabilize communities and prevent displacement.

1 (h) The Rent Ordinance exempts units lawfully constructed after June 30, 1979 from
2 rent control, and in 1995, the Legislature enacted the Costa-Hawkins Rental Housing Act
3 (California Civil Code Sections 1954.50 et seq.) (Costa-Hawkins), which prohibited the City
4 from changing this rule. But Costa-Hawkins allows a local government to impose rent control
5 on a unit if the owner has agreed to rent control in exchange for direct financial assistance or
6 density exceptions and other zoning modifications.

7 (i) As of 2022, the majority of San Francisco's rental housing stock is subject to
8 rent control. The 2022 Housing Element finds that rent control has been critical to protecting
9 low- and moderate-income residents, including many persons of color, from being at risk of
10 eviction or displacement. But despite these benefits, the 2022 Housing Balance Report No.
11 14, published by the Planning Department, identifies the absence of policies to protect against
12 the removal of residential units from "protected status," including units subject to the Rent
13 Ordinance. Since 2011, approximately 4,200 units have been removed from protected status,
14 with a relatively even distribution of loss across all 11 Supervisorial Districts.

15 (j) While ample evidence demonstrates the short- and long-term benefits of rent
16 control to tenants and communities facing eviction and displacement, empirical evidence
17 suggests that rent control has not been a constraint on new construction. A 2007 report in the
18 Journal of Urban Economics, "Out of Control: What can we learn from the end of
19 Massachusetts rent control?", found that rent control had "little effect on the construction of
20 new housing." Under a "moderate" rent control system like San Francisco's, where landlords
21 generally can reset the rent to market at the start of new tenancies, developers and housing
22 providers are able to secure financing for their projects using initial market rents to
23 approximate a reasonable return on investment. In a 2009 study of New York's rent control
24 system titled "Rent Regulation: Myths & Facts," by Timothy Collins, the former Executive
25 Director and Counsel to the New York City Rent Guidelines Board, Mr. Collins found that

1 “New York’s moderate rent regulations have had few, if any, of the negative side effects so
2 confidently predicted by industry advocates. More important, rent regulations have been the
3 single greatest source of affordable housing for middle- and low-income households.” In
4 “Residential Rent Controls,” a 1988 study for the Urban Land Institute, Anthony Downs,
5 economist and Senior Fellow of the Brookings Institute, found the hypothesis that temperate
6 rent control inhibits new construction “unproven,” and determined that repeated studies of
7 temperate rent controls in the United States fail to provide “any persuasive evidence that
8 temperate rent control ordinances inhibit the construction of new housing.”

9 (k) Another long-standing City strategy for the creation of affordable housing is the
10 Inclusionary Housing Ordinance found in Planning Code Section 415 et seq., and related
11 requirements designed for specific areas of the City. Under the Inclusionary Housing
12 Ordinance, developments with 10 or more units must pay an impact fee, or set aside a certain
13 percentage of those units as affordable to households of low, moderate, or middle income, or
14 provide affordable units off-site. In some areas of the City, developers may dedicate land to
15 the City for affordable housing. The Inclusionary Housing Program has created more than
16 4,700 affordable units since its inception. The Inclusionary Housing fee is approximately \$250
17 per square foot of floor area, multiplied by a percentage of the project, ranging from 12% to
18 27% of the total project, depending on the project’s size, location, and application date.

19 (l) As the City grows and more residential units are created in Well-resourced
20 areas consistent with the 2022 Housing Element, it is in the public interest to couple this
21 growth with policies intended to ensure that resulting housing will foster the long-term
22 community bonds critical to neighborhood stability and sustainability. Thus, by allowing
23 project sponsors to choose to provide rent control on new construction, in exchange for the
24 City’s waiver of the Inclusionary Housing Ordinance requirements, or by choosing to dedicate
25 land to the City for affordable housing, the City will enhance the feasibility of new construction

1 and thereby achieve the policy goals of adding much-needed housing supply, increasing the
2 availability of land for affordable housing, and increasing the number of rent-controlled units.

3 (m) Finally, in certain areas of the City, projects can comply with the Inclusionary
4 Housing Ordinance by dedicating a portion of the total developable area of the principal site to
5 the City for the purpose of constructing affordable housing. Expanding this option to projects
6 in the Well Resourced neighborhoods will facilitate affordable housing development, by
7 reducing land costs which is a considerable portion of affordable housing development costs.
8 Expanding this option is consistent the 2022 Housing Element.

9
10 Section 3. The Planning Code is hereby amended by adding Section 436, to read as
11 follows:

12 **SEC. 436. WELL-RESOURCED NEIGHBORHOODS INCLUSIONARY HOUSING**
13 **ORDINANCE WAIVER AND ADDITIONAL INCLUSIONARY HOUSING OPTIONS.**

14 *This Section 436 provides for a waiver of the requirements in the Inclusionary Housing*
15 *Ordinance, Section 415 et seq., for specified Housing Projects in Well-Resourced Neighborhoods. This*
16 *Section 436 also allows Housing Projects in Well-Resourced Neighborhoods to comply with the*
17 *Inclusionary Housing Ordinance through a land dedication. As used in this Section 436, Well-*
18 *Resourced Neighborhoods means those areas outside the Priority Equities Geographies Special Use*
19 *District (SUD), Section 249.97.*

20 *(a) **Rent Control.** Outside the Priority Equity Geographies SUD, if a Housing Project is a*
21 *Rental Project and agrees to subject all units in the project to the San Francisco Rent Stabilization and*
22 *Arbitration Ordinance (Chapter 37 of the Administrative Code) for the Life of the Project, the project*
23 *shall not be subject to the Inclusionary Housing Ordinance, Planning Code Section 415 et seq.,*
24 *pursuant to this Section 436.*

1 **(1) Regulatory Agreement.** *Project Sponsors of Housing Projects that agree to*
2 *subject all units in the Housing Project to the San Francisco Rent Stabilization and Arbitration*
3 *Ordinance (Chapter 37 of the Administrative Code) pursuant to this subsection (a) shall enter into a*
4 *regulatory agreement with the City, as a condition of approval of the project (“Regulatory*
5 *Agreement”). At a minimum, the Regulatory Agreement shall contain the following: (A) a statement*
6 *that none of the units in the project are subject to the Costa-Hawkins Rental Housing Act (California*
7 *Civil Code Sections 1954.50 et seq.) because, consistent with California Civil Code Section 1954.52(b),*
8 *the property owner has entered into and agreed to the terms of an agreement with the City in*
9 *consideration for a direct financial contribution or other form of assistance specified in California*
10 *Government Code Sections 65915 et seq.; (B) a statement that the units will be rented for the Life of the*
11 *Project because, consistent with Government Code Section 7060.1(a), the property owner has entered*
12 *into and agreed to the terms of an agreement with the City, in consideration for a direct financial*
13 *contribution specified in Section 7060.1(a); (C) a calculation of the direct financial contribution or*
14 *form of assistance provided to the property owner in the form of the fee waiver; and (D) a description*
15 *of the remedies for breach of the agreement and other provisions to ensure implementation and*
16 *compliance with the agreement. The property owner and the Planning Director or the Director’s*
17 *designee, on behalf of the City, may execute the Regulatory Agreement, which shall be reviewed and*
18 *approved as to form by the City Attorney’s Office. The Regulatory Agreement shall be executed prior to*
19 *the City’s issuance of the First Construction Document for the project, as defined in Section 107A.13.1*
20 *of the San Francisco Building Code. Following execution of the Regulatory Agreement by all parties,*
21 *the Regulatory Agreement or a memorandum thereof shall be recorded to the title records in the Office*
22 *of the Assessor-Recorder against the property and shall be binding on all future owners and successors*
23 *in interest.*

24 **(2) Procedures Manual.** *For Housing Projects with units subject to a recorded*
25 *covenant, ordinance, or law that restricts rents to levels affordable to persons and families of lower*

1 income in compliance with any state law, those units shall comply with the timing, type, and marketing
2 requirements of Section 415.6(e), (f), and (g), and the Procedures Manual, as amended from time to
3 time.

4 (b) **Land Dedication Alternative.** In lieu of Section 415 et seq., the Project Sponsor of any
5 Housing Project outside the Priority Equity Geographies SUD, may comply with the Land Dedication
6 Alternative requirements in Section 419.5(a)(2). Any land dedicated pursuant to this Section 436 shall
7 be provided outside the Priority Equity Geographies SUD.

8
9 Section 4. Effective Date. This ordinance shall become effective 30 days after
10 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
11 ordinance unsigned or does not sign the ordinance within 10 days of receiving it, or the Board
12 of Supervisors overrides the Mayor's veto of the ordinance.

13
14 Section 5. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
15 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
16 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
17 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
18 additions, and Board amendment deletions in accordance with the "Note" that appears under
19 the official title of the ordinance.

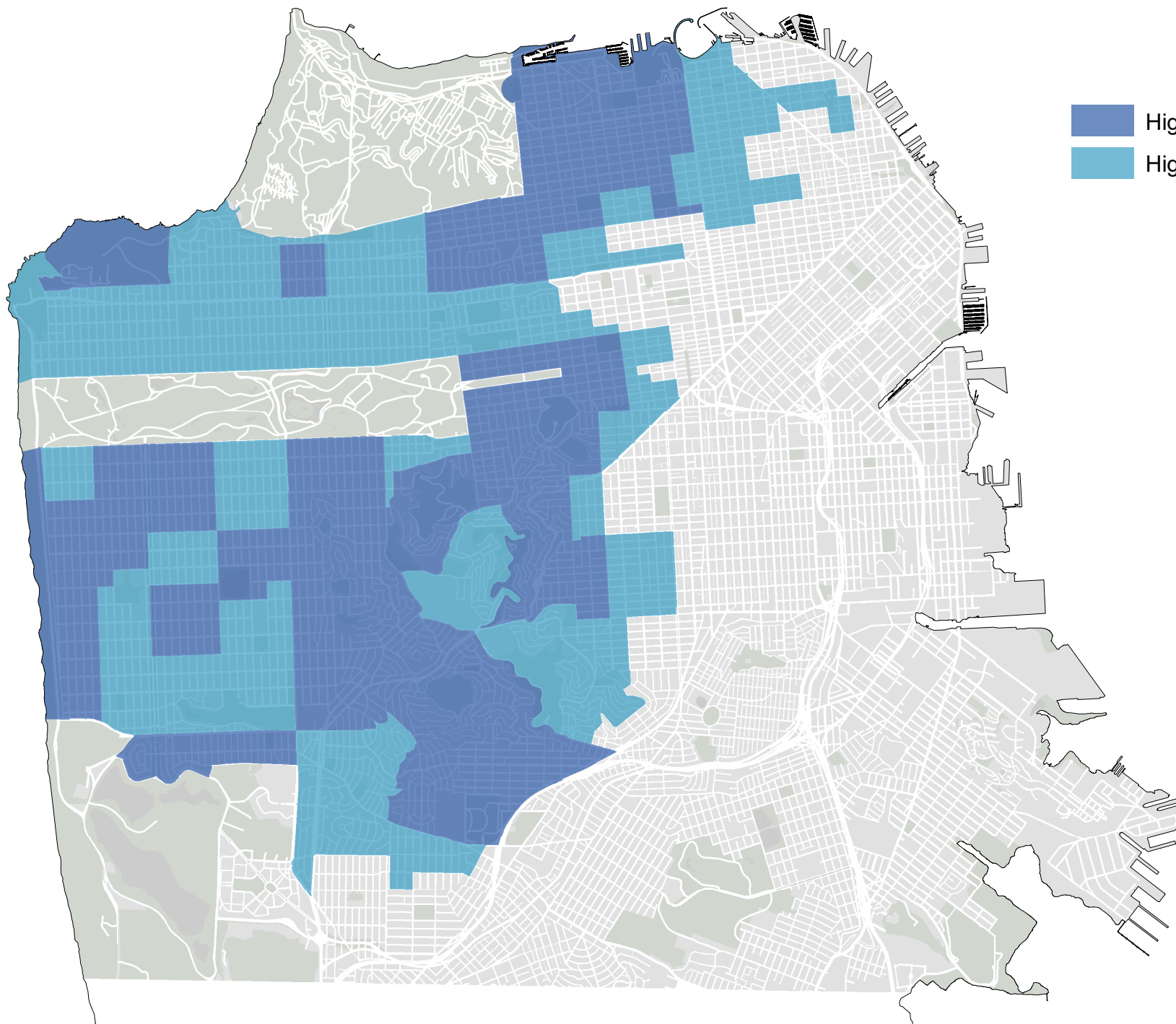
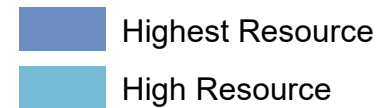
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21 APPROVED AS TO FORM:
22 DAVID CHIU, City Attorney

23 By: /s/
24 Audrey Williams Pearson
Deputy City Attorney

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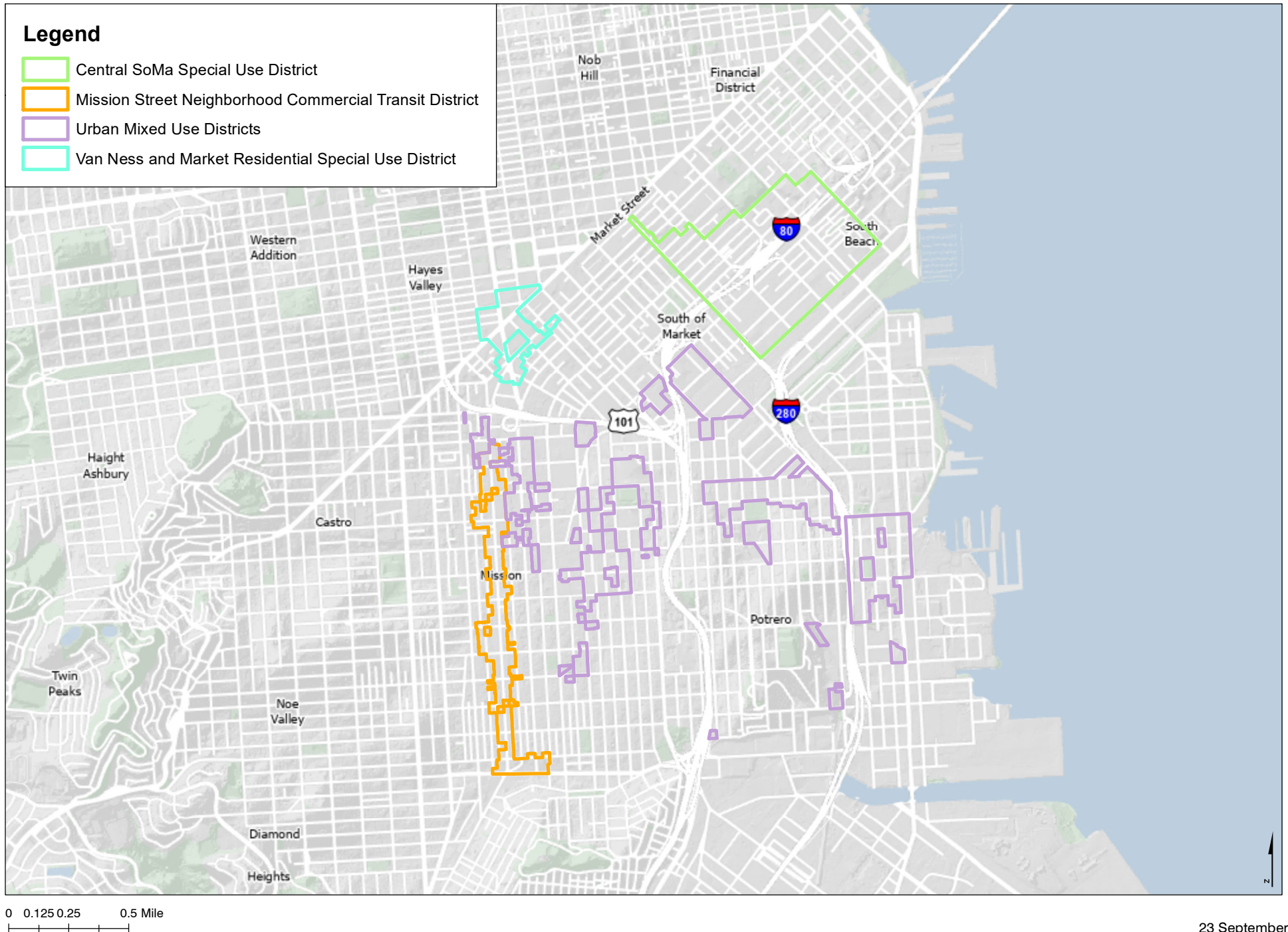
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EXHIBIT C



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Zoning Districts that Allow a Land Dedication Alternative



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EXHIBIT E

