



## THE CITY OF SAN DIEGO

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### OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** October 30, 2025

**IBA Report Number:** 25-35

**Docket Date:** November 4, 2025

**Item Number:** Item 330: The 2025 Annual Report on Homes

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# Additional Analysis of 2025 Annual Report on Homes

## OVERVIEW

Given Council's strong interest in affordable housing development, our Office used the [dataset](#) underlying the [2025 Annual Report on Homes](#) to further analyze the City's local housing programs that incentivize additional affordable homes, including the Density Bonus program, Complete Communities Housing Solutions (Complete Communities HS), Inclusionary Housing, and Accessory Dwelling Unit (ADU) Bonus program.

Affordable housing trends can fluctuate greatly each year. Overall, affordable housing permits in 2024 (1,062 homes) dropped by more than half compared to 2023, which was an extraordinary year permitting 2,576 homes, but remains higher than the two years prior (486 to 675 homes). The Density Bonus program contributed the most homes overall, with recent growth in the ADU Bonus program and Complete Communities HS becoming larger contributors as well. To examine fair housing implications, we also analyzed the distribution of permitted affordable homes each housing program produced based on resource areas between 2021 and 2024, as defined by the California Tax Credit Allocation Committee<sup>1</sup> (CTCAC). Based on the number of permitted homes, the Density Bonus Program contributed the most homes in highest, moderate, and low resource areas, as well as in high segregation and poverty resource areas. Complete Communities HS contributed the most permitted homes located in high resource areas with 282 units.

As more data become available, we believe continued monitoring and analysis of local housing program trends will remain important to inform Council decisions. We thank City Planning for making this data publicly available.

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<sup>1</sup> To inform statewide policy for affordable housing funding, CTCAC develops and maintains an Opportunity Map, which assess geographic areas based on the availability of resources for low-income families to achieve positive economic, education, and health outcomes. CTCAC resource areas include highest, high, moderate, and low resource based on a set economic and educational indicators relative to other neighborhoods in the same region. CTCAC also defines "High Poverty and Segregation areas," which meet standards for both high or concentrated poverty rates and racial segregation.

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## BACKGROUND

Since 2018, City Planning has released an Annual Report on Homes (Annual Report) that details the City's progress building new homes and implementing new housing initiatives. As the 2025 Annual Report indicates, in 2024, the City permitted a total of 8,782 new homes, of which 1,061 new homes were deed-restricted as affordable for households with very low, low, and moderate income. Among the various breakdowns, the Annual Report provides additional details on the City's housing programs aimed at incentivizing additional affordable housing within development projects, as described starting on page 25:

- **Accessory Dwelling Unit (ADU) Bonus:** Allows development of an additional ADU home when an ADU home is deed-restricted as affordable, subject to certain requirements.
- **Complete Communities Housing Solutions (Complete Communities HS):** Allows development of additional homes than otherwise permitted for projects near transit that include affordable homes and either the development of enhanced public spaces or the contribution of funds for neighborhood improvements.
- **Affordable Home Density Bonus:** Allows development of additional homes than otherwise permitted for projects that include affordable homes. This includes many projects where 100% of homes are deed-restricted as affordable.
- **Inclusionary Affordable Housing:** Requires a percentage of rental and for-sale homes in developments of 10 or more homes to be set aside for lower-income households. The homes can be built on-site within a development or off-site in another development. In lieu of constructing these affordable homes, a fee can instead be paid to the San Diego Housing Commission to fund affordable home development.

For context, City's Density Bonus program was significantly amended to incentivize additional affordable housing in 2018; Complete Communities HS began in 2020 with updates in 2023; and the ADU Bonus program began in 2020. Updates to the Inclusionary Housing program were fully phased in beginning July 2024.

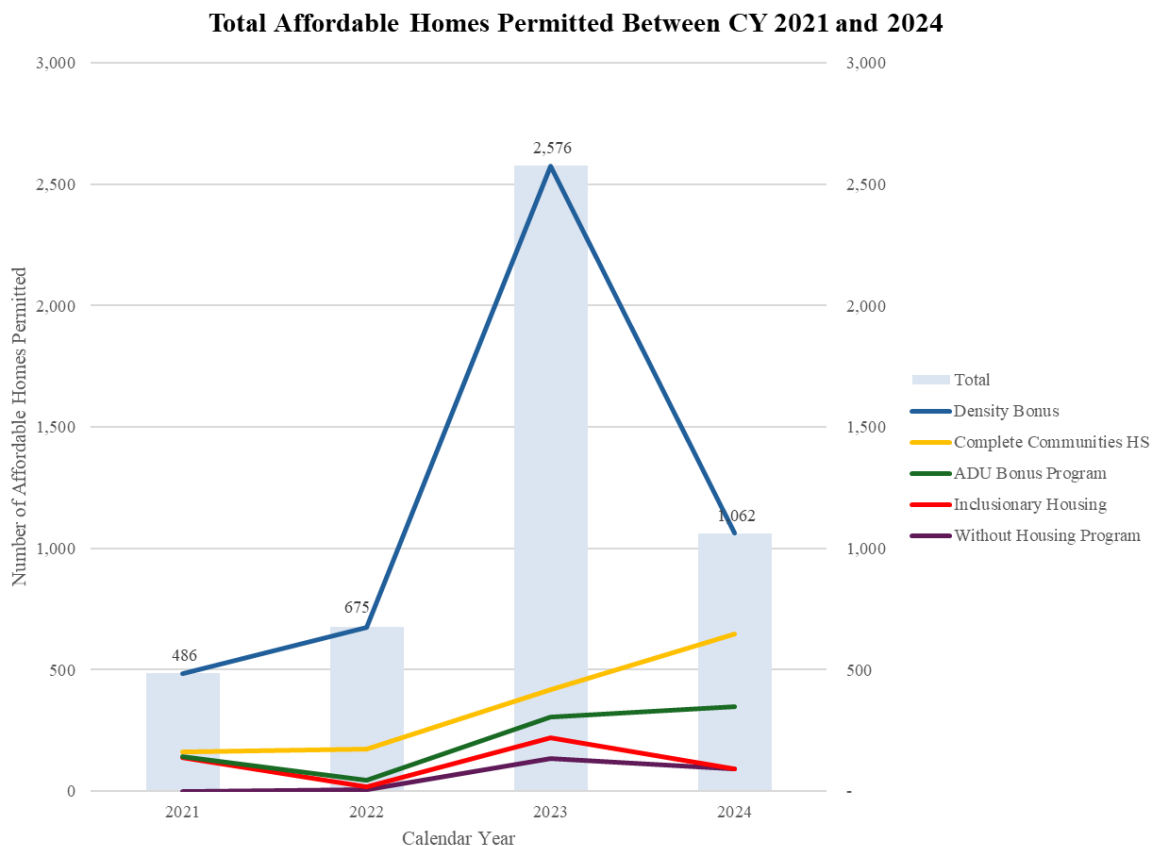
The remainder of this report provides additional information about the aforementioned City housing programs over time, based on resource area as defined by the California Tax Credit Allocation Committee (CTCAC), and income restriction categories. We note that this report focuses exclusively on affordable homes (i.e., excludes those not deed-restricted in the "above moderate" category); this may differ from values reported in the Annual Report if "above moderate" units are included.

## FISCAL AND POLICY DISCUSSION

### City Housing Programs Over Time

The figure on the next page shows the total number of affordable homes permitted through one of four City housing programs between calendar years 2021 through 2024. During this time, 3,398 affordable units were permitted through Density Bonus accounting for 70.8% of all affordable homes permitted; 562 units through Complete Communities HS (11.7%); followed by 370 units through ADU Bonus (7.7%); 235 units through Inclusionary Housing (4.9%); and 234 units permitted not through a City housing program (4.9%).

Affordable housing trends can fluctuate greatly each year. The number of affordable homes dramatically increased by almost three-fold from 675 homes in 2022 to 2,576 total homes in 2023 – mainly due to a notable increase in units permitted through the Density Bonus program. 2023 was a notable year for affordable housing production. In 2024, the overall number of affordable homes permitted was 1,061, which is a drop of 58.8% from 2023 but overall comparable to prior year averages. In 2024, the 413 affordable units produced under Density Bonus appears closer to pre-2023 trends, which ranged from 326 to 502 units. Growth in Complete Communities HS in 2024 more than doubled, while the ADU Bonus program more than tripled relative to 2023 levels. Inclusionary Housing produced one unit in 2024, which appears to be an outlier, but may suggest that most developers subject to Inclusionary Housing opted to pay the in-lieu fee in 2024 thereby contributing affordable housing through the Affordable Housing Fund.



Housing Program	2021	2022	2023	2024	Total
Density Bonus Program	326	502	2,157	413	3,398
Complete Communities Housing Solutions	16	129	115	302	562
Accessory Dwelling Unit Bonus Program	7	24	85	254	370
Inclusionary Housing Program	137	13	84	1	235
Without Housing Program	-	7	135	92	234
<b>Total</b>	<b>486</b>	<b>675</b>	<b>2,576</b>	<b>1,062</b>	<b>4,799</b>

## City Housing Programs by CTCAC Resource Areas

The following two figures show the numbers and relative shares of affordable units permitted through local housing programs based on CTCAC resource areas between 2021 and 2024, which excludes 234 affordable homes permitted without a local housing incentive program. As noted in the 2025 Annual Report on page 58, more than two-thirds of the City is in highest (52%) and high (16%) resource areas. Based on our analysis, most affordable units built in the highest resource areas were permitted through the Density Bonus program (668 units, or 81.3%), followed by Complete Communities HS (85 units). The Density Bonus program is a lead contributor to affordable homes in moderate resource areas but also in low resource, and high segregation and poverty resource areas. Complete Communities HS accounted for the most permitted affordable homes located in high resource areas (282 units), followed closely by Density Bonus (265 units).

**Affordable Home Permits by Housing Program and CTCAC Resource Area Distribution, CY 2021-2024**

	Highest Resource	High Resource	Moderate Resource	Low Resource	High Segregation & Poverty	Total
Density Bonus Program	668	265	1,224	1,180	61	3,398
Complete Communities Housing Solutions	85	282	73	122	-	562
Accessory Dwelling Unit Bonus Program	34	84	97	149	6	370
Inclusionary Housing Program	34	36	113	51	1	235
<b>Total</b>	<b>821</b>	<b>667</b>	<b>1,507</b>	<b>1,502</b>	<b>67</b>	<b>4,565</b>

CTCAC = California Tax Credit Allocation Committee; CY = calendar year

On a percentage basis *within* each housing program as seen below, although no one local housing program was strongest in producing affordable homes in highest resource areas, of the affordable homes permitted through Density Bonus, 19.7% were located in the highest resource areas. A majority of Density Bonus affordable units (70.7%) were split near evenly between moderate and low resource areas; half of Complete Communities affordable homes (50.2%) were located in high resource areas; 40.3% of ADU Density Bonus units are located in low resource areas; and 48.1% of Inclusionary Housing units were located in moderate resource areas.

**Distribution of Affordable Housing Permits by Housing Program Across CTCAC Resource Area, CY 2021-2024**

	Highest Resource	High Resource	Moderate Resource	Low Resource	High Segregation & Poverty
Density Bonus Program	19.7%	7.8%	<b>36.0%</b>	<b>34.7%</b>	1.8%
Complete Communities Housing Solutions	15.1%	<b>50.2%</b>	13.0%	21.7%	0.0%
Accessory Dwelling Unit Bonus Program	9.2%	22.7%	26.2%	<b>40.3%</b>	1.6%
Inclusionary Housing Program	14.5%	15.3%	<b>48.1%</b>	21.7%	0.4%
<b>Total Share of All Affordable Homes through Housing Programs</b>	<b>18.0%</b>	<b>14.6%</b>	<b>33.0%</b>	<b>32.9%</b>	<b>1.5%</b>

CTCAC = California Tax Credit Allocation Committee; CY = calendar year

Note: Bolded percentages, excluding totals, indicate the highest percentage across CTCAC resource areas within a housing program. Percentages sum up to 100% for each housing program (i.e., distribution of permits by program across CTCAC resource areas).

## City Housing Programs Based on Income Restriction Category<sup>2</sup>

The following two figures show the numbers and relative shares of affordable units permitted through local housing incentive programs based on income restriction category between 2021 and 2024. Similar to the previous analyses, the Density Bonus program contributes the most affordable units deed-restricted for very low- and low-income households permitting 1,414 and 1,780 homes, respectively. This is followed by Complete Communities HS which permitted 268 very low and 123 low-income restricted homes, and Inclusionary Housing with 101 very low and 120 low-income homes. The ADU Bonus program resulted in the least number of very low- and low-income deed-restricted homes permitting 6 and 21 homes, respectively, but the most moderate-income restricted units with 343 homes.

**Affordable Homes Permits by Housing Program and Income Restriction Category, CY 2021-2024**

	Very Low Income	Low Income	Moderate Income	Total Affordable Units
Density Bonus Program	1,414	1,780	204	3,398
Complete Communities Housing Solutions	268	123	171	562
Accessory Dwelling Unit Bonus Program	6	21	343	370
Inclusionary Housing Program	101	120	14	235
<b>Total</b>	<b>1,789</b>	<b>2,044</b>	<b>732</b>	<b>4,565</b>

CY = calendar year

Based on relative shares across income restriction categories, within Density Bonus, 94.0% of affordable homes are restricted to either very low (41.6%) or low income (52.4%) households; 47.4% of Complete Communities HS units were deed-restricted for very low income; 92.7% of ADU Bonus program homes were restricted to moderate income; and 94.1% of Inclusionary Housing affordable homes were restricted to either very low income (43.0%) or low income (51.1%) households.

**Distribution of Affordable Homes by Housing Program Across Income Restriction Category, CY 2021-2024**

	Very Low Income	Low Income	Moderate Income
Density Bonus Program	41.6%	<b>52.4%</b>	6.0%
Complete Communities Housing Solutions	<b>47.7%</b>	21.9%	30.4%
Accessory Dwelling Unit Bonus Program	1.6%	5.7%	<b>92.7%</b>
Inclusionary Housing Program	43.0%	<b>51.1%</b>	6.0%
<b>Total Share of All Affordable Homes through Housing Programs</b>	<b>39.2%</b>	<b>44.8%</b>	<b>16.0%</b>

CY = calendar year

Note: Bolded percentages, excluding totals, indicate the highest percentage across income restriction category within a housing program. Percentages sum up to 100% for each housing program (i.e., distribution of permits by program across income restriction categories).


<sup>2</sup> Income limits are typically set based on federal and State limits as follows: very low income = 30-50% area median income (AMI); low income = 50-80% AMI; moderate income = 80-120% AMI. “Affordable housing” for lower income households is defined by the State as not more than 30% of gross household income going towards housing costs.

## CONCLUSION

This report provides additional analysis of the 2025 Annual Report on Homes data focusing on affordable housing outcomes from four of the City's housing incentive programs, as summarized below:

- Most affordable housing produced between 2021 and 2024 was permitted through **Density Bonus** (70.8%). It created the most homes for low and very low income households and made up over 80% of affordable homes in high-resource areas across all programs. Within the program, a majority of these homes were in a moderate or low resource area and restricted to low or very low-income households. Although no program permitted the majority of affordable homes in the highest resource areas, the Density Bonus program had the highest relative share with 19.7% of homes permitted through the program in highest resource areas.
- **Complete Communities HS** permitted 11.7% of affordable homes in the same timeframe, with half located in high resource areas – making up the most across all programs in this income category – and slightly less than half deed-restricted to very low-income households. The Complete Communities HS program has ramped up in recent years, from 16 homes in 2021 to 302 units in 2024.
- **ADU Bonus** program permitted 7.7% of affordable homes, with 40.3% of homes permitted through the program located in low resource areas. However, 92.7% of its homes were deed-restricted to moderate income households – contributing the most homes in this income category across all programs. The ADU Bonus program has also ramped up in recent years, from 7 units in 2021 to 254 units in 2024.
- **Inclusionary Housing** permitted 4.9% of affordable housing, with 48.1% located in moderate resource areas and 94.1% restricted to either very low- or low-income households. In 2024, only one unit was produced through Inclusionary Housing, with most developers subject to the ordinance likely opting to pay the in-lieu fee into the Affordable Housing Fund, much of which is used to finance affordable housing projects together with other funding sources.

It remains important to continually monitor the outcomes of the City's affordable housing incentive programs to ensure that the policy goals established by Council are being achieved and identify, if necessary, any program modifications to further strengthen the City's affordable housing efforts. Our Office stands ready to assist with Council in these efforts.

  
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