San Francisco Planning

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June 22, 2026

Ms. Angela Calvillo, Clerk
Honorable Mayor Lurie
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: **Transmittal of Planning Department Case Number 2026-003786PCA**
Updates to the Inclusionary Affordable Housing Program and Development Impact Fee Reductions
Board File No. 260538

Planning Commission Action: **Adopted a Recommendation for Approval with Modifications**

Dear Ms. Calvillo and Mayor Lurie,

On June 18, 2026, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance, introduced by Mayor Lurie. The proposed Ordinance would amend the Planning Code to reduce Inclusionary Affordable Housing Program ("Program") requirements for projects of 25 units or more and delete the requirements for projects under 25 units, allow all projects to dedicate land to the City as an alternative to payment of the Program fee, adopt a process for projects to request a modification to conditions of approval related to Program requirements, delete certain Article 4 affordable housing and development impact fees; and adopt conforming amendments to various sections of the Planning Code. The proposed Ordinance also amends the Building Code to allow deferral of payment of such fees and makes conforming amendments. The Administrative Code would also be amended to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund.

At the hearing the Planning Commission adopted a recommendation for approval with modifications.

The Commission's proposed modifications were as follows:

1. Amend Section 249.5(c)(6) to allow special exceptions to the 80-foot base height limit in the 80-120-T

and 80-130-T Height and Bulk Districts to be granted through Conditional Use approval.

2. Correct the references in Section 415.10(e) to state 415.4(g)(4) and 415.4(g)(2).

3. Correct the definition of “Development Application” – specifically, for projects that are subject to a development agreement, the “Development Application” shall mean an individual building’s first site or building permit.

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

Mayor, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission.

Please find attached documents relating to the actions of the Commission. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

Veronica Flores, Acting Manager of Legislative Affairs

cc: Audrey Pearson, Deputy City Attorney
Adam Thongsavat, Liaison to the Board of Supervisors, Office of Mayor Daniel Lurie
Monique Crayton, Office of the Clerk of the Board
Jacob Bintliff, Office of Economic and Workforce Development

ATTACHMENTS :

Planning Commission Resolutions
Planning Department Executive Summary

San Francisco Planning

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PLANNING COMMISSION
RESOLUTION NO. 21923

HEARING DATE: June 18, 2026

Project Name:	Inclusionary Housing Requirements and Development Impact Fee Reductions
Case Number:	2026-003786PCA [Board File No. 260538]
Initiated by:	Mayor Daniel Lurie / Introduced May 19, 2026
Staff Contact:	Ada Tan, Housing Implementation ada.tan@sfgov.org, 628-652-7403
Reviewed by:	Carly Grob, Manager of Housing Implementation carly.grob@sfgov.org, 628-652-7532

RESOLUTION ADOPTING A RECOMMENDATION FOR APPROVAL OF A PROPOSED ORDINANCE THAT WOULD 1) REDUCE INCLUSIONARY AFFORDABLE HOUSING PROGRAM REQUIREMENTS FOR PROJECTS OF 25 UNITS OR MORE; 2) DELETE INCLUSIONARY AFFORDABLE HOUSING PROGRAM REQUIREMENTS FOR PROJECTS UNDER 25 UNITS; 3) ALLOW ALL PROJECTS TO DEDICATE LAND TO THE CITY AS AN ALTERNATIVE TO PAYMENT OF THE INCLUSIONARY AFFORDABLE HOUSING PROGRAM FEE; 4) ADOPT A PROCESS FOR PROJECTS TO REQUEST A MODIFICATION TO CONDITIONS OF APPROVAL RELATED TO INCLUSIONARY AFFORDABLE HOUSING PROGRAM REQUIREMENTS; 5) DELETE CERTAIN ARTICLE 4 AFFORDABLE HOUSING AND DEVELOPMENT IMPACT FEES; 6) ADOPT CONFORMING AMENDMENTS TO VARIOUS SECTIONS OF THE PLANNING CODE; AMENDING THE BUILDING CODE TO ALLOW DEFERRAL OF PAYMENT OF SUCH FEES AND MAKE CONFORMING AMENDMENTS; AMENDING THE ADMINISTRATIVE CODE TO ADOPT CONFORMING AMENDMENTS TO THE REQUIREMENTS OF THE CITYWIDE AFFORDABLE HOUSING FUND; AFFIRMING THE PLANNING DEPARTMENT'S DETERMINATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MAKING PUBLIC NECESSITY, CONVENIENCE, AND WELFARE FINDINGS UNDER PLANNING CODE, SECTION 302; AND MAKING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN, AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE, SECTION 101.1.

WHEREAS, on May 19, 2026 Mayor Lurie introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 260538, which would amend the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; 6) adopt conforming amendments to various sections of the Planning Code; amending the Building Code to reduce Planning Code Article 4 development impact fees and allow deferral of payment of such fees; amending the Administrative Code to adopt conforming amendments to the requirements of the Citywide Affordable Housing Fund;

WHEREAS, on June 2, 2026 Mayor Lurie introduced a substitute Ordinance under the same Board File Number;

WHEREAS, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on June 18, 2026; and,

WHEREAS, this Resolution has been determined to not be defined as a project under the California Environmental Quality Act Sections 15060(c)(2) and 15378; and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the Custodian of Records, at 49 South Van Ness Avenue, Suite 1400, San Francisco; and

WHEREAS, the Planning Commission has reviewed the proposed Ordinance; and

WHEREAS, the Planning Commission finds from the facts presented that the public necessity, convenience, and general welfare require the proposed amendment; and

MOVED, that the Planning Commission hereby adopts a **recommendation for approval with modifications** of the proposed Ordinance. The Commission's proposed recommendations are as follows:

1. Amend Section 249.5(c)(6) to allow special exceptions to the 80-foot base height limit in the 80-120-T and 80-130-T Height and Bulk Districts to be granted through Conditional Use approval.

2. Correct the references in Section 415.10(e) to state 415.4(**g**)(4) and 415.4(**g**)(2).

3. Correct the definition of "Development Application" – specifically, for projects that are subject to a development agreement, the "Development Application" shall mean an individual building's first site or building permit.

Findings

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

San Francisco's Inclusionary Affordable Housing Program ("Program") is intended to help address the demonstrated need for affordable housing in San Francisco. As rents and sales prices for housing outpace what is affordable to the typical San Francisco family, the City faces a continuing shortage of affordable housing for all but households with the highest incomes.

San Francisco is facing a shortage of all types of housing. To meet San Francisco's share of the regional need for housing between 2023-2031, the City must accommodate over 82,000 units, including 32,881 units for extremely low, very-low and low- income households, and 49,188 units for moderate and above-moderate income households. The Program is an important part of the City's overall strategy for providing affordable housing to very-low, low- moderate-, and middle-income households, and has created more than 3,600 units since its inception. But the success of the Program is contingent on the overall feasibility of residential development. For that reason, Planning Code Section 415.10 requires periodic review of the program's requirements.

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

The Controller and TAC found that none of the development prototypes studied were financially feasible at the current inclusionary housing rates in the Planning Code. Most prototypes studied had significant negative land value, indicating that the prototype would not be financially feasible, even setting aside the cost of land. The prototypes, which were studied because they represent the types of residential development that are common in San Francisco, account for a majority of the housing production in San Francisco. The finding that the prototypes are not feasible suggests that residential development is, broadly speaking, not financially feasible under current economic conditions at current inclusionary housing rates.

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

On April 30, 2026, the Controller submitted a memorandum on the Triennial Review of Economic Feasibility to the Board of Supervisors that summarizes the residential development feasibility analysis and the recommendations developed by the Controller, with TAC agreement. That memorandum recommends that the City's inclusionary housing rates be reduced from the current citywide interim on-site rate of 15% to 5%, and the fee rate reduced from 20.5% (for large projects) to 10%.

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

In addition to reducing inclusionary housing obligations for future residential development projects, the proposed changes would also apply to previously approved projects. This provision could improve the financial feasibility of approved developments representing tens of thousands of housing units, potentially enabling more projects to advance into the construction phase as project economics become more viable.

The sponsors of projects that have already been approved have likely spent considerable money securing land, pursuing entitlements, and advancing design, but have also been subject to significant construction cost escalation and rising interest rates during the time between project conception and today.

By reducing the inclusionary obligation over the next three years, the City will incentivize projects to advance into the construction phase and swiftly provide much needed market rate and inclusionary units. The recommended modifications from the Planning Commission are intended to further clarify the Code provisions and ensure their consistent application.

General Plan Compliance

The proposed Ordinance and the Commission's recommended modifications are consistent with the following Objectives and Policies of the General Plan:

HOUSING ELEMENT

POLICY 5
IMPROVE ACCESS TO THE AVAILABLE AFFORDABLE RENTAL AND HOMEOWNERSHIP UNITS ESPECIALLY FOR DISPROPORTIONTELY UNDERSSERVED RACIAL AND SOCIAL GROUPS.

POLICY 24
ENABLE MIXED-INCOME DEVELOPMENT PROJECTS TO MAXIMIZE THE NUMBER OF PERMANENTLY AFFORDABLE HOUSING UNITS CONSTRUCTED, IN BALANCE WITH DELIVERING OTHER PERMANENT COMMUNITY BENEFITS THAT ADVANCE RACIAL AND SOCIAL EQUITY.

Implementing Action Section 1.3 – Inclusionary Housing

Action 1.3.2: Through the Controller's Office triennial study of financial feasibility of the Inclusionary housing Program including feedback from the Technical Advisory Committee, assess by 2024 whether affordability levels of rental and ownership units created through the program could be made accessible to lower income groups in balance with ensuring financial feasibility as referenced in Action 1.3.1.

Action 1.3.3: Assess inclusionary tiers to address constraints on housing development including financial feasibility, to increase certainty for housing projects, to ensure that inclusionary requirements do not impede or undermine use of State Density Bonus Law, and to reduce staff time and need for specific expertise. Changes to inclusionary tiers should improve or maintain average affordability of inclusionary housing units. Changes to inclusionary tiers and their requirements should retain or expand the percentage of units required, including with consideration to rents, purchase prices, and HOA fees.

Action 1.3.6: Prioritize achieving the maximum number of permanently affordable housing units at lower- and moderate-incomes that are financially feasible, as an essential benefit of new mixed-use development agreements alongside other benefits such as community facilities and transit investments

Action 1.3.9: Ensure that implementation of the City's inclusionary ordinance for State Density Bonus projects does not undermine the feasibility of projects that already provide affordable units and are consistent with State Density Bonus Law.

- For projects already providing affordable housing through State Density Bonus Law, consider applying the inclusionary tier and requirement to the base project to increase the financial feasibility of smaller density bonus projects.
- Allow greater flexibility for projects that invoke State Density Bonus Law by allowing more deeply affordable units to be counted toward the affordability tiers required under the inclusionary ordinance.
- Study the applicability of the Affordable Housing Fee to bonus projects, evaluating its impacts on project feasibility and affordable housing production. Based on the findings of this study, take action to mitigate impacts of the Affordable Housing Fee program.

Implementing Action Section 8.9 – Post-Entitlement Permitting and Pipeline Support

The Inclusionary Affordable Housing Program is an important policy to facilitate the construction of housing that is affordable low- and moderate-income households without public subsidy; however, the production of affordable units can only occur if market-rate projects can move forward. As described in the Findings Section, the Controller and TAC have found that residential development with the current inclusionary rates is infeasible under current economic conditions. The Ordinance aims to improve the feasibility of residential development by temporarily reducing inclusionary rates and other development impact fees. The proposed reductions are consistent with Policy 24 of the Housing Element, to enable mixed-income projects to maximize affordability in balance with delivering other community benefits that advance racial and social equity, and with Policy 5, to improve access to available affordable units for disproportionately underserved racial and social groups.

The Housing Element of the General Plan includes a set of Implementing Programs that San Francisco may undertake to implement the policies set forth in the Housing Element and to achieve its goals and objectives. Section 1.3 sets forth policy recommendations related to the Inclusionary Housing Program. This Ordinance would implement Action No. 1.3.2, which instructs the City to consider feedback from the Controller's triennial feasibility study, with input from the TAC, to assess whether the inclusionary affordable housing program can provide access to affordable housing in balance with ensuring financial feasibility. The Ordinance would also implement Action No. 1.3.6 to prioritize achieving the maximum number of affordable units alongside other community benefits, and Action Nos. 1.3.3 and 1.3.9, which ensures that the Inclusionary Ordinance, along with any modification of the affordability tiers, does not undermine the feasibility of projects that are consistent with the State Density Bonus Law. The proposal to provide an administrative process for Projects to modify their affordability and impact fees is also consistent with the general goals of Implementing Program No. 8.9 to provide support to pipeline projects and improve post-entitlement processes.

POLICY 26

STREAMLINE AND SIMPLIFY PERMIT PROCESSES TO PROVIDE MORE EQUITABLE ACCESS TO THE APPLICATION PROCESS, IMPROVE CERTAINTY OF OUTCOMES, AND ENSURE MEETING STATE- AND

LOCAL-REQUIRED TIMELINES, ESPECIALLY FOR 100% AFFORDABLE HOUSING AND SHELTER PROJECTS.

Implementing Action Section 8.4 – Process and Permit Procedures

Action No. 8.4.19: Whenever Planning Code amendments or revisions are proposed, advocate for ensure and promote simpler or an overall reduction of rules that affect housing approvals to reduce the specific or institutional knowledge needed by City staff, applicants, and members of the public to increase accessibility.

Housing Element Policy No. 26 directs the City to streamline and simplify permit processes to provide more equitable access to the application process, improve certainty of outcomes, and ensure meeting State- and local-required timelines, especially for 100% affordable housing and shelter projects. This policy is reiterated in Implementation Action No. 8.4.19, directs the Department to advocate for simpler rules and/or an overall reduction in regulations that affect housing approvals, which in turn would reduce the specific or institutional knowledge required by City staff, applicants, and members of the public to engage with the information.

Planning Code Section 101 Findings

The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

   The proposed Ordinance would not have a negative effect on neighborhood serving retail uses and will not have a negative effect on opportunities for resident employment in and ownership of neighborhood-serving retail.

2. That existing housing be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

   The proposed Ordinance would not have a negative effect on existing housing. Projects that would benefit from development impact fee reductions may become feasible, and may further activate soft sites or vacant sites. Aside from stabilization efforts, the Inclusionary Program is an important tool to maintain economic diversity in our neighborhoods. Not only does the proposed Ordinance preserve cultural and economic diversity by ensuring a mix of income levels in new construction, it also furthers this goal by diversifying Well-resourced neighborhoods with mixed-income housing.

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

   The Ordinance proposes reductions to inclusionary rates and impact fees to improve the feasibility of residential development, which enhances the affordability of housing by adding to the housing stock. Reductions in the inclusionary requirements balance the need for feasible residential development *while also providing affordable housing without City subsidy, either through the construction of affordable units or payment of fees to construct affordable housing.*

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

   The proposed Ordinance would not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

   The proposed Ordinance would not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors would not be impaired.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

   The proposed Ordinance would not have an adverse effect on City's preparedness against injury and loss of life in an earthquake.

7. That landmarks and historic buildings be preserved;

   The proposed Ordinance would not have an adverse effect on the City's Landmarks and historic buildings.

8. That our parks and open space and their access to sunlight and vistas be protected from development.

   The proposed Ordinance would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas.

Planning Code Section 302 Findings.

The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed amendments to the Planning Code as set forth in Section 302.

NOW THEREFORE BE IT RESOLVED that the Commission hereby ADOPTS A RECOMMENDATION FOR APPROVAL WITH MODIFICATIONS of the proposed Ordinance as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on June 18, 2026.

Jonas P. Ionin
Commission Secretary

AYES:	McGarry, So, Braun, Campbell
NOES:	Williams, Moore
ABSENT:	None
ADOPTED:	June 18, 2026

San Francisco Planning

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PLANNING COMMISSION
RESOLUTION NO. 21924

HEARING DATE: June 18, 2026

Project Name:	Delegation of Authority to Modify the Conditions of Approval Relating to Inclusionary Affordable Housing Requirements, Validity and Period of Performance
Case Number:	2026-003786CRV [Board File No. 260538]
Staff Contact:	Ada Tan, Housing Implementation ada.tan@sfgov.org, 628-652-7403
Reviewed by:	Carly Grob, Manager of Housing Implementation carly.grob@sfgov.org, 628-652-7532

RESOLUTION DELEGATING THE PLANNING COMMISSION'S AUTHORITY TO THE PLANNING DIRECTOR OR THEIR DESIGNEE TO MODIFY THE CONDITIONS OF APPROVAL, CONDITIONS ON A PROJECT PERMIT, OR NOTICE OF SPECIAL RESTRICTIONS RELATED TO THE INCLUSIONARY AFFORDABLE HOUSING PROGRAM REQUIREMENTS, PURSUANT TO THE ADMINISTRATIVE MODIFICATION PROCEDURES AND REQUIREMENTS IN PLANNING CODE SECTION 415.4, PROVIDED SUCH PROCEDURES AND REQUIREMENTS ARE DULY ENACTED BY LAW. ADDITIONALLY, THE DIRECTOR OR THEIR DESIGNEE IS AUTHORIZED TO REVISE CONDITIONS OF APPROVAL, CONDITIONS ON A PROJECT PERMIT, OR NOTICE OF SPECIAL RESTRICTIONS RELATED TO VALIDITY AND PERIOD OF PERFORMANCE CONDITIONS AND IS AUTHORIZED TO INCLUDE ANY THEN-CURRENT STANDARD CONDITIONS OF APPROVAL IN ANY MODIFIED APPROVAL.

WHEREAS, on May 19, 2026 Mayor Lurie introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 260538, which would amend the Planning Code to update the Inclusionary Affordable Housing Program requirements, reduce development impact fees, and delegate authority to the Planning Director or their designee to administratively approve requests to modify certain Conditions of Approval;

WHEREAS, on June 2, 2026 Mayor Lurie introduced a substitute Ordinance under the same Board File Number;

WHEREAS, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider this Resolution on June 18, 2026; and, WHEREAS, the Planning Commission adopted a recommendation for approval with modifications of the proposed Ordinance on June 18, 2026, which included a recommendation to delegate authority as described in this Resolution; and,

WHEREAS, this Resolution has been determined to not be defined as a project under the California Environmental Quality Act Sections 15378 and 15060(c)(2); and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the Custodian of Records, at 49 South Van Ness Avenue, Suite 1400, San Francisco; and

WHEREAS, the Planning Commission has reviewed this proposed Resolution allowing it to delegate its authority; and

WHEREAS, the Planning Commission finds from the facts presented that the public necessity, convenience, and general welfare require the proposed delegation of authority; and

MOVED, that the Planning Commission **adopts** this Resolution and hereby DELEGATES its authority to the Planning Director or their designee to modify the conditions of approval, conditions on a project permit, or notice of special restrictions related to the Inclusionary Affordable Housing Program requirements under Section 415 et seq, pursuant to the administrative modification procedures and requirements in Planning Code section 415.4, provided such procedures and requirements are duly enacted by law. The Director or their designee is also authorized to revise conditions of approval, conditions on a project permit, or notice of special restrictions related to conditions of validity and period of performance, and is authorized to include any then-current standard conditions of approval in any modified approval.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on June 18, 2026.

Jonas P. Ionin
Commission Secretary

AYES:	McGarry, So, Braun, Campbell
NOES:	Williams, Moore
ABSENT:	None
ADOPTED:	June 18, 2026

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EXECUTIVE SUMMARY
PLANNING CODE TEXT AMENDMENT

HEARING DATE: June 18, 2026

90-Day Deadline: August 24, 2026

Project Name:	Inclusionary Housing Requirements and Development Impact Fee Reductions
Case Number:	2026-003786PCA/CRV [Board File No. 260538]
Initiated by:	Mayor Daniel Lurie / Introduced May 19, 2026
Staff Contact:	Ada Tan, Housing Implementation, Current Planning Division ada.tan@sfgov.org, 628-652-7403
Reviewed by:	Carly Grob, Manager of Housing Implementation carly.grob@sfgov.org, 628-652-7532
Environmental Review:	Not a Project Under CEQA

RECOMMENDATION: **Adopt a Recommendation for Approval with Modifications**

Planning Code Amendment

The proposed Ordinance would amend the Planning Code to: 1) reduce Inclusionary Affordable Housing Program requirements for projects of 25 units or more; 2) delete Inclusionary Affordable Housing Program requirements for projects under 25 units; 3) allow all projects to dedicate land to the City as an alternative to payment of the Inclusionary Affordable Housing Program fee; 4) adopt a process for projects to request a modification to conditions of approval related to Inclusionary Affordable Housing Program requirements; 5) delete certain Article 4 affordable housing and development impact fees; 6) adopt conforming amendments to various sections of the Planning Code. The Ordinance also amends the Building Code to allow the deferral of fee payments and makes related conforming amendments. In addition, it amends the Administrative Code to make corresponding changes to the requirements of the Citywide Affordable Housing Fund.

Introduction

On May 19, 2026, Mayor Lurie introduced legislation [Board File No. 260538] to amend the Planning Code, Building Code, and Administrative Code requirements related to the Inclusionary Affordable Housing Program and development impact fees. On June 2, 2026, Mayor Lurie introduced a substitute Ordinance under the same Board File Number to clarify requirements, make corrections, ensure consistency with related Code provisions, and adopt conforming amendments.

Background

San Francisco's Inclusionary Affordable Housing Program ("Program"), Planning Code ("Code") Section 415 *et seq.*, requires market-rate housing development projects proposing 10 or more units to meet the Program requirements. A project sponsor can choose to comply with the Program by paying a fee to the City, which the City uses to construct affordable housing, provide a percentage of the units as below market rate ("BMR") units on-site within the project, or off-site at another location in the City. Certain areas within the City also allow project sponsors the option to comply by dedicating land to the City for affordable housing construction or by subjecting units to rent control. BMR units constructed through the Program are monitored by the Mayor's Office of Housing and Community Development ("MOHCD") and are subject to the Inclusionary Affordable Housing Program Monitoring and Procedures Manual ("Procedures Manual"). Updates to the Procedures Manual are proposed by MOHCD and Planning every five years and any changes must be adopted by the Planning Commission as required under Code Section 415.

Summary of May 28, 2026 Informational Hearing

On May 28, 2026 the Planning Commission heard an informational item about the proposed Ordinance. During the hearing, Commissioners highlighted that the data and findings presented in the Controller's Office Triennial Review of Economic Feasibility Report (Exhibit C), issued on April 30, 2026, clearly articulated the infeasibility of housing development. Several Commissioners agreed that the low rates would help to make housing more feasible, bringing more housing and jobs to the City. The Commissioners noted that the inclusionary rates will be revisited through the TAC process in three years and could respond to economic improvement at that time. The Commissioners also questioned whether a 5% on-site affordability requirement would be sufficient due to current economic conditions where many development projects remain financially infeasible. Commissioners also asked for clarification on the rationale for applying the inclusionary requirements to projects with 25 or more units instead of 10 or more units. Additionally, they asked whether any incentives exist for projects that exceed the 25 units or more threshold.

Commissioners requested any further reductions to impact fees include an analysis that clarifies the tradeoffs associated with such reductions. During the staff presentation, it was noted that impact fee revenues have declined due to a reduction in overall development activity.

Commissioners raised questions about the Affordable Housing Trust Fund ("HTF" or "Fund") and the need for voter approval of changes to the Fund. Staff clarified that the TAC recommendation was to place the measure on the November ballot and emphasized that the timing of the overall legislation is critical due to the upcoming expiration of the current, temporary requirements. Staff also clarified that the HTF measure could be placed on the ballot by the Board of Supervisors and that advocates would not need to collect signatures to place the measure on the ballot. If the measure passes, the timing for the 2029 implementation of the Fund aligns with the City's budget cycle. Staff also provided additional detail on how the Fund works and what programs and activities are supported by the Fund.

History of the Inclusionary Program

From 1992 until 2002, Planning Commission policy required affordable units for certain projects of 10 units or more that received Department approval. The City adopted an Inclusionary Housing Ordinance in 2002 that set requirements for market rate development to include affordable units at 10% of the total. In 2007, the on-site requirement was increased to 15%, supported by a Nexus Study that demonstrated the necessity of affordable housing to mitigate the impacts of market rate housing.

Inclusionary requirements are one of several funding sources for the City's Program. Prior to 2011, the San Francisco Redevelopment Authority had been the City's largest provider of affordable housing funds. In 2011, Governor Jerry Brown and the State Legislature dissolved Redevelopment Agencies throughout the State. In 2012, in response to this loss and the slowing of housing development during the Great Recession, the voters amended the San Francisco Charter to create the Affordable Housing Trust Fund, which included a provision to lower the on-site inclusionary requirement to 12%. As a Charter amendment, the inclusionary rate could only be revised again by the voters.

In March 2016, the Board of Supervisors unanimously adopted a resolution declaring that it shall be City policy to maximize the economically feasible percentage of inclusionary affordable housing in market rate housing development. In June, as housing prices rose drastically, San Francisco voters approved a Charter Amendment (Proposition C), which restored the City's ability to adjust affordable housing requirements for new development by ordinance. The passage of Proposition C then triggered the provisions of an ordinance, adopted by the Board of Supervisors in May 2016, which amended the Planning and Administrative Codes to 1) increase the Inclusionary Affordable Housing requirements, pending further action by the Board of Supervisors; 2) provide lower inclusionary rates for projects in the pipeline at the time ("grandfathered rates"), 3) require an Economic Feasibility Study by the Office of the Controller; and 4) establish an Inclusionary Housing Technical Advisory Committee ("TAC") to advise the Controller. The City also updated the nexus analysis in 2016. The Board of Supervisors considered the findings of the Controller's Economic Feasibility Study that was required by Proposition C to determine the maximum economically feasible inclusionary requirements and ultimately adopted an ordinance updating the requirements in August 2017.

The 2017 ordinance was the most significant change to the City's Program since it was adopted. Not only did it increase the required on-site rates to 18% for rental projects and 20% for condominium projects, but it also introduced a variety of new controls and requirements. These included a requirement that project sponsors provide units at moderate- and middle-income "tiers" in addition to low-income units, an annual increase to the on-site inclusionary rates until the rates reached 24% for rental and 26% for condominium projects. Additional changes included a lower rate for small projects of 10-24 units, higher rates for specific geographic areas, and minimum unit sizes. The 2017 ordinance was also coupled with a new Citywide dwelling unit mix requirement.

The triennial economic feasibility study was not completed in 2020 due to the COVID-19 emergency. The Controller reconvened the TAC in October 2022 to prepare a new feasibility study. Economic conditions had changed following the pandemic, and the study found that various residential prototypes were generally infeasible to construct, even if there were no inclusionary requirements. The TAC recommended reducing inclusionary requirements and exploring other ways to improve housing feasibility. On September 5, 2023, the Board of Supervisors adopted legislation to temporarily reduce the Inclusionary Affordable Housing requirements for certain residential projects to improve the feasibility of residential development.
The on-site requirements were temporarily lowered to 12% for pipeline projects approved before November 1, 2023 and to 15% for projects approved after that date. The 2023 ordinance[1] also provided a temporary 33% reduction on other development impact fees. These temporary reductions are currently in effect and are set to expire on November 1, 2026. Without any legislative change, the applicable rates will increase automatically to 18% for large rental projects and 20% for large condominium projects and increase annually until they reach 24% for rental and 26% for ownership projects.

2026 Technical Advisory Committee

Planning Code Section 415.10 requires the Controller, in consultation with the Inclusionary Housing Technical Advisory Committee (“TAC”), to conduct a feasibility study of San Francisco’s inclusionary housing requirements every three years. The TAC, established in Administrative Code Section 5.29, is a policy body made up of market-rate and affordable housing developers and service providers to advise the Controller and the Board about the Inclusionary Ordinance. Four members of the TAC are appointed by the Mayor, and four are appointed by the Board of Supervisors.

From December 2025 through April 2026, per the requirements in Section 415.10 of the Code, the Controller and the TAC met four times to conduct and review a feasibility study of the City’s inclusionary affordable housing obligations prepared by a real estate consultant, Century Urban, under the direction of the Controller. This feasibility study analyzed five condominium prototypes and five apartment prototypes, ranging from small low-rise to large high-rise projects, and considered key economic parameters, such as: interest rates, capitalization rates, land prices, construction costs, rents, and sale prices. The prototypes were selected because they represent the types of residential development that are common in San Francisco and that account for most of the housing production in the City.

Based on this analysis, none of the development prototypes studied were financially feasible at the current inclusionary housing rates required by the Code. Each prototype studied had significant negative land value, indicating that the prototype would not be financeable, even setting aside the cost of land. The study also analyzed each prototype as a hypothetical market rate project with no inclusionary requirement. Only one prototype, a mid-rise condominium project, was found to be marginally feasible with no inclusionary requirement, but the low and high-rise condominium projects and all rental projects remained infeasible. The finding that these prototypes are not feasible indicates that residential development is, broadly speaking, not financially feasible under current economic conditions.

[1] Board File No. 230769 /Ordinance No. 187-23

On April 30, 2026, the Controller submitted a memorandum to the Board of Supervisors on the Triennial Review of Economic Feasibility summarizing the feasibility analysis and TAC recommendations. The memorandum is attached as Exhibit C. The Controller's report found that under current economic conditions the maximum economically feasible on-site inclusionary rate is 0%, and that inclusionary rates above 0% could further threaten the feasibility of multi-family construction, which would not create additional affordable housing. Given these findings, the TAC unanimously recommended that the City lower the on-site requirement to 5%, provided that the City establishes an alternative funding source for affordable housing other than the Program. The TAC also recommended exempting small projects of fewer than 25 units from the Program, consolidating the on-site requirement to provide units primarily for low-income households with some units for moderate-income households. Additionally, the TAC recommended applying a single set of requirements for both rental and ownership projects and a 67% reduction in non-inclusionary development impact fees on new housing development, in proportion to the reduction in the on-site inclusionary rate. The TAC did not specify the fee or off-site rates, but recommended the fee be set to encourage the provision of on-site inclusionary housing, in line with current practice. A complete list of the TAC's recommendations begins on page 5 of the Controller's memorandum (Exhibit C).

2026 Affordable Housing Trust Fund

On May 19, 2026, Supervisor Melgar, with the support of Mayor Lurie and five legislative co-sponsors on the Board of Supervisors, introduced an amendment to the City Charter for the November 2026 ballot that would significantly increase the City's annual contributions to the Affordable Housing Trust Fund ("Fund"). The Charter amendment would, starting in 2029, increase the annual appropriation into the Fund from the current $52 million per year by dedicating a portion of annual growth in the City's property tax base until the amount reaches $125 million per year, after which the amount would grow at the same rate as the City's annual General Fund discretionary revenue, up to 3% per year. The ballot measure would also extend the duration of the Fund from the current sunset in 2043 until 2058 and would be projected to dedicate an additional $3 billion for affordable housing production and preservation over this 30-year period.

The Fund was established in 2012 through a voter approved Charter amendment intended to support a range of affordable housing and homeownership initiatives. These include the creation, acquisition, and rehabilitation of rental and ownership housing affordable for households earning up to 120% of Area Median Income, homeowner downpayment assistance programs for residents and emergency first responders, and housing stabilization. As the Fund continues to grow, additional resources will become available to help expand these programs and support the construction and preservation of more affordable housing units.

The Fund measure would implement the TAC's recommendation to provide increased recurring local funding for affordable housing and was introduced together with the ordinance updating inclusionary and impact fee requirements that is before the Commission. The legislation and measure are intended to work in tandem, pairing increased support for housing development with a dedicated source of funding for affordable housing investment. Increased housing production expands the revenue base that supports affordable housing production. By making housing development more feasible, more projects can move forward, generating additional tax revenue and impact fees for the City.

Summary of Proposed Changes

The proposed Ordinance updates inclusionary housing requirements and applicability, establishes special inclusionary provisions for specific areas, revises the land dedication alternative criteria, clarifies the process for projects seeking modified inclusionary rates, reduces development impact fees, and streamlines and simplifies related regulations.

Below is a summary of the existing requirements (The Way It Is Now) and the proposed changes (The Way It Would Be) in the proposed Ordinance. This report breaks down the proposed changes into six sections, and each section includes a brief overview of the policy and implementation considerations. Recommendations of the Inclusionary Housing Technic Advisory Committee ("TAC") are identified in italics and include the note '*[TAC Recommendation]*' in the following charts.

Section 1: Inclusionary Requirements and Applicability

This Section generally describes the on-site, off-site, and Affordable Housing Fee requirements for projects subject to the Program, including density bonus programs that require the provision of affordable units. Along with Section 5 (Development Impact Fees), Section 1 is the primary section that summarizes the legislative changes that would implement the TAC recommendations.

The proposed Ordinance incorporates all the TAC's recommendations, with modifications to the following two items:

1) Upon further review of applicant data, MOHCD staff recommended modifying the ratio of the required tiers to better serve the households that are seeking affordable housing. Currently, the on-site inclusionary requirement is split into three "tiers" or income levels. The TAC recommended a 70/30 split, where 70% of on-site units would be allocated to the low-income tier (55% AMI ("Area Median Income") for rental, and 80% AMI for ownership), and 30% of on-site units would be allocated to the moderate-income tier (80% AMI for rental, and 105% AMI for ownership), and the upper tier (110% AMI for rental; 130% AMI for ownership) would be eliminated. Instead, the proposed Ordinance proposes an 80/20 split where 80% of the on-site units would be affordable at the low-income tier and 20% would be affordable to the moderate-income tier for both rental and ownership units. This recommendation is based on data of demand patterns and outcomes from MOHCD's analysis of DAHLIA listings, applicants, and lease/sales data between 2020–2025.

2) Ownership Units required at the moderate-income tier are currently priced to serve households earning up to 105% AMI. MOHCD reviewed applicant data and recommended that pricing these units for households earning up to 100% AMI instead of 105% AMI would serve a greater need.

The chart beginning on the next page reflects the proposed Ordinance as introduced, which includes the two modifications above.

Applicability		
Topic	**The Way It Is**	**The Way It Would Be**
Project Size (Planning Code Section 415.3(a))	The Inclusionary Program applies to projects with 10 units or more. There are different requirements for "small projects" (10-24 units) and "large projects" (25+ units).	*The Inclusionary Ordinance would apply to projects with 25 units or more. Inclusionary requirements would be the same for all sizes of projects.* *[TAC recommendation]*
Citywide Inclusionary Affordable Housing Requirements [2]		
Topic	**The Way It Is**	**The Way It Would Be**
Current On-Site Rates and Requirements (Citywide)	The current on-site rate is **15%** for projects that are approved between November 1, 2023 and November 1, 2026. This rate is temporary and will reset to higher rates on November 1, 2026. The rate for eligible projects approved prior to November 1, 2023 is 12%. (Section 415B)	*The Inclusionary Ordinance would require a Citywide on-site rate of **5%** unless modified legislatively. The Inclusionary Housing Technical Advisory Committee would continue to convene every 3 years to make recommendations based on current economic conditions.* *[TAC recommendation]* (Section 415.6(a))
On-Site Rates by Project Tenure	Once the temporary on-site rates expire on November 1, 2026, the inclusionary rates for large projects will be determined by tenure. The on-site rate will increase to 18% for rental projects and 20% for ownership projects. (Section 415B.2))	*The on-site inclusionary rate would be 5% for both tenures.* *[TAC recommendation]* (Section 415.6(a))

[2] Reference Exhibit D for a chart showing the inclusionary rate requirements (pre-2023, pipeline, interim, and after November 1, 2026).

Income Tiers for Rental Projects with On-Site Units	For large projects, affordable units are required at three income tiers: 10% at Low Income (55% AMI) 2.5% at Moderate Income (80% AMI) 2.5% at Middle Income (110% AMI) (Section 415B.2(a))	*Units would be required at two income tiers for all projects:* *4% at Low Income (55% AMI)* *1% at Moderate Income (80% AMI)* *[TAC recommendation]* (Section 415.6(a)(2))
Income Tiers for Ownership Projects with On-Site Units	For large projects, affordable units are required at three income tiers: 10% at Low Income (80% AMI) 2.5% at Moderate Income (105% AMI) 2.5% at Middle Income (130% AMI) (Section 415B.2(a))	*Units would be required at two income tiers for all projects:* *4% at Low Income (80% AMI)* *1% at Moderate Income (100% AMI [3])* *[TAC recommendation]* (Section 415.6(a)(1))
Affordable Housing Fee	The Affordable Housing Fee rate is 20% for small projects (10-24 units) and 20.5% for large projects (25+ units) until November 1, 2026. After November 1, 2026 the rates will increase to 24.5% for rental projects and 27% for ownership projects. (Section 415B.1(a))	The Affordable Housing Fee rate would be 10% for all projects that are subject to the Inclusionary Affordable Housing Program, except in the specific areas that are stated in Section 2. (Section 415.5(b)(1)(A))
Off-Site – Rate	For large projects, affordable units are required at three income tiers: 11.5% at Low Income (55% AMI rental, 80% AMI ownership) 5% at Moderate Income (80% AMI Rental, 105% AMI ownership) 4% at Middle Income (110% AMI rental, 130% AMI ownership) (Section 415B.3(a))	The off-site rate would be 10% and units are required at two income tiers: 8% at Low Income (55% AMI rental, 80% AMI ownership) 2% at Moderate Income (80% AMI Rental, 100% AMI ownership) (Section 415.7(b)(1))

[3] See Item 2) on page 6.

Off-Site – Proximity	Off-site units shall be located within one mile of the Principal Project. (Section 415.7(c)(1))	Off-site units shall be located within one mile of the Principal Project, or for projects located in the specific areas discussed in Section 2, or in a Well-Resourced Area, off-site units may be located within one mile of the Principal Project or anywhere within that area or district. (Section 415.7(b)(5))
Density Bonus Programs		
Topic	**The Way It Is**	**The Way It Would Be**
State Density Bonus Projects	State Density Bonus Projects must use the combination alternative to pay the Affordable Housing Fee on any bonus units or square footage. (Section 415.5(g)(1)(D))	*The Inclusionary requirements would only apply to a State Density Bonus "base" project.* *[TAC recommendation]* *(Section 415.6(a)(4))*
HOME-SF Rates Tier One (Section 206.3(f)(2)(A))	A Tier One HOME-SF Project with fewer than 25 units shall provide 20% of the units as affordable at the following levels: 10% at Low Income; 5% at Moderate Income, and 5% at Middle Income. A Tier One HOME-SF Project with 25 or more units shall provide 23% of the units as affordable at the following levels: 10% at Low Income; 8% at moderate Income, and 5% at Middle Income.	Any Tier One HOME-SF Project shall provide 7% of the units as affordable at the following levels: 5% at Low Income and 2% at Moderate Income.
HOME-SF Rates Tier Two (Section 206.3(f)(2)(B))	A Tier Two HOME-SF Project shall provide 25% of the units as affordable at the following levels: 10% at Low Income; 8% at moderate Income, and 7% at Middle Income.	A Tier Two HOME-SF Project shall provide 8% of the units as affordable at the following levels: 6% at Low Income and 2% at Moderate Income.
HOME-SF Rates Tier Three (Section 206.3(f)(2)(C))	A Tier Three HOME-SF Project shall provide 30% of the units as affordable at the following levels: 8% at Low Income; 10% at moderate Income, and 10% at Middle Income.	A Tier Three HOME-SF Project shall provide 10% of the units as affordable at the following levels: 8% at Low Income and 2% at Moderate Income.

Section 2: Specific Areas with Unique Inclusionary Requirements

Over the past 20 years, the City has established unique affordable housing requirements for specific areas within the City. Some of these requirements, such as those in the Urban Mixed Use (UMU) District and the Divisadero Neighborhood Commercial Transit District (NCT) shown in Exhibit E (Map 1), were developed in response to legislation upzoning those zoning districts. Other requirements, such as those in the North of Market Residential SUD or the Mission Area Plan (also shown in Exhibit E (Map 1)), were established to require higher amounts of affordable housing in areas with greater displacement pressure. The Code requires that if a project is subject to multiple affordable housing requirements, then the higher and/or more restrictive requirement applies.

This Section 2 primarily describes zoning districts, area plans, and special use districts with unique affordable housing requirements. As described in Section 3, several of the Land Dedication alternatives are currently only applicable in specified areas. Section 5 describes unique affordable housing impact fees for specific areas.

Topic	The Way It Is	The Way It Would Be
Eastern Neighborhoods	Planning Code Section 419 requires unique rates for projects located in the UMU zoning district. UMU rates are split into three tiers (A, B, and C) based on the amount of upzoning through the Eastern Neighborhoods Plan. Under the current interim rates, on-site rates range from 15-17.6%. off-site and Affordable Housing Fee rates range from 23-27%. After November 1, 2026, these rates would increase to 15–22.1%. Off-Site and Affordable Housing Fee rates will range from 20-27%. The SOMA Youth and Family SUD (Section 249.38) require projects over 45 feet in height to comply with Tier C UMU requirements. Western SOMA SUD (Section 249.39) requires projects of 0.5-3.0 acres comply with Tier B UMU requirements.	Projects in the Inclusionary Program specific areas (that are also located within the Eastern Neighborhoods Plan Area), would be subject to an Affordable Housing Fee rate of 15%. Projects in these areas would be subject to the Citywide on-site requirements. Projects in these areas would be subject to an off-site rate of 15%, with 12% of units required at Low Income and 3% of units required at Moderate Income. Sections 415.3((c)-(e)) and 419 would be deleted. Sections 249.38(c)(1)(C) and 249.39(c)(9)(B)(vi), which reference Section 419, would also be deleted.

Inclusionary Program Specific Areas	Section 415.3 requires unique rates for the North of Market Residential SUD, SOMA NCT, and the Mission Area Plan. The current temporary on-site rates range from 15-17% Off-Site and Affordable Housing Fee Rates range from 20-20.5%. After November 1, 2026, these rates would increase to 15–22.1%. off-site and Affordable Housing Fee rates will range from 20-27%.	Projects in the Inclusionary Program Specific Areas would be subject to an Affordable Housing Fee rate of 15%. Projects in these areas would be subject to the Citywide on-site requirements. Projects in these areas would be subject to an off-site rate of 15%, with 12% of units required at Low Income and 3% of units required at Moderate Income.
Divisadero Neighborhood Commercial Transit (NCT) District	Planning Code Section 428 requires unique rates in the Divisadero NCT. Section 759 references Planning Code Section 428. The current temporary on-site rates range from 15-23% Off-site and Affordable Housing Fee Rates range from 20.5-33%. After November 1, 2026, these rates would increase to 16.4-20% on-site. Off-site and Affordable Housing Fee rates will range from 24.5-27%.	Planning Code Section 428 would be eliminated and projects in the Divisadero NCT would be subject to the Citywide inclusionary requirements set forth in Section 415 *et seq*. Planning Code Section 759 would be modified to remove references to Section 428.
Geary-Masonic SUD (Section 249.20)	Projects within this SUD are required to satisfy the inclusionary requirements through payment of an affordable housing fee (33% for ownership and 30% for rental projects) or by providing units on-site (23% for rental projects and 26% for ownership projects).	Projects within this SUD would be required to meet the Citywide inclusionary requirements set forth in Section 415 *et seq*.

Non-Contiguous San Francisco Municipal Transportation Agency Sites SUD (Section 249.22)	This SUD allows projects to receive a development subsidy if the project provides the number of on-site units required in Section 415 *et seq*. or any temporary reductions set forth in Section 415A or 415B (rather than the increased number of on-site units otherwise required).	This SUD would continue to allow projects to receive a development subsidy if the project provides the number of on-site units required in Section 415 *et seq*.
Potrero Center Mixed-Use SUD (Section 249.40)	If a project elects to satisfy the inclusionary requirements by providing units off-site or through payment of the Affordable Housing Fee, the required rate is 25-30% of the total number of units produced in the principal project.	If the project elects to satisfy the inclusionary requirements by providing units off-site or through payment of the Affordable Housing Fee, the required rate would be 15% of the total number of units produced in the principal project.

Section 3: Land Dedication Alternative

Under the proposed Ordinance, applicants may elect to satisfy the inclusionary requirements by dedicating a parcel of land to the City for the purpose of constructing affordable housing. The applicant must demonstrate that the site can accommodate a minimum capacity of affordable units, and the dedicated site must meet a minimum standard before the City accepts the land. Exhibit E (Map 2) shows the areas in the City that may satisfy the inclusionary requirements through land dedication.

Topic	The Way It Is	The Way It Would Be
Applicability	Only projects in certain areas could comply with the Program through land dedication: • UMU (Section 419.5), • Mission NCT (419.5), • SOMA Youth and Family SUD (249.38), • Central SOMA SUD (249.78), or • Van Ness and Market Residential SUD (249.33). The land dedication alternative is also available to projects using the Housing Choice-SF (HC-SF) program (206.10) or the Well-Resourced Neighborhood Inclusionary Housing Waiver and Alternative (436).	The land dedication alternative would be available to projects citywide and would be incorporated into the Inclusionary Ordinance (Section 415.7). Section 419 would be deleted from the Planning Code. References to the Land Dedication Alternative would be deleted from Planning Code Sections 206.10, 249.33, 249.38, 249.78, and 436.
Requirements – Citywide	The land dedication alternative is only available to projects in certain areas that use specific programs, as detailed above.	Projects would need to dedicate a site equivalent to or greater than 10% of the units that would be provided on the principal site, except as noted in the following rows. (Section 415.7(a)(3)(A))
Requirements – Housing Choice-SF (HC-SF) Program (Section 206.10)	The HC-SF Program offers land dedication as an alternative and references the UMU Land Dedication requirements but does not identify the applicable Tier or rate.	
Requirements – Well-Resourced Neighborhood Inclusionary Housing Waiver and Alternative (Section 436)	Projects must dedicate a site with capacity equivalent to or greater than 35% of the number of units in the principal project.	

Requirements – UMU and Mission NCT (Section 419 *et seq*)	Projects need to dedicate land at the following rates based on the tiers (i.e. the height increase the project receives). If the principal site has less than 30,000 square feet of developable area: • Tier A: 35% • Tier B: 40% • Tier C: 45% If the principal site has 30,000 square feet of developable area or more: • Tier A: 30% • Tier B: 35% • Tier C: 40%	Projects would need to dedicate a site equivalent to or greater than 15% of the units that would be provided on the principal site. (Section 415.7(a)(3)(B))
Requirements – Central SOMA SUD (Section 249.78)	Projects must dedicate a site with capacity equivalent to or greater than 45% of the number of units in the principal project.	
Requirements – Van Ness and Market Residential SUD (Section 249.33)	Projects must dedicate a site with capacity equivalent to or greater than 45% of the number of units in the principal project.	
Requirements – Location of Dedicated Site	Each land dedication alternative sets a different standard for the location of the dedicated site: • Projects in the UMU and Mission NCT must dedicate a portion of the principal development site. • Central SoMa Projects must dedicate land in Central SoMa. (Section 249.78 (c)(6)(C)(v)) • Projects in the Van Ness and Market Residential SUD must dedicate land within one mile of the Market and Octavia Plan Area or the Upper	The dedicated site would need to be within one mile of the principal project. If the principal project is located in the Mission Area Plan, SoMa NCT, North of Market Residential SUD, South of Market Youth and Family SUD, UMU, Western SoMa SUD, Central SoMa SUD, or in a Well-Resourced Neighborhood as defined in Section 436, the dedicated site may be located within one mile of the Principal Project or anywhere within that area. (Section 415.7(a)(2))

	Market NCT. (Section 249.33)(b)(1)(A)) • Projects that use the HC-SF Program must dedicate land within ½ mile of the project site or within the R-4 Height and Bulk District (Section 206.10) • Projects that use the Well-Resourced Inclusionary Waiver must dedicate land within a Well-Resourced Area. (Section 436(b)(A)(2))	
Requirements – Minimum Site Capacity	The dedicated site must result in a total amount of inclusionary units not less than 40 units. MOHCD could also accept a collection of sites, rather than one parcel, if the number of units would be greater than otherwise required. (Section 419.5(a)(2)(A) and (C))	The dedicated site would need to demonstrate capacity for at least 70 affordable units. MOHCD may approve and accept sites which result in fewer units. Dedicated land must be comprised of a single development site, which may be comprised of multiple contiguous parcels. (Section 415.7(a)(1))
Jobs Housing Linkage Fee Land Dedication Alternative Planning Code Section 413.6	Section 413.6 allowed Projects to satisfy Jobs Housing Linkage Fee requirements through land dedication that complied with the same requirements for land dedication in the UMU zoning district, except that the land must be of a certain value, rather than size, and must be one site rather than a collection of sites.	Section 413.6 would allow Projects to satisfy Jobs Housing Linkage Fee requirements through land dedication that complies with the new citywide requirements.

Section 4: Modification Process for Inclusionary Requirements

The inclusionary requirements for a project are recorded as conditions of approval. Section 415A, created in 2023, establishes an administrative process for projects to take advantage of the temporary reductions to inclusionary requirements. Other changes to a project's inclusionary obligations generally require approval by the Planning Commission. In recent years, this discretionary process has proven to delay the completion and occupancy of affordable units, often for projects that have been negatively impacted by the timing of the current market conditions. This Section 4 outlines the proposed Ordinance's amendments related to modification processes.

Topic	The Way It Is	The Way It Would Be
Modification of Projects Following Legislative Changes to the Inclusionary Requirements	Section 415A establishes an administrative process that offers rate reductions and entitlement extensions for Pipeline Projects that had been approved prior to November 1, 2023, but had not received a first construction document. Pipeline Projects must obtain a first construction document by May 1, 2029, and this section will expire on that date.	Section 415.10 establishes a permanent section of the Inclusionary Ordinance that describes how changes to the Inclusionary Ordinance would apply to Pipeline Projects, meaning projects that have submitted a complete development application but have not yet obtained a first construction document. This Section replicates the administrative process that was created in Section 415A and permits a project to take advantage of new inclusionary rates and requirements, and to request an extension of the project's entitlement. The Commission would need to delegate authority to the Planning Director or their designee to approve all modification requests.
Modifications to Elected Alternatives and to Project Tenure	Following Planning Approval, applicants seeking to change their elected alternative from on-site to fee or change their approved tenure were required to request authorization from the Planning Commission. The Planning Code was silent about when modifications could be requested.	Planning Code 415.4 would establish an administrative process for post-approval changes to the elected alternative and to the project tenure. For changes in tenure, modification requests must be completed prior to MOHCD marketing. For changes in the elected alternative, requests must be completed prior to any MOHCD lottery. The Commission would delegate authority to the Planning Director or their designee to approve modification requests.

Section 5: Development Impact Fees

San Francisco assesses development impact fees on residential and non-residential projects for various public purposes, including fees for transit, parks, public infrastructure, and art. During the 2023 TAC process, the committee discussed other ways that the City can influence housing feasibility, including reductions in development impact fees, and the subsequent 2023 ordinance established a temporary 33% reduction of development impact fees (excluding the Affordable Housing Fee), proportional to the reduction in the on-site inclusionary rate in that ordinance. The members of the 2026 TAC continued this discussion, emphasizing the economic trade-offs between the Program and the City's various other impact fee requirements. The TAC unanimously recommended a reduction to impact fees (excluding the Affordable Housing Fee) of 67%, proportional to the reduction in the on-site inclusionary rate to improve the overall feasibility of development projects throughout the City. This Section 5 describes the ordinance's changes to the Planning Code, Building Code, and Administrative Code related to development impact fees.

Topic	The Way It Is	The Way It Would Be
Article 4 Impact Fee Reductions (Section 403)	Article 4 Impact Fees (aside from the Inclusionary Affordable Housing Fee) are reduced by 33% for 1) Pipeline Projects approved prior to November 1, 2023 that are issued a First Construction Document before May 1, 2029 and 2) all projects, including non-residential projects, assessed before November 1, 2026 that receive a First Construction Document within 30 months of Final Approval.	Article 4 Impact Fees (aside from the Inclusionary Affordable Housing Fee) would be reduced by 67% for all projects, including non-residential projects. *[Note: The TAC recommended a 67% reduction in non-inclusionary development impact fess applied to new housing development]* The reduction would apply to all projects that submit a complete Development Application after the effective date of the ordinance, and for any Pipeline Projects that have been Finally Approved but have not yet been issued a First Construction Document. This reduction would be applied to the full impact fee rate published in the Impact Fee Register, not any previously reduced amount.

		The reduction would continue to apply to all Article 4 impact fees, which include the following: (1) Transit Impact Development Fee (Section 411) (2) The Transportation Sustainability Fee (Section 411A); (3) The Downtown Park Fee (Section 412); (4) The Jobs Housing Linkage Fee (Section 413); (5) Childcare Fee - Office and Hotel Development Projects (Section 414); (6) Childcare Fee - Residential Projects (Section 414A); (7) Rincon Hill Community Infrastructure Fee (Section 418); (8) South of Market Area Community Stabilization Fee (Section 418.3(d)); (9) Visitation Valley Community Facilities and Infrastructure Fee (Section 420); (10) Market and Octavia Community Improvements Fee (Section 421);

		(11) Balboa Park Community Improvements Fee (Section 422); (12) Eastern Neighborhood Infrastructure Impact Fee (Section 423); (13) Transit Center District Open Space Impact Fee (Section 424.6); (14) Transit Center Transportation and Street Improvement Impact Fee (Section 424.7); (15) Transit Center District Transit Delay Mitigation Fee (Section 424.7); (16) Van Ness and Market Community Facilities Fee (Section 425); (17) Open Space Fees (Sections 426 and 427); (18) Public Art Fee (Section 429); (19) Bicycle Parking Fee (Section 430); (20) Central SOMA Community Services Facilities Fee (Section 432); (21) Central SOMA Infrastructure Fee (Section 433); (22) Union Square Park, Recreation, and Open Space Fee (Section 435).

Additional Affordable Housing Impact Fees (Administrative Code Section 10.100-49 (Citywide Affordable Housing Fund))	The City collects the following affordable housing fees in addition to the Inclusionary fee (see Exhibit E (Map 3): • North of Market Residential SUD Affordable Housing Fee (Planning Code Section 263.7) • Van Ness Avenue SUD Affordable Housing In-Lieu Fee (Planning Code Section 243) • Eastern Neighborhoods Area Plan Alternative Affordable Housing Fee (Planning Code Section 417.5) • Market and Octavia and Upper Market NCT Affordable Housing Fee (Planning Code Section 416.5) • Van Ness and Market Downtown Residential SUD Affordable Housing Fee (Planning Code Section 424.4) These fees are collected and prioritized for qualifying expenditures within each respective geographic area.	The Ordinance would delete these fees from the Planning Code. Any balances remaining in the funds on the effective date of the ordinance that was required to be separately accounted for and expended according to specific priorities, would continue to be separately accounted for and expended according to those priorities.
Van Ness & Market and Neighborhood Infrastructure Fee (Section 424.5)	All development projects within the Van Ness & Market Residential Special Use District are assessed an impact fee for neighborhood infrastructure for gross floor area above an FAR of 9:1. This fee is in addition to the Market and Octavia Community Infrastructure Fee (Sec. 421) that is assessed on all gross floor area for all projects within the same area.	The Neighborhood Infrastructure Fee would no longer be assessed for projects in the Van Ness & Market Residential SUD. Existing fees in the affordable housing fund would be expended as set forth above. Existing fees in the Infrastructure Fund would continue to be expended according to the

	The fee must be spent within the Van Ness & Market Residential SUD or the Market and Octavia Plan Area.	priorities set forth for the fund and once expended, the fund would be closed. The Market and Octavia Community Infrastructure Fee would continue to be assessed to all projects within the Market and Octavia Plan area, including those within the Van Ness & Market SUD.
Van Ness & Market Neighborhood Community Facilities Fund	All development projects within the Van Ness & Market Residential SUD are assessed the Van Ness and Market Community Facilities Fee. (Section 425.2)	The Van Ness & Market Neighborhood Community Facilities Fee would no longer be assessed for projects in the Van Ness & Market Residential SUD. Existing fees in the Van Ness and Market Neighborhood Community Facilities Fund would continue to be expended according to the priorities set forth for the fund and once expended, the fund would be closed. (Section 425.4)
Fee Deferral Program and Payment of Development Impact Fees (Planning Code Sections 402 and 403, Building Code Sections 107A.13.3.1 - 13.3.1.2)	The Fee Deferral Program allows projects to defer 85% of assessed impact fees to first certificate of occupancy, or 80% for projects in certain area plans. The remainder is owed at the time of First Construction Document and this amount must be paid into the Neighborhood Infrastructure Seed Fund for specific area plans before being deposited into account for other citywide impact fees. Fee Deferral does not apply to the Inclusionary fee or additional affordable housing fees that must be deposited in the Citywide Affordable Housing Fund.	The Fee Deferral Program would allow projects in all areas to defer 85% of assessed impact fees to first certificate of occupancy. The remainder would be owed at the time of First Construction Document and this amount would be distributed proportionally into the specific fund for each citywide and area plan fee. Fee Deferral would apply to all Article 4 impact fees, including the Inclusionary Housing Fee.

Amount and Applicability of Impact Fees (Section 402(e))	The Department assesses impact fees based on the types and rates of fees in effect at the time of Final Approval. For Development Agreement projects, impact fees are assessed at the time of an individual building's first site or building permit, unless stated otherwise in the Development Agreement.	The Department would apply the types of fees in effect at the time the Department determines that the Development Application is complete, or on the date a preliminary application is received, as applicable. The Department would assess the amount of the impact fees owed based on the impact fee rates in effect at Final Approval. For Development Agreement projects or other projects comprising more than one building, fees shall be subject to the types and rates of applicable fees in the same manner as all other projects, based on the time of application and issuance of each building's first site or building permit, unless stated otherwise in the Development Agreement.
Reassessment of Impact Fees for Modified Projects and Extensions after Final Approval (Section 402(e)(2))	For projects increasing Gross Floor Area of any use, the Department shall assess the new or increased Gross Floor Area by applying the types of impact fees in effect at the time of Final Approval.	For projects increasing Gross Floor Area of any use by 20% or less, the Department would assess the new or increased Gross Floor Area by applying the types of impact fees in effect at the time the Department determined that the original application was complete, at the rates in effect at the time of Final Approval. For projects increasing Gross Floor Area by more than 20%, the Department would apply the types and rates of impact fees in effect at the time the new Development Application is deemed complete and at the rates in effect at the time the modification is finally approved.

	For projects receiving an extension of the original entitlement, the Department shall reassess fees based on the types and rates of fees in effect at the time of extension.	Projects receiving an extension of the original entitlement would continue to be reassessed based on the types and rates of fees in effect at the time of extension.
Modifications to Impact Fee Assessments and Fee Reduction Following Legislative Amendments (Section 402(e)(3)) and Section 403(b)(2))	The Department assesses impact fees based on the types and rates of fees in effect at the time of Final Approval. After the issuance of the first construction document, projects are ineligible to seek a fee reduction.	For Pipeline Projects, if the Board of Supervisors removes or reduces the rate of an applicable development impact fee imposed by Article 4, the project would be able to modify the applicable fee types and rates to those in place as of the effective date of the ordinance. All other fees would continue to apply unchanged. Projects that have been issued a First Construction Document and that have deferred a portion of the impact fee amount would be entitled to receive an adjustment to the remaining unpaid balance such that the project receives the applicable reduction from the project's original assessment. No refund would be issued for any portion of the impact fee amount that has already been paid.
Inclusionary Program and Development Impact Fee Waivers in C-2 and C-3 Districts: Eligibility and Expiration (Section 406(h))	Projects must submit a complete Development Application on or before December 31, 2026, to be eligible for waivers from impact fees and the Inclusionary Program for Hotel, Restaurant, Bar, Outdoor Activity or Entertainment uses in C-2 and C-3 districts downtown. Section 406(h) will expire on December 31, 2026.	Projects that submit a complete Development Application after December 31, 2026 would be eligible for waivers from impact fees and the Inclusionary Program for a Retail Sales and Service (which includes Hotel, Restaurant, Bar, and Outdoor Activity uses), in addition to Entertainment, or Arts and Recreation uses. Section 406(h) would expire on December 31, 2029.

Section 6: Simplification and Clean Up

The proposed changes described in this Section 6 clarify and update Program implementation standards and processes for Planning and MOHCD. This Section 6 includes changes to the Planning Code, Building Code, and Administrative Code.

The Ordinance proposes to update, consolidate, and remove outdated Planning Code definitions. Generally, these changes are for consistency in formatting or phrasing, reflect current MOHCD or Planning practices, delete outdated references, or move definitions to more appropriate parts of the Code. The chart below only includes definitions that are either being added or substantively amended.

Topic	The Way It Is	The Way It Would Be
Planning Code Definition: "Alternative"	The Inclusionary Program discussed the alternatives to the Affordable Housing Fee (on-site, off-site, etc.), but did not formally define "Alternative." (Section 415.5(g))	The Ordinance adds a definition of "Alternative." (Section 401)
Planning Code Definition: "Development Application" (Section 102)	"Development Application" is defined, but the definition describes local, discretionary application types (Conditional Use, Variance, etc.).	The definition of "Development Application" is amended to explicitly include both discretionary and ministerial application types.
Planning Code Definition: "Final Approval" (Section 102)	"Final Approval" is defined but does not address phased projects.	The definition of "Final Approval" is amended to clarify that for development projects with multiple buildings, including Development Agreements, the Final Approval is the Department's approval of the first site or building permit for each building.

Planning Code Definition: "Household of low income" or "low-income household" (Section 401)	"Household of low income" is defined but does not reflect the different AMI thresholds for a rental and owned unit.	The definition of "Household of low income" is amended to clarify that the combined gross annual income for all members of a household shall not exceed 65% of AMI for a Rental Unit and 100% of AMI for an Owned Unit.
Planning Code Definition: "Household of moderate income" or "moderate-income household" (Section 401)	"Household of low income" is defined but does not reflect the different thresholds for a rental and owned unit.	The definition of "Household of moderate income" is amended to clarify that the combined gross annual income for all members of a household shall not exceed 90% of AMI for a Rental Unit and 120% of AMI for an Owned Unit.
Planning Code Definition: "Pipeline Project"	"Pipeline Project" was added to 415A to describe a certain set of projects during the temporary reduction of inclusionary rates 2023. A "Pipeline Project" is defined as a residential or live/work project that was subject to the Inclusionary Program, was Finally Approved prior to November 1, 2023, and was not issued a First Construction Document prior to November 1, 2023.	"Pipeline Project" was moved to Section 401 and modified to be a permanent definition. A "Pipeline Project" is now defined as a project that has submitted a complete Development Application but has not been issued a First Construction Document.
Planning Code Definition: "Planning Approval Letter"	The Code did not define Planning Approval Letter.	A Planning Approval Letter would be defined in Section 102 as "written documentation from the Planning Department verifying the Department's determination that a project with a complete Development Application may apply for a site or building permit."
First Construction Document Definition Building Code Section 107A.13.1	"First construction document" shall mean the first building permit issued for a development project or, in the case of a site permit, the first building permit addendum issued or other document that authorizes construction of the development	The definition of "First Construction Document" was amended to add that for projects with multiple buildings, including Development Agreements, First Construction Document means the building

	project. Construction document shall not include permits or addenda for demolition, grading, shoring, pile driving, or site preparation work.	permit or first addendum for each building.
Affordable Housing Exemption	100% affordable housing projects are exempt from the inclusionary program if MOHCD confirms that the project's rents are regulated or controlled by a government agency. (Section 415.3(f)(4)	100% affordable housing projects may be exempt from inclusionary requirements if they meet the requirements of Planning Code Section 406(b): 1. Affordable units are affordable to households earning up to 120% AMI, 2. The unit will be affordable for a minimum of 55 years, 3. A governmental agency will enforce the term of affordability, and 4. The developer pays prevailing wage to construction workers. (Section 415.3(b)(4))
Inclusionary Unit Designation Standards	Planning Code Section 415.6(f) establishes standards that require market rate and affordable units to be comparable. Standards include bedroom mix, exterior appearance, interior features, quality of construction, even distribution throughout the building, and parking distribution.	The Planning Code provision is amended and restated in Section 415.6(c). The Code clarifies that a comparable unit mix consists of the same ratio of bedrooms and bathrooms, requires each unit to include at least one private bathroom, establishes how to calculate unit mix requirements, and addresses phasing. The Code would also be amended to allow the Zoning Administrator to develop a methodology to assign unit types (1 bedroom, 2 bedrooms, etc.) to affordability tiers (AMIs).

		If more than 20% of the total units in a project are required as Affordable Units, these inclusionary designation standards shall not apply.
20% Below Market Rent or Sales Price	The maximum affordable rents or sales price shall be no higher than 20% below market rent or sales prices for the neighborhood within which the project is located, which shall be defined in accordable with the American Community Survey Neighborhood Profile Boundaries Map. (Section 415.6(a)(4))	The maximum affordable rents or sales price shall be no higher than 20% below market rents or sales prices for the neighborhood within which the project is located, which shall be defined as within one mile of the project site. (Section 415.6(a)(3))
Mixed-Tenure Projects	Planning Code Section 415.6(a)(9) requires the tenure of BMRs to match that of the market rate units. If an Ownership Housing Project converts to a Rental Housing Project, or more than 50% of the total units in the Principal Project operate as a Rental Housing Project, on-site Affordable Units shall be offered as Rental Units. Affordable Units may only be sold as Owned Units if more than 50% of the units in the building shall be sold to unaffiliated third-party homebuyers and are operated as an Ownership Housing Project.	Planning Code Section 415.6(a)(5) sets requirements for "Mixed Tenure Projects" that include both rental and ownership units. This section retains the 50% threshold and requires that the applicant comply with applicable requirements published by Fannie Mae and Freddie Mac, including investor ownership and owner-occupancy thresholds. Leasing units shall not inhibit mortgage financing eligibility or the purchase, sale, or refinancing of any ownership units, including Owned Units. The Project would be required to demonstrate compliance with these requirements to Planning and MOHCD. MOHCD and the Department are authorized to adopt other rules regulating Mixed-Tenure Projects in the Procedures Manual.

Housing Choice-San Francisco (HC-SF) Program (Section 206.10)(c)	HC-SF Projects of 10 or more units shall comply with Section 415 *et seq*.	Reference to "10 or more units" would be deleted to conform with the inclusionary requirements, which would only apply to projects with 25 or more units.
Well-Resourced Neighborhoods Inclusionary Housing Ordinance Waiver Option – Eligibility (Section 436(a))	The waiver option applies to Housing Projects in Residential – House (RH), Residential Mixed (RM), Neighborhood Commercial, or named Neighborhood Commercial Districts with a height limit of 65 feet or less located in a Well-Resourced Neighborhood.	The waiver option would also apply to the Residential Transit Oriented (RTO) district.
Student Housing	The monitoring requirements for Student Housing are outlined in Section 415.3(f)(5)(C)(Applicability).	The monitoring requirements for Student Housing would be moved to Section 415.9(e) (Monitoring).
Use of Subsidies (Section 415.6(e))	A project may use California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing, and 4% tax credits under the Tax Credit Allocation Committee (TCAC) to satisfy the inclusionary obligations as long as the project provides one of the following: 1. 20% of the units to households at 50% AMI, 2. 10% of the units to households at 50% AMI and 30% of units to household at 60% AMI, or 3. The same number of on-site affordable units required under Section 415 *et seq*. plus an additional number of on-site affordable units equal to 25% of the applicable on-site affordable units as affordable to households at or below 80% of AMI.	With the approval of MOHCD, a project may use subsidies to deepen the affordability of the units required under Section 415, or a project may use subsidies to provide additional affordable units beyond the requirements of Section 415, which are equal to 25% of the applicable on-site affordable units as affordable to households at or below 80% of AMI.

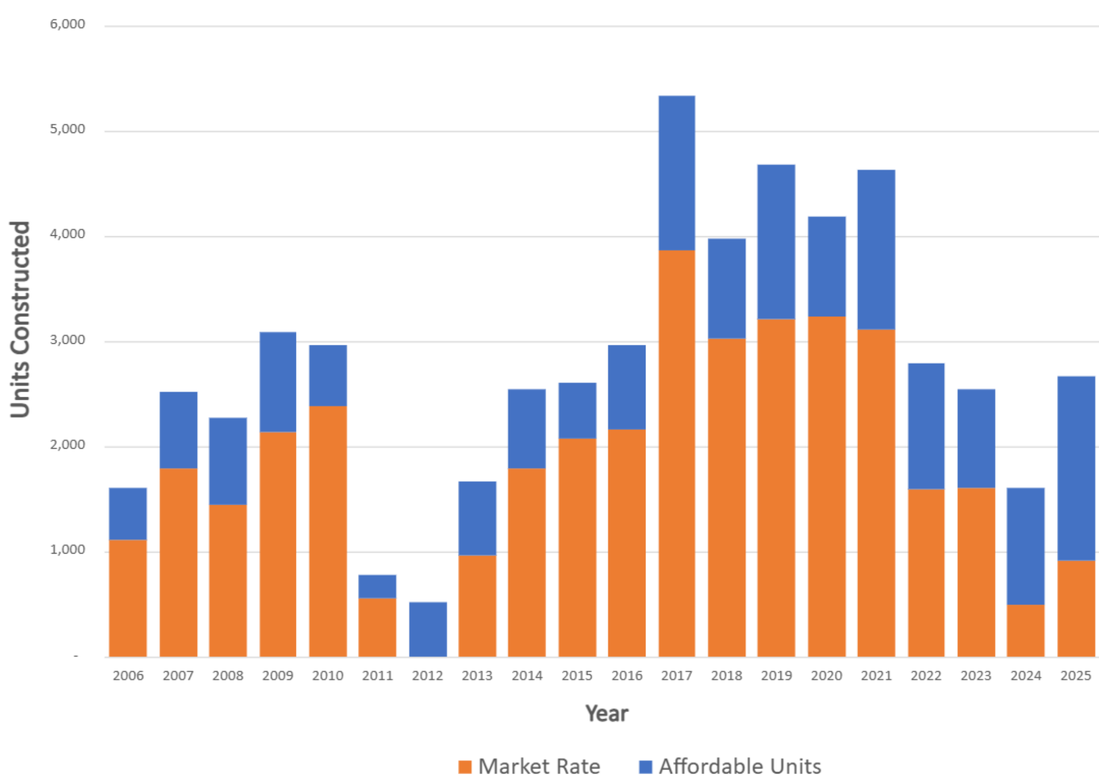
	MOHCD shall provide the TAC with a written report of projects approved under 415.6(h)(2)(B), 100% affordable housing projects applying for tax exempt bond financing under CDLAC and tax credits under TCAC, and information on the challenges for 100% affordable housing projects to obtain an award from CDLAC and TCAC. Projects that meet affordable housing requirements by building on-site affordable units may receive refunds on certain fees for the affordable portion of the project, however, the market-rate portions remain subject to standard fees.	Reporting on 100% affordable housing projects applying for tax exempt bond financing under CDLAC and tax credits under TCAC is provided biannually to the Board and posted on MOHCD's reports webpage, as required under Ordinance 298-24. Subsidized units would be counted towards the inclusionary requirements.
TAC Meetings and Procedures (Administrative Code Chapter 5, Article XXIX, Section 5.29-6) (Planning Code Section 415.10)	The Administrative Code required the Controller's Office to convene the TAC no later than January 1, 2026. Planning Code Section 415.10 requires the Controller's triennial economic analysis report to be issued by October 31 for "subsequent years."	*The Administrative Code would require the TAC to convene no later than April 1, 2029, and every 36 months thereafter.* *[TAC recommendation]* Planning Code Section 415.10 would require the triennial report to be issued by September 1, 2029 and every 36 months thereafter.

Issues and Considerations

Housing Development Trends

Housing development has fluctuated over the past two decades. There was a slowdown in production in 2011-12 following the Great Recession, but development picked up again after 2013. Total housing production peaked in 2017, when over 5,000 net new units were constructed in the city. Since 2020, the number of total units completed through new construction has significantly decreased, and the number of total new units produced in 2025 was nearly 50% below what was produced in 2020.

The chart below breaks down these trends between market-rate and affordable housing production. Construction of permanently affordable units accounted for 66% of total units completed in 2025, and 64% in 2024. When looking only at market-rate unit production, the total of 924 market-rate units completed in 2025 was roughly 70% below the 3,226 market-rate units completed in 2020. This substantial decrease is consistent with the findings of the Controller’s economic feasibility study that found current economic conditions, along with existing inclusionary requirements and development impact fees, are contributing to the financial infeasibility of new residential projects. As fewer market-rate developments move forward, overall housing production declines, making it more difficult for the City to achieve its housing production goals. The proposed changes in the Ordinance are intended to address these challenges by improving project feasibility and help support the development of both new housing developments and previously approved pipeline projects that are currently infeasible.



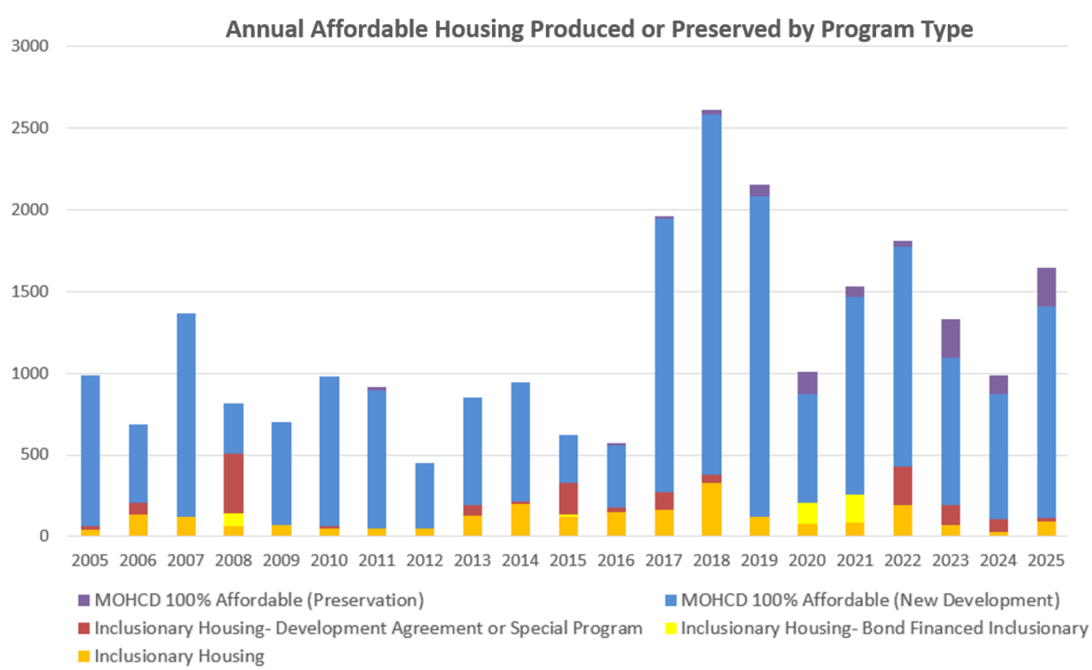
Source: Planning

Inclusionary Program Affordable Housing Production to Date

MOHCD manages a portfolio of approximately 35,000 affordable units, which includes subsidized 100% affordable housing and preservation projects in addition to affordable units provided through the Inclusionary Housing Program ("Program"). Many of the buildings in this portfolio include Permanent Supportive Housing. The portfolio includes 4,637 inclusionary units in mixed-income projects, approximately 13% of MOHCD's affordable housing, a meaningful but relatively small component of the overall portfolio.

The chart below shows how the Program has contributed to the City's overall affordable housing production since 2005. Since then, 2,330 units were produced through the inclusionary requirements of Section 415. An additional 1,791 inclusionary units were produced through bond financing or from projects subject to individually negotiated Development Agreements, or other unique agreements or programs like the HOME-SF density bonus program that provide higher inclusionary rates in exchange for increased density or other development incentives from the City or State. From 2010 to 2020, the inclusionary requirements of Section 415 provided an average of 11% of the City's total affordable housing production each year. However, since 2020 the Program has only produced an average of 7% of total affordable units per year, reflecting the decline in overall housing production following the COVID-19 pandemic at the same time that the City saw an infusion of bond financing for affordable housing production.

Given the City's affordable housing portfolio and the relatively small share provided by inclusionary units, there is a clear need to pursue strategies for affordable housing production more broadly, while refining the Program to ensure it can continue to complement those overall strategies by leveraging private development to produce additional affordable housing across income levels to the extent feasible. During a time where demand for affordable housing remains high and public resources are constrained, changes to the Program are necessary to stabilize production so that it continues to contribute to affordable housing goals and ensure that the City preserves every viable pathway for creating and maintaining long-term affordability.



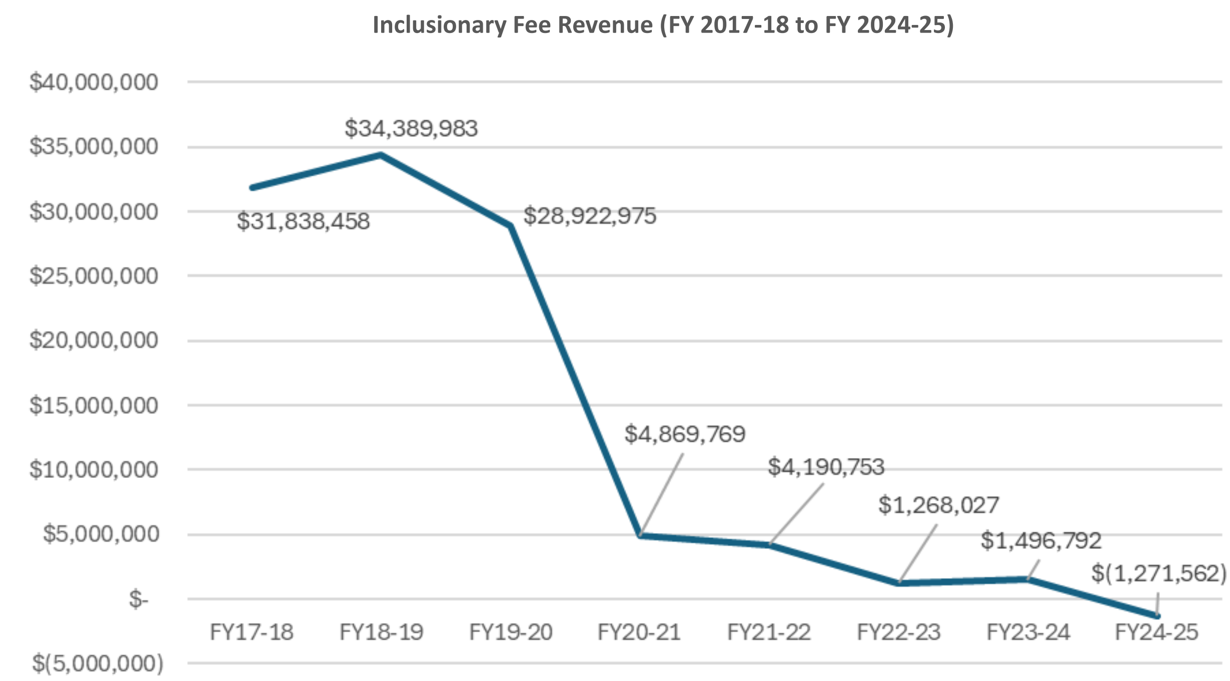
Source: Planning and MOHCD

Inclusionary Program Fee Revenue to Date

In addition to on-site affordable units, the Program also supports affordable housing production through the Affordable Housing Fee option. Since the establishment of the fee in 2002 through fiscal year 2019-20, the inclusionary fee generated approximately $20 million per year on average. Since fiscal year 2020-21, annual fee revenue has declined sharply to an average of just over $2 million per year, again reflecting the decline in overall housing production since the pandemic.

The chart below shows the annual inclusionary fee revenue collected since fiscal year 2017-18, the most recent year for which this data was readily available on an annual basis. The cumulative total revenue collected in fiscal year 2016-17 and all prior years was $238.7 million, or an average of $19.6 million per year since fiscal year 2002-03. As shown, the annual fee revenue has declined sharply when compared to the years immediately prior to the pandemic, dropping from $31.7 million in fiscal years 2017-18 through 2019-20 to a post-pandemic average of $2.1 million per year.

Inclusionary Affordable Housing Fee revenue has declined significantly since the pandemic, reflecting the reduction in market-rate housing production and highlighting the volatility of this funding source. This decline in revenue has been a loss of a valuable resources to support new affordable housing projects and sustain the development pipeline. The dramatic reduction in fees coupled with other challenges in the affordable housing funding landscape, like volatility of federal funding, makes it difficult to move planned projects forward to keep up with growing housing needs, and points to the need to develop more broad-based and sustainable sources of funding for subsidized affordable housing production and preservation.



Source: MOHCD
*Negative values reflect fees that MOHCD refunded to developers that cancelled their project.

Key Goals

The intent of the proposed Ordinance is to achieve the following three goals:

1) *Meet the housing production objectives set forth in the 2022 Housing Element.*

   The Housing Element identifies the need for local regulations that support feasible housing development and encourage housing production at all income levels. To meet the City's Regional Housing Needs Allocation ("RHNA") target, housing production must increase and any barriers impacting the feasibility of development projects must be addressed.

2) *Incentivize development through local zoning regulations and the Family Zoning Plan.*

   The Family Zoning Plan ("FZP"), including the Housing Choice-SF Program, encourages the production of family-oriented and neighborhood-scale housing by making local zoning pathways attractive and feasible. The FZP seeks to increase overall housing supply, support equitable distribution of housing growth across the City, and encourages the use of local zoning laws to provide a broader range of housing types.

3) Streamline and simplify affordable housing and impact fee requirements.

   Over time, affordable housing and development impact fee requirements have become increasingly complex and dependent not only on project size, but also project location and tenure. The Housing Element directs the City to streamline housing production, to remove barriers for residential development, and to provide greater transparency and predictability on how affordable housing requirements and impact fees are applied.

Housing Affordability

One of the primary goals of the proposed Ordinance is to improve the feasibility of residential development in San Francisco, which is consistent with the policies in the City's Housing Element and contributes to the City's state-mandated housing production targets. Improving the feasibility of residential development increases market-rate and affordable housing stock, both directly through the provision of affordable units in mixed-income housing, and indirectly by using the Affordable Housing Fee to fund development of more deeply affordable housing projects.

> The Planning Department's paramount concern is ensuring the feasibility and delivery of new market rate and affordable housing, recognizing that continued housing production is critical to addressing the City's housing stock and affordability challenges.

General Plan Compliance

The Program facilitates the construction of housing that is affordable to low- and moderate-income households without public subsidy; however, the production of these affordable units can only occur if market-rate projects can move forward. The Controller and the TAC have found that residential development with the current inclusionary rates is infeasible under current economic conditions.

The proposed Ordinance aims to improve the feasibility of residential development by reducing inclusionary rates and other development impact fees. The proposed reductions are consistent with Policy 24 of the Housing Element, to enable mixed-income development projects to maximize the number of permanently affordable housing units constructed, in balance with delivering other permanent community benefits that advance racial and social equity, and with Policy 5, to improve access to available affordable rental and homeownership units especially for disproportionately underserved racial and social groups.

The Housing Element of the General Plan includes a set of Implementing Programs that the City must undertake to implement the policies set forth in the Housing Element and to achieve its goals and objectives. Section 1.3 of the Implementing Programs sets forth policy recommendations related to the Program. This Ordinance would implement Action No. 1.3.2, which instructs the City to consider feedback from the Controller's Triennial Economic Feasibility Study, with input from the TAC, to assess whether the Program can provide access to affordable housing in balance with ensuring financial feasibility. The proposed Ordinance would also implement Action No. 1.3.6 to prioritize achieving the maximum number of affordable units alongside other community benefits, and Action Nos. 1.3.3 and 1.3.9, which ensures that the Inclusionary Ordinance, along with any modification of the affordability tiers, does not undermine the feasibility of projects that are consistent with the State Density Bonus Law. The proposal to provide an administrative process for Pipeline Projects to modify their affordability requirements and impact fees is also consistent with the general goals of Implementing Program No. 8.9 to provide support to Pipeline Projects and improve post-entitlement permitting and processes.

Housing Element Policy No. 26 directs the City to streamline and simplify permit processes to provide more equitable access to the application process, improve certainty of outcomes, and ensure meeting State and local required timelines, especially for 100% affordable housing and shelter projects. This policy is reiterated in Implementation Action No. 8.4.19, directs the Department to advocate for simpler rules and/or an overall reduction in regulations that affect housing approvals, which in turn would reduce the specific or institutional knowledge required by City staff, applicants, and members of the public to engage with the information. The Ordinance proposes to simplify the Program in many respects.

Racial and Social Equity Analysis

The Planning Code amendments in the proposed Ordinance facilitate mid- to large-scale residential development that maximizes affordable housing while also balancing feasibility and the provision of other community benefits. The Program is one of the tools the City has to improve racial and social equity. Improving the feasibility of residential developments that are subject to the Program results in more affordable units that are available to disproportionately underserved racial and social groups. These affordable units may be constructed within market rate residential projects, and when taken in conjunction with other policies, facilitate integrated, mixed income communities, especially when inclusionary projects are constructed in Well-Resourced Neighborhoods. Affordable Housing Fees and revenues from the companion expansion of the Affordable Housing Trust Fund are used to facilitate the development of more deeply affordable housing, available to individuals and households that are most vulnerable to eviction, displacement, and homelessness. Simplification of the Program also reduces the specific knowledge that a person needs to engage with the information, making the Program more accessible to a broader range of people.

In the Specific Areas shown on Exhibit E (Map 1), the proposed Ordinance establishes a higher Affordable Housing Fee and off-site rate relative to the on-site rate to encourage projects to provide inclusionary units on-site, which is consistent with the TAC recommendations. This approach supports mixed-income communities, expands housing opportunities for lower-income households, and does not rely on public subsidies. When developers elect to pay the fee rather than provide units on-site, those funds support MOHCD's affordable housing programs, which also leverage public resources to produce a greater number of affordable units citywide, including units serving households at deeper levels of affordability.

Implementation

The Department has determined that this proposed Ordinance will have an impact on current implementation procedures in the following ways:

- The changes proposed under the Ordinance will simplify and clarify existing requirements at a time when residential multifamily development is facing significant challenges, including high construction costs, financing constraints, and uncertain market conditions. Currently, inclusionary requirements vary based on project size, tenure, and location. The varying requirements, as shown in Exhibit F, make the Program complex to navigate and may add time, cost, and uncertainty to the development process. The Ordinance would address this by standardizing and consolidating requirements, in turn making the Program more straightforward for both applicants and Department staff.
- The proposed Ordinance establishes an administrative review process for qualifying Pipeline Projects to request modifications to conditions of approval, specifically related to inclusionary requirements, validity, and period of performance timelines. The administrative process would provide a streamlined and predictable pathway for Department staff to review and approve eligible requests, support coordinated decision-making, and help projects move forward more efficiently.
- The proposed changes would modernize Program implementation to better align with MOHCD procedures, which supports interagency coordination, consistent application of affordability requirements, and clearer documentation and monitoring. The proposed updates would streamline administration of the Program while maintaining the City's affordable housing obligations and goals under Section 415 *et seq*.

Recommendation

The Department recommends that the ***Commission adopt a recommendation for approval with modifications*** of the proposed Ordinance and adopt the attached Draft Resolutions (Exhibit A and B) to that effect. The Department's proposed recommendation is as follows:

1. Amend Section 249.5(c)(6) to allow special exceptions to the 80-foot base height limit in the 80-120-T and 80-130-T Height and Bulk Districts to be granted through Conditional Use approval.

Basis for Recommendation

The Department generally supports the proposed Ordinance as it improves the feasibility of development and contributes to the City's ability to meet housing production goals. The proposed Ordinance supports the Key Goals (stated on page 33) in the following ways:

***Goal 1*: Meet the housing production objectives set forth in the 2022 Housing Element.**

The Ordinance supports the Housing Element's objectives to increase housing production and remove regulatory constraints to development by reducing inclusionary requirements and development impact fees that have been identified as barriers to project feasibility. Consistent with the Controller's Triennial Economic Feasibility Analysis and the TAC's recommendations, the proposed reductions are intended to facilitate the construction of market-rate and mixed-income housing, help move stalled development projects forward, and improve the economic viability of new housing. MOHCD data shows that demand is higher for units serving lower-income households. Consolidating inclusionary AMI tiers to focus on low and moderate income households aligns with demonstrated demand and supports delivery of housing that better meets household needs, while also helping advance RHNA targets. By encouraging additional housing production citywide, the ordinance advances the Housing Element's goals of expanding housing supply, increasing housing choice, and meeting the City's long-term housing production and RHNA targets. The companion ballot measure to expand the Affordable Housing Trust Fund would specifically increase the production of subsidized affordable housing production and preservation, using increased overall growth in the City's property tax base resulting from the increased market-rate development supported by the Ordinance.

***Goal 2:* Incentivize development through local zoning regulations and the Family Zoning Plan.**

The Ordinance incentivizes housing development using local zoning regulations developed through the Family Zoning Plan ("FZP"), specifically, the Housing Choice-SF (HC-SF) local density bonus program, by exempting projects with fewer than 25 units from the inclusionary requirements. This is intended to improve feasibility for the development of small and mid-scale infill housing that is envisioned under the FZP, particularly in Well-Resourced Neighborhoods. In combination with lower inclusionary rates, reduced development impact fees, and the incentives offered by the FZP, the changes proposed under the Ordinance would encourage housing production while supporting the City's broader land use and urban Design objectives.

Goal 3: **Streamline and simplify affordable housing requirements.**

The Ordinance advances several key objectives of the City's Housing Element by reducing regulatory and administrative barriers that have constrained residential development and limited the City's ability to increase housing production. The Ordinance streamlines and simplifies the Program requirements by establishing more consistent, predictable, and administratively efficient standards for all residential development projects. By reducing and consolidating the inclusionary obligations, exempting small projects (10-24 units), consolidating requirements for both rental and ownership projects, eliminating certain geographically specific requirements, expanding compliance options, and reducing development impact fees, the Ordinance addresses barriers that have been identified as constraints on housing feasibility. The changes proposed under the Ordinance are intended to improve clarity for project sponsors, reduce complexity, and create more uniform requirements to help support affordable housing production.

Recommended Modification

The proposed Ordinance supports and advances the identified Key Goals. To further clarify the Code provisions and ensure their consistent application, the Department recommends the following modification:

Recommendation 1: Amend Section 249.5(c)(6) to allow special exceptions to the 80-foot base height limit in the 80-120-T and 80-130-T Height and Bulk Districts to be granted through Conditional Use approval.

Section 249.5(c)(6) currently allows projects within the North of Market Residential SUD and located in the 80-120-T and 80-130-T Height and Bulk Districts to obtain exceptions to the 80-foot base height limit pursuant to Section 263.7. The proposed Ordinance would delete Section 263.7 because it establishes an additional affordable housing fee that is proposed for removal (see Section 5 of this report). As Section 263.7(c) currently requires Conditional Use approval for projects seeking an exception to the 80-foot height limit, this recommended modification would provide a conforming change to ensure that a process remains in place for reviewing and approving such exception requests.

Required Commission Action

The proposed Ordinance is before the Commission so that it may adopt a recommendation of approval with modifications for the proposed Code Amendments.

Additionally, the Commission is required to act on the proposed delegation of authority Resolution.

Environmental Review

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c)(2) and 15378 because it would not result in a direct or reasonably foreseeable indirect physical change in the environment.

Public Comment and Outreach

As of June 11, 2026, the Planning Department has received 16 public comments in support of the proposed Ordinance. The letters of support (Exhibit G) argue that the current inclusionary requirements and impact fees have made residential development financially infeasible, with City data indicating that no major project type can proceed under existing conditions. Due to this, approved projects remain stalled and exacerbate the housing shortage, causing increases to rents, and undermines the affordability goals. The supporters deem the proposed legislation necessary to help restore financial feasibility to unlock housing production across income levels. The supporters advocate for the proposed changes in the Ordinance along with the expansion of the Housing Trust Fund to support long-term affordable housing investment. These letters strongly urge the Commission to approve the legislation.

On June 9, 2026, City staff presented the proposed Ordinance to the Department's Community Equity Advisory Council. Council members provided feedback on the proposed Ordinance and its potential impacts on housing affordability and development. Discussion focused on the proposed inclusionary rates, the removal of the middle-income tier, whether the requirements would adequately support affordability goals, and the extent to which the proposed Ordinance would increase housing production and affordable housing opportunities. Staff responded that the changes to income tiers were driven by TAC recommendations and MOHCD applicant data and that the intention of the legislative package, including both the proposed Ordinance and Housing Trust Fund ballot measure, was to achieve a net increase in affordable housing production and preservation. Council members also expressed concerns about the timing of the Housing Trust Fund ballot measure relative to adoption of the Ordinance, noting the uncertainty of election outcomes. Staff responded that the proposed Ordinance timeline is driven by the expiration of the current temporary inclusionary rates on November 1, 2026. In addition, Council members raised broader housing and equity issues beyond the direct scope of the proposed Ordinance. This included concerns about gentrification, potential displacement of homeowners who may be asset rich but income constrained, and barriers to accessing affordable housing opportunities, particularly for residents with limited access and familiarity with the DAHLIA housing portal.

ATTACHMENTS:

Exhibit A:	Draft Planning Commission Code Amendment Resolution
Exhibit B:	Draft Planning Commission Delegation of Authority Resolution
Exhibit C:	Controller's Office Memorandum on the Triennial Review of Economic Feasibility, dated April 30, 2026 (corrected May 19, 2026)
Exhibit D:	Chart of Inclusionary Rate Requirements
Exhibit E:	Reference Maps
Exhibit F:	Inclusionary Affidavit of Compliance
Exhibit G:	Letters of Support
Exhibit H :	Board of Supervisors File No. 260538, substituted June 2, 2026