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To: San Diego County Board of Supervisors

From: Stephen Russell, President/CEO, San Diego Housing Federation

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Inclusionary Housing Policy – Alternative Compliance, Off-Site Production, and Equivalency Standards

On behalf of the San Diego Housing Federation, we appreciate the opportunity to provide comments on the County's proposed Inclusionary Housing Ordinance. We commend the County for its leadership in advancing policies intended to expand housing opportunities for lower- and moderate-income households.

This letter focuses on three interrelated policy areas that are critical to the effectiveness of inclusionary housing requirements. First, we examine the role and calibration of alternative compliance mechanisms. Second, we assess the benefits and necessary safeguards associated with off-site affordable housing production. Third, we emphasize the importance of establishing clear equivalency, adjacency, and outcome-based standards.

Our overarching position is that inclusionary requirements should be structured to maximize the total production of affordable housing while maintaining fairness, integration, and quality-of-life outcomes across communities.

#### Alternative Compliance Mechanisms

State law and established practice recognize that inclusionary housing policies must include alternative means of compliance, including the payment of in-lieu fees, the off-site construction of affordable units, and land dedication or other negotiated approaches. Accordingly, the key policy question is not whether such alternatives should exist, but how they are structured and calibrated to achieve optimal outcomes.

#### In-Lieu Fees

Where in-lieu fees are permitted, they must be carefully designed to reflect real-world housing production conditions. Specifically, fee levels should be accurately calculated to reflect the true cost of producing affordable housing and should be regularly updated to account for changes in construction costs and financing conditions. Additionally, fee levels must be calibrated so that they do not undercut incentives for on-site or off-site unit production.

If in-lieu fees are set too low, they risk becoming the default compliance pathway, thereby reducing overall affordable housing production rather than supporting it. Conversely, if fees are set excessively

high, they may impede the feasibility of market-rate housing development, which in turn constrains the production of inclusionary units. Achieving an appropriate balance is therefore essential.

#### Off-Site Compliance: Benefits and Considerations

We strongly support the inclusion of off-site compliance options, provided they are structured with clear safeguards, robust monitoring, and enforceable standards to ensure delivery.

#### Production Efficiency and Leveraging

Off-site compliance allows developers, or their partners, to aggregate inclusionary obligations across multiple developments and convert those obligations into larger and more efficient affordable housing projects. This aggregation enables the use of financing tools such as Low-Income Housing Tax Credits and other subsidies that are typically unavailable to smaller, dispersed projects. In practice, this approach has demonstrated the ability to produce a greater number of affordable housing units than would be delivered through small-scale, on-site inclusion alone.

#### Integration of Supportive Services

Concentrated affordable housing developments also create opportunities to provide on-site supportive services, including case management, educational programming, and community-based services that improve resident stability and long-term outcomes. By contrast, a small number of inclusionary units distributed within market-rate buildings often cannot sustain comparable service delivery models, limiting their ability to support residents with more complex needs.

#### Flexible but Meaningful Integration

Integration should be understood as occurring across multiple geographic and social scales rather than being limited to individual buildings. While micro-level integration places units within the same development, macro-level integration occurs when households share neighborhoods, schools, parks, community facilities, and everyday social spaces.

Meaningful social interaction and community integration frequently take place through shared participation in schools, recreational spaces, libraries, retail environments, and daily neighborhood activities. As a result, neighborhood-level integration can be as impactful as building-level integration, particularly when supported by equitable access to community resources and infrastructure.

#### Equivalency Standards

If off-site compliance is permitted, the County must establish clear and flexible equivalency standards to ensure fairness and quality.

Equivalency should be evaluated in a manner that reflects functional comparability rather than rigid one-to-one matches. For example, unit comparability may be more appropriately assessed based on the number of bedrooms rather than simple unit counts, thereby better aligning with household needs. Similarly, amenity equivalence should recognize that different populations require different types of facilities. Family-oriented developments may emphasize playgrounds, open space, and educational support areas, while market-rate developments may prioritize fitness centers, lounges, or other amenities.

We encourage the County to adopt a performance-based equivalency framework, similar to approaches used by the San Diego Housing Commission but of course calibrated to reflect the very different conditions that exist in the City of SD and the unincorporated County, and the significant requirements already enforced in TCAC-funded projects. Such a framework would allow for functional equivalence, accommodate diverse resident needs, and improve overall project feasibility while maintaining policy integrity.

### Adjacency and Timing

To ensure fairness and prevent unintended inequities, policies governing off-site compliance must address both geographic and temporal adjacency.

From a geographic perspective, affordable units should be located within the same community planning area or in areas of equal or greater opportunity as the originating development. Policies should explicitly prevent the transfer of obligations from higher-opportunity communities to lower-opportunity areas, as such transfers would undermine the equity goals of inclusionary housing.

From a timing perspective, affordable housing delivery should occur within a timeframe that is reasonably accommodating the realities of project coordination. The SDHC requires that affordable units receive their Certificates of Occupancy with 54 months of the market-rate development. Policies should prevent extended deferrals that result in delayed or uncertain delivery of affordable units, thereby ensuring that commitments translate into actual housing outcomes within a reasonable timeframe.

### Outcome-Based Considerations: Schools and Opportunity

The success of inclusionary housing policy should ultimately be measured by outcomes, particularly for children and families. Research and lived experience consistently demonstrate that access to high-quality schools is one of the strongest predictors of long-term opportunity and upward mobility.

Accordingly, housing policy should explicitly consider school access as a core component of equivalency. Whether affordable units are delivered on-site or off-site, they should provide residents with access to comparable educational opportunities and community resources that support long-term success.

### Monitoring, Enforcement, and Accountability

To ensure that off-site compliance achieves its intended outcomes, it is essential that the County establish robust monitoring and enforcement mechanisms. Without strong oversight, off-site commitments risk becoming paper obligations that are approved but never delivered. A clear framework for tracking, reporting, and enforcing compliance will strengthen the credibility of the policy and provide assurance that promised units are built in a timely manner.

## Conclusion

We support a flexible inclusionary housing framework that incorporates alternative compliance pathways, including in-lieu fees and off-site construction, provided that these mechanisms are carefully structured and rigorously implemented. Specifically, fee structures must accurately reflect true production costs, and off-site options should be designed to increase total affordable housing production rather than substitute for it.

In addition, clear standards must ensure equivalency in quality, amenities, and access to opportunity, while geographic and temporal adjacency requirements must be enforced to prevent inequitable outcomes. Outcome-based considerations, particularly access to high-quality schools, should remain central to policy design and evaluation.

With these safeguards in place, inclusionary housing policy can move beyond minimum compliance toward a system that meaningfully expands housing supply, supports resident well-being, and strengthens communities across San Diego County.

Finally, the San Diego Housing Federation looks forward to continued engagement with the County as it refines the ordinance, including the development of the nexus study, feasibility analysis, and implementation guidelines. We welcome the opportunity to serve as a constructive partner in shaping a policy framework that achieves shared housing goals.