

Inclusionary percentage

How it is now: New projects (2023-2026): 15% (10% at 55 AMI, 2.5% at 80 AMI, 2.5% at 120 AMI) / Pipeline (pre-2023) 12% at 55 AMI
Effective Nov 1, 2026 rates spring up to 18% rental/20% condo

Proposed: No level of inclusionary requirement is feasible under current economic conditions. However, to maintain inclusionary housing policy goals, TAC recommends setting the rate somewhere between 0-10% and separately identifying other sources of sustainable affordable housing funding

Inclusionary Income Tiers

How it is now: 10% at 55 AMI, 2.5% at 80 AMI, 2.5% at 120 AMI

Proposed: Drop middle-income (120 AMI); Prioritize low-income tier (55 AMI) and include moderate (80 AMI)

Small Projects

How it is now: No inclusionary requirement <10 units; Small projects (10-24 units) have a lower rate at 12%;
Large projects (25+ units) have the higher rates above

Proposed: To be discussed.

Rental vs Condo rates

How it is now: Interim and pipeline projects have one rate (above) for rental or condo, but after November 1, rates will differentiate by tenure (18% rental / 20% condo) and escalate annual by .5 percent, as they did before 2023.

Proposed: Apply the same rate to both rental and condo projects (with different AMI levels, e.g. 55 AMI rental/80 AMI condo for low-income, as currently). Century Urban analysis does not show clear rationale for a higher rate on condos. This will also simplify the requirements. Also, drop the annual increases since the TAC will meet once trigger occurs and can increase as needed

Affordable In Lieu Fee calculation

How it is now: 15% on-site or 20% fee or off-site

Proposed: Make fee/off-site reduction proportional to on-site rate reduction; maintain equivalency between on-site/fee options (subject to MOHCD and Planning refinement)

In Lieu Fees on SDB Bonus Units

How it is now: Applies (questionable legality); one of the highest of all impact fees

Proposed: Eliminate

Non Housing Impact fees

How it is now: Temporary 33% reduction (residential and non-residential) through Nov 1, 2026

Proposed: Reduce impact fees by between 66% and 100%

Trigger to Re-Evaluate Inclusionary/Fee Levels

How it is now: Every three years, beginning Jan 1

Proposed: Link to healthy measure of housing starts (2000 to 4000 units/year)

Dedicated & Scaled Affordable Funding Source

How it is now: Housing Trust Fund capped at \$50mm annually, increasing annually based on % growth of General Fund; other sources include periodic GO bonds, cyclical inclusionary and jobs housing linkage fees

Option 1: Pursue Citywide EIFD, with state legislative changes to reduce costs and admin burden.

Option 2: Remove cap on Housing Trust Fund and increase funding based on City's growth

Proposed: Create a mechanism to capture incremental growth in property taxes from all new housing construction citywide using a citywide EIFD or equivalent.

Create guaranteed annual funding mechanism that increases annual affordable housing funding in proportion to incremental growth in City's overall assessed value over time. Must be able to be bonded against.

Split available increment 50% of incremental growth in property tax to affordable housing, 50% to general fund. Estimated \$150mm in affordable housing funding annually at production levels of 2500 market rate units per year.

Will require a 50%+1 ballot initiative, recommend the measure is added to the Nov. '26 ballot legislatively.

Across both proposals: Given length of time to capture tax increment from new development, City should consider a near term revenue bridge (such as Certificates of Participation or GO Bond)

Additional Regulatory and Compliance Burden for Affordable Housing

How it is now: Affordable housing has several additional requirements that add cost and time to projects.

Proposed: In parallel to above, City should develop additional regulatory reforms, financing tools, etc to reduce the cost and time to produce affordable housing, which could include better leverage of project level revenue bonds and temporary waivers on additional duplicative compliance and regulatory requirements for affordable projects.