THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Comparison of Inclusionary Housing Programs

OVERVIEW

To facilitate the affordable housing discussion planned at City Council on July 31, this report provides requested information from Councilmember Ward's office regarding the various components of inclusionary housing programs in California cities. In addition, information on the effect of recently enacted legislation, Chapter 376 of Statutes of 2017 (AB 1505) was requested. AB 1505 allows cities to require that rental residential development include a certain percentage of affordable rental units and provide alternative means of compliance. This bill supersedes a court decision that deemed inclusionary zoning policies for rental residential development in conflict with the state's Costa-Hawkins Rental Housing Act.

BACKGROUND

What is Inclusionary Housing?

Inclusionary housing refers to programs and strategies that promote the creation of affordable housing when new development occurs.[1] This includes fee-based policies such as housing impact or linkage fees, which are fees assessed on new development intended to mitigate a resulting demand in affordable housing. Inclusionary zoning is a type of inclusionary housing strategy that requires or encourages a certain portion of affordable housing units to be provided within market-rate projects.[2]

[1] Thaden, Emily and Ruoniu, Wang, "Inclusionary Housing in the United States: Prevalence, Impact, and Practices," Lincoln Institute of Land Policy, September 2017.
[2] United States Department of Housing and Urban Development, Office of Policy Development and Research, "Inclusionary Zoning and Mixed-Income Communities," https://www.huduser.gov/portal/periodicals/em/spring13/highlight3.html.

Methodology

According to the most recent survey available of inclusionary programs available, 149 jurisdictions in California were identified with inclusionary housing programs.[3] This report is limited to the six most populated cities with reported inclusionary housing policies. Chula Vista was also selected to provide a regional comparison to the City of San Diego. The report discusses the most significant elements of each city's policy in a general format beginning with some background, the main or base requirement of the policy, alternatives to the base requirement, and impacts of city policies.

FISCAL/POLICY DISCUSSION

Recent Legislation – AB 1505

AB 1505 authorizes a city or county to require, as a condition of development of residential rental units, that the development include a certain percentage of units that are affordable to moderate and lower-income households. The new law became operative in January 2018 and supersedes a 2009 court decision in *Palmer/Sixth Street Properties v. City of Los Angeles* (Palmer) that inclusionary zoning for rental residential development conflicts with the state's Costa-Hawkins Rental Housing Act. The Costa-Hawkins Rental Housing Act gives rental housing owners the right to set initial and all subsequent rental rates for a unit built after 1995. In response to the Palmer decision, many jurisdictions suspended their inclusionary zoning ordinances for rental housing development. As shown in this report, many jurisdictions have also changed the structure of the policy to be fee-based and allow, as an alternative to the fee, the production of affordable units within a development project, in order to comply with the Costa-Hawkins Rental Housing Act.

A summary of some of the identified impacts from AB 1505 are provided at the end of this report. An overview of inclusionary housing programs is provided below.

City of San Diego

Inclusionary Housing Ordinance

Background: The City of San Diego's fee-based Inclusionary Housing Ordinance was passed in 2003 and is one of several ways that affordable housing is created and preserved in throughout the city. According to the Inclusionary Affordable Housing Ordinance the purpose of the program is "to encourage diverse and balanced neighborhoods with housing available for households of all income levels."

Base requirement: San Diego's Inclusionary Housing Program requires that all new residential development that is at least two units is subject to an Inclusionary Affordable Housing Fee. These fees are collected and placed in the Affordable Housing Fund. Instead of the fee, the developer can provide affordable units on or off-site of the project. Off-site units are allowed if they assist in

[3] Thaden, Emily and Ruoniu, Wang, "Inclusionary Housing in the United States: Prevalence, Impact, and Practices," Lincoln Institute of Land Policy, September 2017.

meeting the goal of providing economically balanced communities and the goal of providing transit-oriented development.

Fee: For residential developments under 10 units, the fee rate per square foot is on a sliding scale and increases for each additional unit. For projects that are 10 units or more, the current rate is $10.82 per square foot. The fee is calculated by multiplying the per square foot rate and the aggregate gross floor area of all units within the development.

Alternative: Instead of paying the fee, developers of for-sale unit projects may provide 10% of the total number of dwelling units in the project affordable to households earning up to 100% of the area median income of a family (AMI).

Exemptions: An exemption is provided for residential development, receiving a financial or other form of assistance, with at least 10% of total dwelling units affordable to, and occupied by households earning up to 65% of AMI.

Impact: Since the inception of the Inclusionary Housing Program, $133.3 million has been collected in fees. In addition, 2,531 affordable units have been built with inclusionary fees and 957 affordable units have been built by developers under this ordinance and through other incentive programs. There are also 907 affordable units in the pipeline to come.

City of Los Angeles

Measure JJJ – Affordable Housing Requirements and In-Lieu Fee

Background: The City of Los Angeles uses many ordinances and policies to promote housing development for residents of all incomes. The City had been working on a mixed-income housing ordinance but it was stalled with the Palmer decision.[4] However, voters approved different affordable housing requirements and an in-lieu fee through Measure JJJ in November 2016.

Basic Requirement: The measure requires developers of certain residential projects to provide affordable units or pay a fee instead. Projects subject to Measure JJJ are those that are at least 10 units and need changes to land use[5] or maximum building height that results in an increase in residential density of more than 35%, or allows a residential land use which was previously not allowed. Projects must meet one of the on-site affordability provisions or one of the specified alternative options. In addition, the measure includes various labor requirements related to pay, training, and local hiring for construction done on the project.

Affordability Provisions: Affordability requirements vary depending on whether the project produces rental units or for-sale units. For rental projects, affordability requirements also depend on: 1) whether they increase residential density by more than 35%; 2) whether it creates residential use where it was previously not allowed; and 3) what household incomes are targeted. Lower

[4] City of Los Angeles, Development of a Mixed Income Housing Ordinance, report to the Housing, Community and Economic Development Committee February 3, 2010, http://clkrep.lacity.org/onlinedocs/2008/08-2614_rpt_plan_2-3-10.pdf

[5] Through a General Plan amendment or zone change

affordability requirements exist for rental projects that result in an increase in residential density beyond 35%, as opposed those that result in new residential land use.

Affordability requirements for for-sale projects increase depending on the household income targeted – the lower the income, the lower the percentage required since they require the greatest subsidy. Table 1 below summarizes these requirements.

Alternatives: A developer can satisfy affordable housing requirements by building affordable units off-site of the project if affordability levels are comparable to those required for units provided on-site, and they are provided in proximity of the project. Other alternatives include acquiring and preserving a property containing at-risk affordable units, or paying an "in-lieu fee".

In-Lieu Fee: The rental fee varies depending upon the unit size and affordability level. The for-sale fee depends on the size, affordability level, which community plan area the project is located, and housing type. According to the affordability gaps study, fee rates for for-sale units vary significantly: from a few hundred dollars per market-rate unit to over $400,000 per unit assuming the lowest rate that satisfies the affordability requirements.

Additional Incentives: In addition to increased residential density or attaining new residential use for the development, a project under this program that satisfies the affordable housing requirements is also entitled to three incentives included in the state's density bonus program.

Table 1: City of Los Angeles Measure JJJ Affordable Housing and Fee Requirements

	Rental Projects[2]	For-Sale Projects[3]
Affordable Unit Percentages[1]		
Increase in Residential Density Over 35%	5% for extremely low income and either: 6% for very low income or 15% for lower income	11% for very low income; or 20% for lower income; or 40% for moderate income
Residential Use Where Not Previously Allowed	5% for extremely low income and either: 11% very low income or 20% for lower income	Same as above
In-Lieu Fee		
Increase in Residential Density Over 35%	Example: $46,350 per one-bedroom unit assuming 5% for extremely low income and 6% for very low income	Could range between a few hundred to over $400,000 per market-rate unit
Residential Use Where Not Previously Allowed	Example: $66,585 per one-bedroom unit assuming 5% for extremely low income and 11% for very low income	Same as above

[1] The affordability unit percentages indicate the minimum percentage of affordable units required within a residential development. Affordable units must have rents or prices set at a level that is affordable to the specified targeted household income.
[2] Rental income thresholds: Extremely low-income units target household incomes up to 30% of AMI; very low-income units target households up to 50% of AMI, and lower-income units target households up to 80% of AMI.[6]
[3] For-sale income thresholds: very low-income targets households up to 50% of AMI, lower-income targets households up to 80% of AMI, and moderate-income targets households up to 120% of AMI.

[6] In-Lieu Fee Study for Compliance with City of Los Angeles Measure JJJ, Affordability Gaps Study, March 13, 2017, https://planning.lacity.org/ordinances/docs/TOC/LA_Measure_JJJ_Affordability_Gap_Analysis_03132017_Edit.pdf

Impact: City staff indicate that initial results of Measure JJJ show a significant decline of proposed housing units through General Plan amendments and zone changes, which may be due to a confluence of factors. However, staff have also seen positive results emerging from a separate program that originated from Measure JJJ, called the Transit Oriented Communities Affordable Housing Incentive Program (TOC Program).

The TOC Program promotes affordable housing development located in a one-half mile radius around a major transit stop by providing incentives such as additional density and reduced parking. There are varying levels of affordability required targeting extremely-low income households, very low-income households, and lower income households. Additional incentives could be granted if certain labor standards are met, but this is discretionary.

Los Angeles also has an affordable housing linkage fee program which became operational in June 2018. For-sale and rental housing development are exempt from the fee if they include affordable units where at least 40% are for moderate-income households; 20% are for low-income households; 11% are for very low-income households; or 8% are for extremely low-income households. The fee per square foot varies by size of the development project, but ranges between $1 in a low market area and $18 in a high market area.[7] Since the linkage fee has just gone into effect, there is no information available on its impacts. However, city staff estimate that the fee could generate about $110 million per year that would go towards affordable housing.

City of San Jose

Inclusionary Housing Ordinance

Background: San Jose's Inclusionary Housing Ordinance was adopted in January 2010. However, its implementation was stalled because it was challenged by the California Building Industry Association claiming that it was an unconstitutional exaction. In 2015, the city's ordinance was upheld by the California Supreme Court which instead characterized residential inclusionary zoning ordinances as "land use restrictions", and therefore not subject to special scrutiny triggered by exactions.[8] This ruling allowed San Jose's Inclusionary Housing Ordinance to be reactivated after a grace period, but only for for-sale units (not for rental units) due to the Palmer court decision.

San Jose's Inclusionary Housing Ordinance kept the requirements related to rental units in law but made its operation contingent upon the Palmer decision being overturned, or the state legislature authorizing control of rents of inclusionary units. With the enactment of AB 1505, San Jose has only recently been able to fully implement its Inclusionary Housing Ordinance for both for-sale and rental units even though it has been on the books since 2010.

Base Requirement: The ordinance requires that all residential development projects that are 20 units or more include 15% of the housing on-site at a cost that is affordable to specified income

[7] City of Los Angeles, Affordable Housing Linkage Fee, Ordinance Background and Frequently Asked Questions, February 2017.
[8] California Building Industry Association v. City of San Jose, March 10, 2016 https://harvardlawreview.org/2016/03/california-building-industry-assn-v-city-of-san-jose/, accessed July 6, 2018.

levels. Projects that create for-sale units must provide units at an affordable sales price to households earning up to 110% of AMI.

Projects that provide new rental units must satisfy the 15% obligation with the following breakdown:

- 9% of the total dwelling units at an affordable rent for moderate income households earning up to 80% of AMI
- 6% made affordable to very low-income households earning up to 50% of AMI.

Incentives: The program offers developers incentives to provide housing on-site such as: an increase in project density that would otherwise not be allowed; reduction in parking requirements; reduction in minimum setback requirements; the ability to provide an alternative unit type as compared to the market rate units; the ability to provide alternative, but functionally equivalent, amenities than market rate units; and additional assistance from the city for such things as selling and renting affordable units to qualified households.

Alternatives: The program allows for the alternatives listed below.

Off-site: Developers may provide affordable units off-site if at least 20% of the total units in the residential development are affordable. For-sale affordable units must be available to households earning no more than 110% of AMI. Rental projects must also satisfy the 20% obligation, but by providing 12% of the total dwelling units in the project affordable to lower-income households earning up to 60% of AMI, and 8% for very low-income households earning up to 50% of AMI.

In-Lieu Fee: Developers may pay a fee instead of constructing the affordable units within the project. The current fees are $167,207 per inclusionary home and $125,000 per inclusionary unit through June 30, 2019. These rates reflect the average city subsidy per unit, which is then applied to the 20% requirement for the proportion of affordable units within the residential development.

Other alternatives include:

- Dedication of land instead of constructing inclusionary units
- Purchase or transfer of affordable housing credits between developers
- The acquisition and rehabilitation of existing market rate units for conversion to affordable units
- Allowing developers to provide affordable units that are restricted by an agreement between the developer and the United States Department of Housing and Urban Development
- Allowing a developer to propose a combination of options outlined above.

Impact: Since San Jose's inclusionary program has only recently begun to fully operate, there is no information currently available on how many affordable units have been created attributed to the city's inclusionary housing program.

Housing Impact Fee Program

San Jose also established a Housing Impact Fee Program in 2014 and started collecting fees in 2016. The affordable housing impact fee applies to new small residential rental development (with

3 to 19 dwelling units) at a fee of $17.83 per square foot. The impact fee does not apply to for-sale unit developments.

San Francisco

Inclusionary Housing Program

Background: San Francisco has had an inclusionary housing program since 1992, which was discretionary up until 2002. It was recently amended in the fall of 2017 and is currently transitioning to becoming fully operational by 2028.

Base Requirement: All residential development projects that are at least 10 units pay an Affordable Housing Fee. The Affordable Housing Fee is different for each unit type. The fee is calculated by multiplying the fee per unit (i.e. a one-bedroom unit has a fee of $268,960) by the number of units of that type in the project, times the fee rate. The fee rate is 30% or 33% since it reflects the off-site affordable unit percentage requirement for either rental units or for-sale units.

Alternatives: As an alternative to paying the fee, a developer can construct affordable units on or off-site of the residential development. Affordability requirements vary depending upon the size of the project and whether the units are for-sale or for rent. These requirements are summarized in Table 2 below.

On-site: The city is currently phasing in increases to affordable housing obligations for on-site projects. For small for-sale and rental unit projects (10 to 24 units), the number of affordable units required to be constructed on the project site is 12.5% of all units and must be available for low-income households. This percentage will be increased annually until it reaches 15% in 2024.

For large projects (25 units or more), 21% of all units within for-sale unit projects must be affordable, with certain proportions targeting low-income households, moderate-income households, and middle-income households. For rental unit projects, 19% of all units are required to affordable, with a breakdown similar to for-sale units.

Off-site: If developers elect to construct affordable units at a different site than the development, the affordability obligation increases from 12% to 20% for small projects. For large for-sale unit projects, the required number of affordable units is 33% of all units in the development, broken down by low-income, moderate-income, and middle-income households. Similarly, 30% of all units within a rental unit project are required to be affordable with a comparable breakdown by household income. The following table summarizes the details of San Francisco's Inclusionary Housing Program.

Table 2: Summary of San Francisco's Affordability Requirements[1,2]

	Small For-Sale Units	Small Rental Units	Large For-Sale Units	Large Rental Units
On-site	12.5% for low income[3]	12.5% for low income[3]	21%[4] 10% for low 5% for moderate 5% for middle	19%[5] 10% for low 4% for moderate 4% for middle
Off-site	20% for low income	20% for low income	33% 18% for low 8% for moderate 7% for middle	30% 18% for low 6% for moderate 6% for middle

[1] Affordable for-sale units for low-income households earn up to 80% of AMI, moderate-income households earn up to 105% of AMI, and middle-income households earn up to 130% of AMI.
[2] Affordable rental units for low-income households earn up to 55% of AMI, moderate-income households earn up to 80% of AMI, and middle-income households earn up to 110% of AMI.
[3] 15% at full implementation
[4] 26% at full implementation
[5] 24% at full implementation

Impact: It is too early to identify the impacts of the city's new Inclusionary Housing Program. However, the most recent housing inventory report indicates that in 2017, 421 inclusionary units were added which accounts for 28.8% of all affordable units provided through all city programs.[9]

City of Sacramento

Mixed Income Housing Ordinance

Background: In 2015, the Sacramento City Council modified its Mixed Income Housing Ordinance to a fee-based policy in compliance with the Palmer decision. Prior to 2015, Sacramento had a project-percentage requirement of 5% of total dwelling units to be affordable to low-income households earning up to 80% of AMI and 10% for very low-income households with income up to 50% of AMI. These units were required to be built on the site of the development project, to the extent possible. The City cites one of the reasons for moving away from the project-percentage approach was the difficulty of marketing for-sale inclusionary units due to a limited range of qualified buyers.[10]

Base Requirement: The Ordinance requires that an affordable housing impact fee be assessed for all new market rate housing units, with the intent of providing housing for a variety of incomes and family types. Residential developments larger than 100 acres are additionally required to develop a Council-approved mixed-income housing strategy. The strategy demonstrates how the project provides housing for variety of incomes and family types. It may also provide for fee credits for land dedication, construction of affordable units, or another mechanism that leads to affordable housing.

[9] 2017 San Francisco Housing Inventory, San Francisco Planning Department, http://default.sfplanning.org/publications_reports/2017_Housing_Inventory.pdf.
[10] City of Sacramento City Council Report, Mixed Income Housing Ordinance Update, Report ID: 2015-00668, https://www.cityofsacramento.org/-/media/Corporate/Files/CDD/Planning/Long-Range/Housing-Programs/9115CouncilReport.pdf?la=en

Affordability requirements: The ordinance states that multi-dwelling development projects constructed for fee credit may contain any proportion of affordable dwelling units. Affordable units must be targeted to low-income households earning up to 80% of AMI. It also provides that the maximum number of affordable dwelling units in a multi-unit residential development project is 150.

Fee: The fee is $2.85 per square foot for housing units up to a certain density. For multi-unit dwellings, the fee is reduced to $0 at 40 dwelling units per acre, with the intent to incentivize such development. Dwelling units located in a specified Housing Incentive Zone are charged $1.23 per square foot. The fee is adjusted annually for inflation.

Exemption: The ordinance exempts various development projects from paying the impact fee, including projects in which at least 10% of the dwelling units are affordable for a duration of no less than 30 years.

Impact: According to the most recent annual report on the Mixed Income Housing Ordinance, $1.7 million in fees and interest have been collected since the implementation of the ordinance in 2015. There have not been expenditures on development of affordable housing yet.[11]

City of Oakland

Affordable Housing Impact Fee

Background: The Oakland City Council adopted development impact fees for affordable housing, transportation, and capital improvement in May 2016 and they went into operation in September of that year. The Affordable Housing Impact Fees are being phased in over three years[12] which will largely be completed by fiscal year 2019. The impact fee is intended to compensate for the increased demand for affordable housing generated by market-rate residential development projects within the City of Oakland.

Base Requirement: As a condition of a building permit for new housing units, the developer must pay the impact fee or provide affordable housing units on-site or off-site of the project.

Fee: The fee varies by housing type and in which of the three "impact fee zones" the project takes place. The payable fee is the product of the fee per housing unit, and the number of additional housing units. The bottom of the range for the fee per housing unit in Table 3 reflects the zone that has the most affordable housing costs, while the top end of the range reflects areas that are the most expensive. Zone 2 lies between these figures.

[11] City of Sacramento City Council Report, Annual Reports of the Housing Trust Fund, Mixed Income Housing Ordinance, and HOME Investment Partnerships Program, June 26, 2018, http://sacramento.granicus.com/MetaViewer.php?view_id=21&event_id=3250&meta_id=527433.
[12] City of Oakland Transportation, Capital Improvements, and Affordable Housing Impact Fees Summary, http://www2.oaklandnet.com/oakca1/groups/ceda/documents/report/oak063468.pdf

Table 3: City of Oakland Affordable Housing Impact Fees

Housing Type	Fee Per Housing Unit FY 2019
Multi-family	Fee ranges from $3,000 to $22,000
Townhome	Fee ranges from $1,000 to $20,000
Single-family	Fee ranges from $1,000 to $23,000

Alternatives: To be exempt from the impact fee, the developer may instead provide on-site or off-site affordable housing units.

On-site: Developers can choose any of the following options for providing affordable housing:[13]

- 10% of the total number of housing units in the project are moderate-income units;
- 10% are low-income units; or
- 5% are very low-income units.

Off-site: For affordable units provided off-site, the requirements outlined above apply and the units must be located within one half mile of the development project, unless otherwise exempted.

Impact: The impact fee report for FY 2017 includes partial-year information on the initial implementation of the Affordable Housing Impact Fee as it is being phased in. The city collected $478,000 in fees and there is an additional $7.2 million in revenue assessed but is not due yet.[14] At the time of the report, 10 development projects were including on-site affordable housing in lieu of paying the impact fee. These projects translate to 152 affordable units.[15]

City of Chula Vista

Balanced Communities Policy

Background: Chula Vista's Inclusionary Housing program was adopted in 1981 and applies to all residential development of 50 units or more. It is intended to increase affordable housing in new communities in the eastern part of the City.

Base Requirement: The program requires that 10% of the total number of dwelling units in a residential development project are to be affordable. At least 5% must be affordable to low-income households and 5% are affordable to moderate-income households. The policy encourages construction of affordable units on the site of the project for for-sale developments. A developer of a rental project who has not received any city assistance may voluntarily fulfill this obligation to not conflict with Costa-Hawkins.

[13] Moderate income units are affordable to households earning up to 120% of AMI, low income units are affordable to households earning up to 80% of AMI, and very low-income units are affordable to households earning up to 50% of AMI.
[14] Fees are paid in two installments: 50% due prior to issuance of a building permit and 50% prior to issuance of a certificate of occupancy (i.e. project completion).
[15] City of Oakland Impact Fees Annual Report Agenda Report, November 2017, http://www2.oaklandnet.com/government/o/PBN/OurOrganization/PlanningZoning/s/ImpactFee/index.htm

The city uses the following income categories for determining affordable rents and prices: very low-income households earn up to 50% of AMI, low-income households earn between 50% and 80% of AMI, and moderate-income households earn between 80% and 120% of AMI.

Alternatives: A developer may use any combination of alternatives to satisfy the inclusionary requirements. A developer can elect to provide affordable units off-site. This can be done through construction of new affordable units; acquiring and rehabilitating existing market rate units to affordable units; transfer of affordable housing credits from another developer; and through special needs housing projects or programs such as shelters and transitional housing.

In-Lieu Fee: The in-lieu fee is currently set at $124,220 per unit and is multiplied by number of affordable housing units required. It applies to both moderate and low-income households for either rental or for-sale units. The fee is based upon the affordability gap of what low and moderate-income households can afford to pay for a home and the median sales price of a home in Chula Vista.

Exemptions: To avoid increasing low-income housing concentrations, the program exempts designated census tracts called "Area of Low/Moderate Income Concentration" in which the median income is below the citywide median income and it also falls within the Low to Moderate Income Boundary as defined by the federal government. Anecdotally, City of Chula Vista staff indicated that they have seen more market-rate development in those areas, which would have the effect of diluting the concentration of affordable housing.

Incentives: The policy encourages production of affordable housing for very low and low-income households over housing targeting moderate income households by reducing the required affordable housing requirement. For example, low-income units count for a 1.5 unit credit when it is provided in place of a moderate-income unit. Therefore, for every additional low-income unit provided more than the requirement, the obligation to provide moderate-income reduces by 1.5 units each. Similarly, if very low-income units are provided, each one counts as a 2.0 unit credit in place of a moderate-income unit.

Impact: No recent data was available at the time of this report that reflects how many affordable units or fees have been collected because of this policy. However, the Housing Element of the city's General Plan adopted in 2013 stated that during the 2005-2010 reporting period, the city constructed or entered into inclusionary agreements for the addition of 334 low-income and 183 moderate income housing units in the city.[16]

Impacts of AB 1505

Because AB 1505 became operative in January 2018, little is known about how cities have reacted or intend to react in response. The bill would allow cities to implement inclusionary zoning policies for rental units that are based in prescribed project-percentages of affordable units, as opposed to the common fee-based structure. The policies included in this review currently have requirements for rental units but are structured in a way that they are in compliances with Costa-Hawkins. Through conversations with jurisdictions in this report, many cities have recently amended their

[16] City of Chula Vista, Housing Element of the General Plan, 2013 http://www.chulavistaca.gov/home/showdocument?id=5503.

inclusionary housing policies before AB 1505 was enacted, which took significant political will to get adopted. These cities appear to be currently focusing on implementing these measures and monitoring their progress as opposed to contemplating adopting revised inclusionary zoning policies in response to AB 1505.

However, both San Francisco and San Jose have already adjusted their policies in response to AB 1505. Prior to enactment of AB 1505, San Francisco allowed developers to build affordable rental units on-site or off-site if they waive their Costa-Hawkins rights through an agreement. The city has removed references to this requirement in municipal code as these agreements are no longer necessary.

San Jose has had inclusionary requirements for rental units in law for many years but they have not been operative because they were contingent upon a change in the Palmer ruling or a legislative change. The enactment of AB 1505 makes these provisions operative. Also, San Jose used to place a Housing Impact Fee on large rental unit projects but now these projects have been incorporated into the requirements of the Inclusionary Housing Ordinance.

CONCLUSION

As evident in this report, inclusionary housing programs vary widely in structure and complexity. The policies reflect the unique needs and priorities of each jurisdiction.

Los Angeles' Measure JJJ lead to the creation of an incentive program that is starting to see preliminary positive results in encouraging affordable housing near major transit stops. San Jose provides developers numerous incentives to provide affordable units on-site as well as many alterative options. San Francisco targets middle and moderate incomes, because as stated in its Housing Element Plan, "public subsidies tend to fund very low and low-income housing, with very limited grants allocated for moderate-income home buyers." Sacramento's policy places value on higher density development by exempting high density projects from fees. Chula Vista encourages developers to develop in certain areas by not charging fees in areas that already have a high concentration of affordable housing. It also provides additional incentives when units for low-income households are provided over units for moderate-income households. Finally, San Diego's policy is the most focused policy in comparison to other jurisdictions, targeting low and median-income households.

Many of the policies reviewed in this report have been recently modified so it is difficult to assess the outcomes of the programs and whether they are fulfilling their intended purpose. This report can be used as a reference to compare the City of San Diego's inclusionary policy to how other jurisdictions have structured their policies. Additional research could be done in the future to assess whether the City of San Diego's policy is fulfilling its intended purpose and whether it reflects and addresses our greatest local needs.

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