

Housing Fee Reform Plan
Summary of Legislation - 6.27.23

Pipeline Projects

- Projects that are approved by City before November 1, 2023 can reduce the on-site inclusionary housing obligation to 12% and reduce all other inclusionary obligations (off-site, fee out) proportionately. For example:

	Rental		Ownership	
	On-Site	In Lieu Fee/Off-Site	On-Site	In Lieu Fee/Off-Site
Current Rates	22.0%	30.0%	24.0%	33.0%
Reduced Rates for Pipeline Projects	12.0%	16.4%	12.0%	16.4%
<i>% Reduction for Pipeline Projects</i>	<i>45.5%</i>	<i>45.5%</i>	<i>50.0%</i>	<i>50.4%</i>

- In no case shall a project have its inclusionary rate reduced below 12%
- During this period, for entitled projects, inclusionary rates for rental and ownership projects will be collapsed to a single rate, set at the rental rate. For example:
 - Both rental and ownership citywide **on site** rate set at 12%.
 - Both rental and ownership citywide **fee out and off site** at 16.4%.
- Area plans with higher inclusionary rates will be reduced proportionately.
- Maintain existing proportion of three designated income tiers for BMRs.
- Additionally, Pipeline projects can reduce all other impact fees by 33%, as long as they get a first construction document by May 1, 2029.
- Pipeline projects may apply to the Planning Department for this reduction between November 1, 2023 and November 1, 2026. If project is seeking no modification of conditions of approval other than what is outlined in this legislation (inclusionary reduction, fee reduction, time extension, and adjustments to maintain state density bonus eligibility) it will be a staff level review and approval.
- If other modifications are needed, Pipeline Projects will need to go back to the Planning Commission, but will still be eligible for inclusionary and impact fee reductions.
- Pipeline Projects that get this reduction would need to get a first construction document by May 1, 2029 in order to keep reduced inclusionary and reduced impact fees. If they do not reach this milestone, the inclusionary rate will adjust to what is in effect at that time.
- This option will only apply to projects with 25+ units. No change to projects with 1-24 units.
- This option will not apply to Development Agreements.
- This option will not allow projects that have elected to meet their inclusionary obligation through a land dedication to change the terms of that land dedication.
- This option will not allow any project that has already met their inclusionary obligation through the payment of fees or dedication of land to claw back any portion of those fees or land.

New projects – Next three years

- For projects approved by City between November 1, 2023 and November 1, 2026, on-site inclusionary housing obligation is reduced to 15% and all other inclusionary obligations (off-site, fee out) are reduced proportionately. For example:

	Rental		Ownership	
	On-Site	In Lieu Fee/Off-Site	On-Site	In Lieu Fee/Off-Site
Current Rates	22.0%	30.0%	24.0%	33.0%
Reduced Rates for New Projects (Next 3 years)	15.0%	20.5%	15.0%	20.5%
<i>% Reduction for New Projects (Next 3 years)</i>	<i>31.8%</i>	<i>31.8%</i>	<i>37.5%</i>	<i>38.0%</i>

- During this period, inclusionary rates for rental and ownership projects will be collapsed to a single rate, set at the rental rate. For example:
 - Both rental and ownership citywide **on site** rate set at 15%.
 - Both rental and ownership citywide **fee out and off site** at 20.5%.
- Area plans with higher inclusionary rates will be reduced proportionately.
- Maintain existing proportion of three designated income tiers for BMRs.
- Additionally, these projects can reduce all other impact fees by 33%, as long as they get a first construction document within 30 months of entitlement.
- Once a project receives an entitlement in this period, the project must receive first construction document within 30 months in order to keep the reduced inclusionary housing obligation. If the project fails to meet this deadline, regardless of if the Planning Commission extends the entitlements further, the project is subject to the inclusionary housing obligations in effect at the time.
- These changes will only apply to projects with 25+ units, no change to projects with 1-24 units.

Future State - Inclusionary

- The TAC will be mandated to reconvene before 1/1/26 to provide new recommendations.
- Should BoS and Mayor not implement new rates based on TAC recommendation, starting November 1, 2026, the citywide inclusionary on-site rate for rental will go to 18% and the rate for ownership will go to 20%. All other options (rental fee out, off site, ownership fee out, off site) will remain at the same ratio to the inclusionary on-site rental rate as they were as of 1/1/23.
- Unless otherwise changed by ordinance, beginning January 1, 2028 and on each subsequent January 1, inclusionary housing rates (for on site, off site, in lieu fee and for rental and ownership) shall rise by .5% each year unless the BoS passes a new ordinance to change the rates or that annual increase.

Development Impact Fee Reform and Deferral – Permanent Changes

- Legislation will reactivate the currently expired impact fee deferral program, so developers have the option of deferring 80-85% of fees from first construction document to First Certificate of Occupancy. No fee deferral surcharge to be required. This does not apply to affordable housing fees.
- Impact fees will now escalate by 2% annually, instead of by the AICCIE rate currently in place.
- Projects will now “lock in” the type and rate of impact fees that they will be subject to at the time of their approval by Planning Commission or Zoning Administrator and will not be subject to fee escalation between approval and first construction document.

Projects Exempt from Paying Impact Fees for Next Three Years

- Projects in PDR zones are exempted from paying impact fees on new retail or PDR uses in the next three years if they:
 - Contain retail or PDR uses
 - Contain no residential units
 - Propose building 20k to 200k GSF
 - Are located on a vacant site or a site with existing FAR of less than .25
 - Submit a complete development application by December 31, 2026, including projects approved prior to passage of the legislation
 - Have not already paid any development fees before passage of this legislation
- Projects in C-2 Zones are exempted from paying impact fees on new Hotel, Restaurant, Bar, Outdoor Activity, and Entertainment uses in the next three years, if they:
 - Contain all of the following uses: Hotel, Restaurant, Bar, Outdoor Activity, and Entertainment
 - Contain no residential uses
 - Propose building 20k to 200k GSF
 - Are located on a vacant site or a site with existing FAR of less than .25
 - Submit a complete development application by December 31, 2026, including projects approved prior to passage of the legislation
 - Have not already paid any development fees before passage of this legislation