COUNTY OF SAN DIEGO

LAND USE AGENDA ITEM

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DATE: **June 24, 2026** **05**

TO: Board of Supervisors

SUBJECT

ADOPTION OF THE COUNTY OF SAN DIEGO INCLUSIONARY HOUSING ORDINANCE, RELATED IN LIEU FEE ORDINANCE, AND CEQA EXEMPTION (DISTRICTS: ALL)

OVERVIEW

The County of San Diego (County) is committed to advancing housing initiatives that produce Housing for All, prevent displacement, and promote equity and inclusion. Today's action proposes adoption of an ordinance amending the County's Zoning Ordinance to establish an Inclusionary Housing Program in the unincorporated area (herein referred to as the Inclusionary Housing Ordinance or Draft Ordinance). This ordinance would require certain new market-rate housing projects to either include a portion of affordable units within the project or support affordable housing elsewhere. This action advances prior Board of Supervisors (Board) direction from February 10, 2021 (4), August 31, 2021 (7), and August 24, 2024 (11), which directed staff to develop an Inclusionary Housing Ordinance that ensures overall housing production is not negatively impacted and to return with additional information and policy options aligned with County housing goals after hearing items on the Development Feasibility Analysis (DFA) and Vehicle Miles Traveled (VMT).

Establishing an Inclusionary Housing Ordinance supports several State and County housing objectives and implements an action item in the County's Housing Element, which outlines how the County will meet its Regional Housing Needs Allocation (RHNA) for the 2021-2029 planning period. While the County has met its RHNA for Above Moderate-, Moderate-, and Low-Income households, there remains a significant shortfall in housing affordable to Very Low-Income households. For the 2021-2029 planning period, the County has permitted 516 Very Low-Income units, representing 28% of its total obligation of 1,834 units. Based on discretionary market-rate housing projects approved in the unincorporated area during 2024 and 2025, adoption of the Inclusionary Housing Ordinance is estimated to produce 15 to 60 deed-restricted affordable units per year, up to 150 units over the remainder of the RHNA planning period, depending on the policy options chosen by the Board. This would be in addition to the approximately 30 deed-restricted units that the County has historically permitted per year. While this ordinance alone will not address the shortfall in the County's Very Low-Income unit goals, the Inclusionary Housing Ordinance is a tool in the County's toolbox to help increase the supply of affordable housing. By requiring affordable units to be produced as new residential development occurs, the ordinance helps expand housing opportunities for lower-income households while allowing market-rate

housing development to continue. Any level of an Inclusionary Housing requirement would incrementally increase the number of deed-restricted affordable units produced over time as new housing is constructed.

The Draft Inclusionary Housing Ordinance presented today (Attachment A – clean copy and Attachment B – strikeout) and Draft In-Lieu Fee Ordinance (Attachment C – clean copy and Attachment D – strikeout) has been informed by best practice research, peer-reviewed economic analysis, and public outreach and engagement conducted from 2020 to 2026, incorporating input and feedback from market-rate and affordable housing developers, housing advocates, environmental groups, and community members.

To adopt the Inclusionary Housing Ordinance, the Board is asked to determine four key ordinance components:

1. **Set Aside:** How many units must be affordable and at what income levels;
2. **Minimum Project Size:** Which market-rate projects must comply with the ordinance;
3. **Alternative Compliance:** How a housing project can comply with the ordinance in ways other than building affordable units on-site;
4. **Incentives:** What benefits will be offered to projects that build affordable housing on-site.

Staff prepared the Draft Inclusionary Housing Ordinance with considerations for each of these components that reflect different approaches to balancing affordable housing production, project feasibility, and alignment with State housing laws, including density bonus law. In addition, consistent with Board direction, staff have provided options intended to avoid negatively impacting housing production. Today's action requests that the Board consider the adoption of the Inclusionary Housing Ordinance and provide direction on each of these four key components to finalize the Draft Ordinance.

Adoption of the Inclusionary Housing Ordinance will implement the County's Housing Element, could progress RHNA goals for Very Low-Income households, and will expand affordable housing supply in the unincorporated area while continuing to support overall housing production. Failure to adopt the Inclusionary Housing Ordinance puts the County at risk of losing its Housing Element certification, with potential consequences including ineligibility for state funds, court-imposed financial penalties, and loss of local land use authority.

RECOMMENDATION(S)
PLANNING COMMISSION
On April 19, 2024, the Planning Commission recommended that the Board of Supervisors defer consideration of the Draft Inclusionary Housing Ordinance until the County's Vehicle Miles Traveled (VMT) Mitigation Program is adopted (4 Yay - 1 Nay – 1 Absent).

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DEPARTMENT OF PLANNING & DEVELOPMENT SERVICES

Planning & Development Services (PDS) recommends that the Board of Supervisors (Board) adopt the Draft Inclusionary Housing Ordinance that best meets the Board's policy goals by directing an affordable housing requirement (set-aside), minimum project size, at least one alternative compliance method, and optional incentives.

1. Find that the General Plan Environmental Impact Report (EIR), dated August 3, 2011, on file with PDS as Environmental Review Number 02-ZA-001, was completed in compliance with the California Environmental Quality Act (CEQA) and the State and County CEQA Guidelines and that the Board has reviewed and considered the information contained therein and the Addendum (PDS-2023-ER-00-001) thereto dated April 19, 2024, on file with PDS, prior to taking action (Attachment E).

2. Find that there are no changes in the project or in the circumstances under which the project is undertaken that involve significant new environmental impacts that were not considered in the previously certified EIR dated August 3, 2011; there is no substantial increase in the severity of previously identified significant effects; and no new information of substantial importance has become available since the EIR was certified as explained in the Environmental Review Update Checklist (PDS-2023-ER-00-001) dated April 19, 2024, (Attachment E).

3. Adopt the attached forms of the following Ordinances and provide direction on the ordinance components including the set aside requirement, minimum project size, alternative compliance, and optional incentives:

    a. AN ORDINANCE AMENDING THE SAN DIEGO COUNTY ZONING ORDINANCE RELATED TO THE AFFORDABLE INCLUSIONARY HOUSING PROGRAM (POD 20-007) (Attachment A – clean copy and Attachment B – strikeout).

    b. AN ORDINANCE AMENDING THE SAN DIEGO COUNTY ZONING ORDINANCE RELATED TO THE AFFORDABLE INCLUSIONARY HOUSING PROGRAM IN-LIEU FEE PROGRAM (POD 20-007) (Attachment C – clean copy and Attachment D – strikeout).

EQUITY IMPACT STATEMENT

With its focus on improving equity, the County recognizes the systemic impacts that inequitable policies can create for residents of the San Diego region. The Draft Inclusionary Housing Ordinance seeks to equitably address the housing needs in the unincorporated area by establishing an Inclusionary Housing Program to increase affordable housing production and to develop mixed-income housing developments, fostering diverse, resilient communities. The Inclusionary Housing Ordinance would reduce housing inequalities, such as segregation and displacement, by ensuring that new developments include or help produce units affordable to families and individuals who earn Moderate- and Lower-Incomes, providing greater access to housing opportunities for all income levels.

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SUSTAINABILITY IMPACT STATEMENT

The proposed action to adopt the Inclusionary Housing Ordinance implements a program in the County's Housing Element and facilitates compliance with State housing law. The proposed action seeks to facilitate the development of housing that is affordable to Moderate- and Lower-Income individuals and families (including Low-, Very Low-, and Extremely Low-) in communities across the unincorporated area. By engaging with these communities during this process, an Inclusionary Housing Ordinance advances Sustainability Goals #1 and #2 by providing just and equitable access to County policy decision-making in support of sustainable communities.

FISCAL IMPACT

There may be future fiscal impacts in the Department of General Services (DGS) if a land donation is identified as an alternative compliance method. The request would result in costs, including staff time to review land eligibility and processing of donation acceptance, costs for maintaining donated land, and releasing Request for Proposals (RFPs) for affordable housing developers. This work would be accomplished with existing DGS staff resources and Charges for Current Services to the customer department as the funding source. Staff would return to the Board for consideration, funding, and approval at that time if needed.

There is no fiscal impact associated with these recommendations in Planning & Development Services (PDS). Additional workload of the recommendations will be absorbed within current resources. If the number of projects increase beyond the capacity of one Full Time Employee (FTE), additional FTEs will be requested in future years. There will be no change in net General Fund balance and no additional staff years.

Funds for this request are included in the Fiscal Year (FY) 2026-28 CAO Recommended Operational Plan for the Health and Human Services Agency (HHSA). All options are anticipated to require a total of two (2.0) FTEs for Housing and Community Development Services (HCDS). The staff will be responsible for working with developers to establish affordable housing agreements, as well as monitor implementation and compliance with those agreements for up to 55 years. These agreements would be needed regardless of the number of affordable units; therefore, staffing needs would be the same for all options. The timing of when these resources are needed depends on how many projects come forward to which the Inclusionary Housing Ordinance applies.

To ensure there are no delays in preparing these agreements and moving housing projects forward, the 2.0 FTEs are requested upon approval of the ordinance. If approved, HHSA will need to use two vacant FTE positions in Community Development Services. This request will result in estimated costs and revenue of $424,951 in FY 2026-27 and $446,199 in FY 2027-28. The funding sources will be the funds deposited through the PDS account and monitoring fee revenue. There will be no change in net General Fund cost.

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BUSINESS IMPACT STATEMENT
An Inclusionary Housing Ordinance will require qualified housing projects to provide affordable housing units at below-market rates. Some stakeholders have noted this may impact project returns for housing developers on those affordable units, though density bonus development incentives could offset the impact. Other stakeholders have noted that such a requirement will not have impacts on returns.

ADVISORY BOARD STATEMENT
The Draft Inclusionary Housing Ordinance was presented at Community Planning and Community Sponsor Groups (CPSGs) All Chairs meetings in 2023 and 2026. In 2023, staff presented the Draft Ordinance to nine CPSGs that requested individual presentations, including Fallbrook, Jamul, Lakeside, Rainbow, San Dieguito, Sweetwater, Twin Oaks, Valle de Oro, and Valley Center. During these meetings, the Valley Center and Fallbrook CPGs acted on the Draft Ordinance, voting to recommend that the Board not adopt it for their Community Plan Area(s).

BACKGROUND
Housing has become increasingly unaffordable for most families and individuals across the San Diego region, and much of California. Housing is considered affordable when no more than 30% of a household's income is spent on total housing costs, including rent/mortgage, utilities, and insurance. Nationwide, households face rising costs of living, with most renters being cost burdened, spending over a third of their income on housing. In 2026, the average San Diego family of four qualifies as Low-Income and needs more affordable housing, earning no more than $139,900 a year and needing housing to cost no more than around $3,500/month (Table 1).

State law requires jurisdictions, including the County of San Diego (County), to adopt a General Plan Housing Element that commits to fulfill housing goals, including the Regional Housing Needs Allocation (RHNA), by implementing local programs. Each city and county must take actions listed in their Housing Elements to support housing development, create a favorable regulatory and permitting environment, and initiate progress toward their RHNA goals at all income levels. The County's 2021-2029 RHNA goal is 6,700 new housing units across Very Low-, Low-, Moderate-, and Above Moderate-Income categories (Table 1).

The County's 6th Cycle Housing Element (Housing Element) Implementation Plan, directed on July 14, 2021 (1), includes actions and programs that support meeting the County's RHNA goals. The Board also provided direction on the Draft Inclusionary Housing Ordinance on February 10, 2021 (4), August 31, 2021 (7), and August 24, 2024 (11). Establishing an Inclusionary Housing Ordinance supports compliance with State housing laws, including Affirmatively Furthering Fair Housing and Housing Element Law, and helps maintain the County's eligibility for State housing programs and funding.

Since the adoption of the Housing Element for the 2021 to 2029 housing cycle, the County has made strong progress toward its overall RHNA goals, with the County having already met its RHNA for Low, Moderate, and Above Moderate-Income housing, as shown in Table 1. However, the 2025 General Plan Annual Progress Report, presented to the Board on March 25, 2026 (10), highlighted that the production of housing affordable to Extremely/Very Low-Income households continues to lag behind RHNA goals (28% of the Very Low-Income RHNA goal achieved to date,

Table 1). An Inclusionary Housing Ordinance is one tool to help address this gap by increasing the production of deed-restricted affordable housing units.

Table 1: County of San Diego 2021-2029 RHNA, Housing Affordability, and RHNA Progress

Income Category	*Max. Income	RHNA	**Issued Permits	RHNA Progress
Extremely/Very Low	$87,450	1,834 units	516	28%
Low	$139,900	992 units	1,150	116%
Moderate	$157,100	1,165 units	1,335	115%
Above Moderate	N/A	2,709 units	3,576	132%
* Based on 2026 AMI for a family of four in San Diego County: $130,900. **From July 1, 2020, to December 31, 2025				

In addition to the Housing Element commitment (July 14, 2021 (1)), the Board directed staff to develop an Inclusionary Housing Ordinance (Draft Ordinance) to require all housing projects producing above a specified number of market-rate units to include a percentage of affordable housing units (February 10, 2021 (4)). The Board also directed the Inclusionary Housing Ordinance to recapture density and land value increases from General Plan Amendment (GPA) projects by requiring these projects to provide additional affordable housing (August 31, 2021 (7)). On March 13, 2024 (10), the Board discussed staff presenting additional recommendations on affordable housing programs in alignment with the County's RHNA goals to increase the production of Very Low-Income housing. Most recently, on August 24, 2024 (11), staff returned to the Board with the Draft Inclusionary Housing Ordinance. The Board directed staff to return following additional hearings on the Development Feasibility Analysis (DFA) and the Vehicle Miles Traveled (VMT) program, and to provide further information on how the Draft Ordinance supports various housing goals. The DFA and VMT program options have since been presented to the Board and staff are now returning, as directed. As described in Attachment F, the proposed ordinance options and incentives were developed considering the findings and recommendations of the Development Feasibility Analysis, particularly with respect to project feasibility, housing production, and development incentives in VMT-Efficient and Infill areas (Attachment F).

The Inclusionary Housing Ordinance is one of several tools the County is advancing to support its *Housing For All* initiative, prevent displacement, and promote equity and inclusion. Adopting the Draft Ordinance today will implement a key Housing Element program, expand the supply of deed-restricted affordable housing, and support the County's broader housing objectives.

Best Practices, Economic Analysis, and Public Input

To ensure the Inclusionary Housing Ordinance will produce affordable housing and not negatively impact overall housing production, staff prepared best-practice research, an economic analysis, and engaged with experts and community members. Best-practice research, a literature review, and engagement with peer jurisdiction staff and industry professionals informed the Draft Ordinance for an effective Inclusionary Housing Ordinance (Attachment G).

The Economic Analysis (Attachment H) was conducted by AECOM, peer reviewed by MBI (Attachment I), and more recently evaluated by KMA (Attachment J). The Economic Analysis tested a wide range of scenarios informed by best-practice research. The study ensured that all set-asides included in the Draft Ordinance were feasible and would remain profitable for the developer. These assurances are important to ensure that market-rate developers can afford building affordable housing in a high-cost market like the San Diego region. A total list of the feasible set-aside options for different project types (i.e., For Rent, For Sale, General Plan Amendment projects) is detailed in Attachment K.

To ensure the Draft Ordinance was developed with input from experts and community members, staff conducted an extensive public outreach process from October 2020 to June 2026 (Attachment L). Over 80 outreach events were held over the past six years, including developer interviews, Community Planning Group and Community Sponsor Group presentations, stakeholder group meetings, focus group meetings, public meetings, webinars, workshops, project website, fact sheets, a Planning Commission Workshop and hearing, and a Board hearing. Staff met with market-rate developers, housing advocates, environmental advocates, and community members.

All the input and feedback received were balanced to inform the considerations for each of the Draft Ordinance components. The components can prioritize a lower impact program, flexibility, and additional incentives to address comments from the Planning Commission and the building industry. Considerations for locating affordable housing in higher resource areas, as well as VMT Efficient or other areas for off-site development and land donation were included in response to feedback from environmental and equity groups. All options maintain all applicable requirements for infrastructure and safety, reflecting concerns raised by community members. A full description detailing how comments received through public participation were incorporated in the Draft Ordinance is available in Attachment L. The Draft Ordinance components are aligned with best practices, informed by economic analysis, and balanced in consideration of feedback received from community members, advocacy organizations, and industry groups (Attachment M).

PROJECT ANALYSIS

Inclusionary Housing Ordinance Components

The Draft Inclusionary Housing Ordinance includes four key components, which determine the core requirements of the Inclusionary Housing Program. To adopt the ordinance, the Board of Supervisors (Board) is asked to provide direction on each of the following areas (Attachment N):

1. **Set Aside:** How many units must be affordable and at what income levels (required);
2. **Minimum Project Size:** Which market-rate projects must comply with the ordinance (required);
3. **Alternative Compliance:** How a housing project can comply with the ordinance in ways other than building affordable units on-site (required);
4. **Incentives:** What benefits will be offered to projects that build affordable housing on-site (optional).

A variety of considerations went into developing the Draft Ordinance, including per Board direction (Attachment F):

- Ensuring overall market-rate housing production is not negatively impacted,
- Aligning with the State density bonus law to provide incentives and include considerations for phase-in,
- Continue engaging with a variety of specialists, stakeholders, and community members,
- Providing affordable housing production estimates, and
- County RHNA and housing policy goals.

In response to Board direction and stakeholder feedback, staff made minor edits to the Draft Ordinance (Attachments A and B) to align with current State and County programs, to clarify requirements for implementation, and to ensure market-rate project feasibility was prioritized.

1. Set-Aside Requirement (Required)

The set-aside requirement determines how much affordable housing the market-rate housing project must build or support, and to whom that housing is affordable. For example, if the set-aside requirement is 10% Low-Income, a new market-rate housing development proposing 30 new units must include three on-site units which are affordable to Low-Income-qualified households, such as families of four making up to $139,900 per year in San Diego. The remaining 27 units would be market rate, and the project would be eligible to add six additional market-rate units through density bonus (discussed in greater detail in Incentives).

To adopt the Draft Inclusionary Housing Ordinance today, the Board is asked to select a set-aside requirement (percentage (%) and affordability level) for each project type (For Sale, For Rent, or General Plan Amendment project) (Attachment N). The Draft Ordinance establishes a range of feasible set-asides requirements, generally between 5% and 20%, serving Extremely Low- (EL), Very Low- (VL), Low- (L), and Moderate- (M) Income households (Attachment K).

These set-asides were determined feasible based on the peer-reviewed Inclusionary Housing Economic Analysis (Attachments H and I). To help confirm this study's usability in supporting future policy decisions, an additional third-party independent review was conducted (Attachment J). To support decision-making, the range of set-aside requirements are presented below as examples of the different levels of a set-aside which may be directed for each project type, grouped into lower, moderate, and higher requirements (Attachments N and O). In consideration of KMA's third-party review findings, and Board direction to prepare an ordinance that does not negatively impact housing production, certain Tier 2 and Tier 3 set-asides have been highlighted in grey to identify options that may be less likely to remain feasible under current market conditions.

Table 2: Set-Aside Requirements Examples and Outcomes

Policy Decision 1 – Establish Set-Aside Requirements
The Board may establish the percentage of affordable units required in a housing development and the affordability levels those units must serve by selecting one set-aside option for each project type: General Plan Compliant for-sale, rental, and General Plan Amendment projects. The options are grouped into three tiers based on their estimated impact on housing feasibility, with Tier 1 having the lowest impact and Tier 3 the highest.
Choose one for each project type:

	For Sale Projects	For Rent Projects	GPA Projects
Tier 1	☐ 10% Moderate	☐ 5% Very Low	☐ 10% Low
Tier 2	☐ 5% Very Low or 10% Low or 15% Moderate	☐ 5% Extremely Low or 5% Very Low or 10% Low	☐ 10% Very Low or 15% Low or 20% Moderate
Tier 3	☐ 5% Low + 10 % Moderate	☐ 5% Very Low + 5% Low + 10% Moderate	☐ 20% Low

Considerations and Tradeoffs
The selected set-aside requirement directly affects both the number of affordable units produced and the feasibility of market-rate housing developments. Higher requirements, either through higher percentages or deeper affordability, will produce more affordable housing, particularly for Lower-income households, but may increase development costs and serve to disincentivize some market rate housing projects from advancing. Lower requirements support project feasibility and market-rate housing production but result in fewer affordable housing units.

Set-aside requirements also vary by project type due to differences in how projects are financed and generate revenue. Rental housing can typically support deeper affordability (e.g., Very Low-income units) because costs can be offset over time through rents and available financing tools. For Sale housing relies on one-time home sales, and buyers earning Lower-Incomes face greater challenges accessing financing, making Very Low-Income homeownership more difficult to achieve. Thus, For Sale projects more commonly serve Moderate- and Low-Income households. Consistent with prior Board direction, General Plan Amendment (GPA) projects may include higher set-aside requirements to capture increases in land value associated with additional density.

For Cities in the San Diego region and Counties across the State, affordable housing requirements range from about 5%-20% of units in market-rate projects, including units affordable at Very Low, Low-, and Moderate-Incomes, depending on project type or size. This range is consistent with the range of affordable housing requirements for different project types that the Board can consider when choosing a set-aside requirement to adopt the Draft Ordinance today (Table 2).

Stakeholder Feedback & Alignment
Representatives from the Building Industry Association (BIA) and other market-rate developers have expressed interest in lower set-aside requirements and focusing the For-Sale requirements on Moderate-income units to support homeownership opportunities and project feasibility. Affordable housing developers and advocacy organizations emphasized the need to prioritize Very-Low and Extremely-Low-income units to address the County's most significant housing

gaps. These perspectives are reflected in the range of set-aside options presented in Table 2. For example, per the BIA comments, Tier 1 aligns with the State Density Bonus Law minimums.

2. Minimum Project Size (Required)

The minimum project size sets the threshold at which a project must comply with the Inclusionary Housing Ordinance. For example, if the minimum project size is ten (10) units, new market-rate housing projects proposing nine or fewer units would not be required to build any affordable units. Accessory Dwelling Units (ADUs) are not counted toward the minimum project size; however, based on the size limitations in the ADU ordinance, these units are anticipated to be more affordable than a single-family home.

To adopt the Draft Inclusionary Housing Ordinance, the Board is asked to select a minimum project size (unit threshold) to determine which projects are subject to the ordinance. Based on best practices and past Board direction, a range of minimum project size thresholds from five (5) to ten (10) units, or another threshold selected by the Board, is provided below.

Table 3: Minimum Project Size Examples, Implementation and Outcomes

Policy Decision 2 – Set the Project Applicability Threshold The Board must select the minimum project size that will be subject to the inclusionary housing requirements by **choosing one** of the following:
☐ 5 or more Units
☐ 10 or more Units
☐ Another threshold selected by the Board

Considerations and Tradeoffs

The selected minimum project size will influence how broadly the ordinance applies. A lower threshold, such as five units, would apply the requirement to a greater number of projects, including smaller developments, and would result in more affordable housing units overall. However, applying the requirement to smaller projects may increase development costs and affect project feasibility. A higher threshold, such as 10 to 12 units, would limit the requirement to larger projects, reduce impacts on smaller builders and support project feasibility, but would result in fewer affordable units. In practice, most jurisdictions in the region and counties across the State apply Inclusionary Housing requirements to smaller projects, typically between one and five units.

Based on housing development data during 2024 and 2025, 13 discretionary applications were approved, associated with 654 anticipated housing units. With a five-unit minimum project size, six projects would have been required to build affordable housing, resulting in between 32 and 128 affordable units depending on the set-aside (between 5% and 20%). With a 10- or 12-unit minimum project size, four projects would have been required to do so, resulting in 31 to 126 affordable units, depending on the set-aside.

Stakeholder Feedback & Alignment

Representatives from the BIA and other development stakeholders expressed interest in applying the ordinance to fewer projects through a higher minimum project size threshold, citing considerations related to project feasibility. Affordable housing developers and advocacy organizations emphasized the importance of applying the ordinance more broadly, including to smaller projects and through higher set-asides, to increase overall affordable housing production. These perspectives are reflected in the range of minimum project sizes presented in Table 3.

3. Alternative Compliance (Required)

Alternative compliance allows market-rate developers to meet some or all of the affordable housing requirements in different ways rather than building affordable units on-site. State law requires all inclusionary housing ordinances to offer at least one form of alternative compliance.

To adopt the Draft Inclusionary Housing Ordinance today, the Board is asked to direct at least one (1) form of alternative compliance to be available to all projects subject to the ordinance. The Board may also determine which methods are allowed and under what conditions. The Draft Ordinance provides several alternative compliance methods that vary in how directly they produce affordable housing and the level of flexibility they provide.

Table 4: Alternative Compliance Examples, Implementation and Outcomes

Policy Decision 3 – Choose at Least One Alternative Compliance Option The Board must select at least one alternative compliance option that allows developers to satisfy all or part of the affordable housing requirement through a method other than providing the units onsite. **Choose at least one** of the following:	
☐ **Off-Site Development**	The developer may provide affordable units off-site within the unincorporated area in either the same Community Planning Area, within 3 miles of the market-rate project site, in a VMT-efficient or infill area, or in a High or Highest Resource Area.
☐ **Land Donation**	The developer may donate land for future affordable housing within the unincorporated area in the same Community Planning Area, within 3 miles of the market-rate project site, in a VMT-efficient or infill area, or in a High or Highest Resource Area.
☐ **In-Lieu Fee**	The Board may allow developers to pay an in-lieu fee instead of constructing some or all required affordable units. The Board can **choose one** of the following approaches: ☐ 1. Allow all projects to pay a fee to satisfy the full affordable housing obligation ☐ 2. Allow projects to pay a fee to satisfy 50% of the affordable housing obligation ☐ 3. Allow only projects of less than 10 units to pay a fee instead of constructing affordable units
☐ **Affordable ADUs**	Allow onsite Accessory Dwelling Units (ADUs) to satisfy a portion of the affordable housing requirement, provided the ADUs are affordable and comparable in bedroom count and quality to the market-rate units.
☐ **All of the Above**	Allow all alternative compliance options, providing maximum flexibility for satisfying affordable housing requirements.

- ***In Lieu Fees.*** In-lieu fees allow developers to contribute funding instead of building affordable units onsite. The Draft Inclusionary Housing Ordinance in-lieu fees were determined based on the cost to build an affordable housing unit within a market rate project. In-lieu fees would be administered by County Housing and Community Development Services (HCDS) through an Affordable Housing Inclusionary Fund. Similar to the Innovative Housing Trust Fund, this in-lieu fee fund would provide financial assistance for affordable housing development, specifically within the unincorporated area. This supports the County's RHNA goals and ensures that market-rate developments in the unincorporated area are supporting affordable housing within the unincorporated communities. By having direct control of the fees, the County could prioritize specific populations such as families, residents exiting homelessness, seniors, and/or veterans.

  Funds awarded by the County are often just one part of a housing development's overall financing and are leveraged with other public and private sources. Since 2017, the County has invested $334 million into affordable housing development across the region, which has produced 6,175 housing units across 74 developments. Through the investment of $334 million, the County has leveraged $3.1 billion for affordable housing developments. Inclusionary in-lieu fees could provide the County with a source of funding for affordable housing that can continue to leverage investment in the unincorporated area.

  In-lieu fees are a common component of inclusionary housing ordinances across the State and region and provide an alternative compliance pathway (Attachment G). The Board may choose to allow in-lieu fees as a standalone option or in combination with on-site development (e.g., partial fee payment and partial on-site development). The Board may also choose to limit the use of in-lieu fees to certain project types or sizes, such as smaller developments. Consistent with State law, if in-lieu fees are restricted for certain projects, at least one other alternative compliance method must be available.

- ***Off-Site Development & Land Donation.*** Some inclusionary housing ordinances offer off-site development and land donations as alternative compliance options. The more alternative compliance options are available to developers, the more flexible the ordinance.

  The Board may choose to allow developers to satisfy their Inclusionary Housing Ordinance requirements by building the affordable units at a different location (off-site development) or by donating land to the County for future affordable housing development. As with on-site affordable housing, off-site affordable units must be the same size and quality as the on-site market rate units. The land donation site must be suitable for development, meaning it is not environmentally constrained, has utilities available, and is zoned for housing at the appropriate density to accommodate the required affordable units.

There have been concerns that building affordable units at a separate site from the rest of the housing units may perpetuate segregation and inequality. To address these concerns, the Draft Ordinance includes location criteria to guide where off-site development and land donations may occur, ensuring that affordable housing is supported in specific areas. For example, off-site development and land donation must be located within the unincorporated area AND:

- Located within the same Community Planning Area as the project site OR
- Located within 0-5 miles of the project site OR
- Located within a VMT Efficient or Infill area OR
- Located within a High or Highest Resource area, as defined by the State.

- ***Accessory Dwelling Units (ADUs).*** A couple of inclusionary housing ordinances in the region allow for on-site ADUs to satisfy a portion of a developer's affordable housing requirement. In compliance with State guidance and Affirmatively Furthering Fair Housing law, all affordable housing units, including ADUs, must be of comparable size, quality, and distribution throughout the development as the market-rate units. If the Board chooses to allow ADUs as an alternative compliance option, the Board may place a limit that ADUs satisfy only part of the developer's affordable housing requirement (e.g., 50% or up to 5 units). Effective 2026, the County allows the separate sale of ADUs, which could enable the County to monitor an affordable housing agreement placed on an ADU intended to satisfy a developer's affordable housing requirement. If the ADU is not sold separately, there would be challenges and potential consequences for the owner of the primary dwelling unit to execute and monitor the affordable housing agreement for the ADU tenant.

Considerations and Tradeoffs

All alternative compliance options provide some flexibility while still supporting affordable housing. State law requires all inclusionary housing ordinances to offer at least one form of alternative compliance. A more flexible Inclusionary Housing Ordinance could offer more pathways for alternative compliance to applicants. A stricter Inclusionary Housing Ordinance could provide fewer alternative compliance pathways.

Stakeholder Feedback & Alignment

While affordable housing advocacy groups have expressed a preference for stricter alternative compliance options to encourage affordable housing onsite, development stakeholders have shared that more flexible alternative compliance options support project feasibility by allowing each applicant to choose the compliance method that works best for their housing project. Several Community Planning and Sponsor Groups (CPGs & CSGs) and environmental groups have raised concerns about the locations of off-site development and land donation, including interest in limiting these options to areas outside high and very high fire hazard severity zones.

Stakeholders interested in supporting more equitable, mixed income communities have supported adding location criteria for where offsite development and land donation are allowed. Overall, stakeholders across the board have expressed support for offering in-lieu fees that reflect the cost of building the units so that affordable housing is built and supported in the unincorporated areas. Development industry stakeholders have commented interest in seeing in-lieu fees funding first-time homebuyer programs. However, alternative compliance methods, including in-lieu fees, must be used to produce deed-restricted affordable housing units, as would be required by the Draft In-Lieu Fee Ordinance (Attachments C and D).

Using ADUs for alternative compliance has been requested by development industry stakeholders. However, County staff have found that this method may create challenges in meeting State and local equity requirements and in monitoring the administration of affordable ADUs if managed by individual homeowners. These perspectives are reflected in the range of alternative compliance options presented in Table 4 above.

4. Incentives (Optional)

Incentives are benefits that the County can choose to provide for projects that build the required number of affordable units on-site, rather than using alternative compliance options. These incentives help offset the cost of providing affordable units and can support the development of mixed-income housing (e.g., developments that include both market-rate and affordable units).

To adopt the Draft Inclusionary Housing Ordinance, the Board may choose whether and to what extent to provide additional incentives for projects that meet or exceed the required on-site affordable housing. Unlike other components of the ordinance, incentives are optional and are not required to adopt the ordinance.

The Draft Ordinance allows the Board to provide additional incentives that build on existing State and County Density Bonus programs and project review incentives to further support on-site affordable housing production.

Table 5: Incentives Examples

Policy Decision 4 – Identify Available Incentives The Board may select one or more incentives to encourage projects to provide affordable units onsite. **Choose from any** of the following:	
☐ **Density Bonus + Incentives**	The Board may allow qualifying projects to receive an additional density bonus and one additional concession beyond State and County incentives. The Board can **choose one** of the following density bonus approaches: ☐ 1. Allow projects to receive an additional 5% density bonus, or ☐ 2. Allow projects to double the density bonus otherwise allowed under the State Density Bonus Law, up to a maximum bonus of 50%.
☐ **Priority Reviews**	Allow projects that provide at least 50% more Low-income affordable units than required to receive priority permit processing and review.
☐ **All of the above**	Allow qualifying projects to receive all available incentives, including an additional density bonus, an additional concession, and priority permit processing.

Density Bonus, Concessions & Waivers

Under State Density Bonus Law, projects that build some affordable housing on-site may receive:

- Increased density, allowing more units than otherwise permitted
- Incentives including concessions and waivers, which reduce development standards such as zoning requirements, including building height, setbacks, and parking to offset the cost of building affordable housing

To maximize incentives and align with State Density Bonus Law, the Board may choose to build on this existing framework by:

- Directing set-aside requirements that qualify projects for existing density bonus, concessions, and waivers
- Allowing additional density on top of State density bonus (+ 5% density, up to + 50% total)
- Providing one additional concession (beyond the two concessions and unlimited waivers provided through existing State and County programs)

Priority Review

The Board may choose to provide priority reviews for projects that voluntarily build 50% more Lower-Income affordable units onsite than required. Priority reviews would not establish guarantee timelines or alter existing Guaranteed Review programs. Instead, Planning & Development Services (PDS) staff would prioritize (or move to the front of the line) the review of qualifying projects subject to the ordinance that provide 50% more Lower income housing than required.

Considerations and Tradeoffs

Providing additional incentives can help offset development costs and encourage more projects to include affordable housing on-site, supporting mixed-income communities. However, more expansive incentives, particularly increased density or reduced development standards, may result in larger or more intensive development than would otherwise occur.

Stakeholder Feedback & Alignment

Development stakeholders expressed support for aligning the ordinance with the State Density Bonus program to maximize available incentives, including density increases, concessions, and waivers. Some stakeholders noted that the existing State and County Density Bonus program may already provide sufficient bonuses and concessions for housing projects. Environmental groups and other stakeholders expressed interest in providing additional incentives to support housing specifically in areas close to transit, jobs, and services.

Priority review was characterized as helpful; however, some stakeholders expressed interest in guaranteed timelines for all projects subject to the Inclusionary Housing Ordinance. The County currently provides guaranteed review timelines for housing projects in VMT efficient or infill areas, workforce housing projects, and 100% affordable housing projects. These perspectives are reflected in the range of incentives presented in Table 5 above and can be directed by the Board as an optional component.

SUBJECT: ADOPTION OF THE COUNTY OF SAN DIEGO INCLUSIONARY HOUSING ORDINANCE, RELATED IN LIEU FEE ORDINANCE, AND CEQA EXEMPTION (DISTRICTS: ALL)

ENVIRONMENTAL STATEMENT

The proposed project has been reviewed in compliance with the California Environmental Quality Act (CEQA) through an Addendum to the 2011 General Plan Update Environmental Impact Report (GPU EIR) under CEQA Section 15164. An EIR Addendum, dated January 13, 2023, has been prepared and is on file with Planning & Development Services (Attachment E). There are no changes in the project, no changes in the circumstances under which the project is undertaken, and no new information that results in a new significant environmental effect or a substantial increase in the severity of a previously identified significant environmental effect since the certification of the previous EIR for the project dated August 3, 2011.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed actions support all the Initiatives in the County of San Diego's 2026-2031 Strategic Plan. The project proposes the Draft Ordinance, which provides affordable and workforce housing opportunities that help meet the needs of a diverse community (Equity Initiative), provides an Inclusionary Housing Program that helps increase the well-being of our residents by improving housing opportunities (Community Initiative), and incorporates equity and environmental justice to reduce disproportional housing access (Justice Initiative).

Respectfully submitted,

DAHVIA LYNCH
Deputy Chief Administrative Officer

ATTACHMENT(S)

Note: Due to the size of the attachments, the documents are available online through the Clerk of the Board's website at [www.sandiegocounty.gov/content/sdc/cob/bosa.html.](www.sandiegocounty.gov/content/sdc/cob/bosa.html)

Attachment A – AN ORDINANCE AMENDING THE SAN DIEGO COUNTY ZONING ORDINANCE RELATED TO THE AFFORDABLE INCLUSIONARY HOUSING PROGRAM (POD 20-007) (clean copy)

Attachment B – AN ORDINANCE AMENDING THE SAN DIEGO COUNTY ZONING ORDINANCE RELATED TO THE AFFORDABLE INCLUSIONARY HOUSING PROGRAM (POD 20-007) (strikeout)

Attachment C – AN ORDINANCE AMENDING THE SAN DIEGO COUNTY ZONING ORDINANCE RELATED TO THE AFFORDABLE INCLUSIONARY HOUSING PROGRAM IN-LIEU FEE PROGRAM (POD 20-007) (clean copy)

Attachment D – AN ORDINANCE AMENDING THE SAN DIEGO COUNTY ZONING ORDINANCE RELATED TO THE AFFORDABLE INCLUSIONARY HOUSING PROGRAM IN-LIEU FEE PROGRAM (POD 20-007) (strikeout)

Attachment E – Environmental Document

SUBJECT: ADOPTION OF THE COUNTY OF SAN DIEGO INCLUSIONARY HOUSING ORDINANCE, RELATED IN LIEU FEE ORDINANCE, AND CEQA EXEMPTION (DISTRICTS: ALL)

Attachment F – Response to 2024 Board Direction
Attachment G – Best Practices Summary Table
Attachment H – Inclusionary Housing Economic Analysis
Attachment I – Economic Analysis Summary
Attachment J – Economic Analysis Third-Party Review
Attachment K – Summary of Set-Aside Options
Attachment L – Summary of Outreach Activities
Attachment M – Public Comment
Attachment N – Ordinance Action Sheet
Attachment O – Supporting Materials