OVERVIEW

Inclusionary Housing & Development Impact Fee Changes

What You Need to Know

Effective Date: August 22, 2026. San Francisco updated its Inclusionary Affordable Housing Program and development impact fee requirements. The changes are intended to make housing development more feasible, simplify requirements, and provide greater clarity and flexibility for projects while continuing to support affordable housing production.

The Goal: Make it easier for housing projects to move forward and increase housing production across

The City's three goals are to:

1. **Increase housing production** to help meet the housing objectives in the 2022 Housing Element and the City's Regional Housing Needs Allocation (RHNA) target.
2. **Encourage development** through local zoning programs, including the Family Zoning Plan and Housing Choice-SF.
3. **Simplify affordable housing and development impact fee requirements** to provide greater transparency and predictability for how requirements are applied.

The changes respond to findings that residential development is broadly not financially feasible under current economic conditions. The Controller's 2026 feasibility study found that none of the 80 residential development prototypes studied were financially feasible under the current inclusionary requirements.

A QUICK GUIDE TO THE TERMS USED IN THIS DOCUMENT

Inclusionary Housing: affordable housing that is provided as part of certain market-rate housing projects through the City's Inclusionary Affordable Housing Program.

On-site: affordable units provided within the housing project itself.

Off-site: affordable units provided at another location instead of within the primary project, subject to applicable requirements.

Affordable Housing Fee: a fee that can be used as an alternative to providing affordable housing units, subject to the Inclusionary Affordable Housing Program requirements.

Land Dedication: an option to meet affordable housing requirements by dedicating land to the City for affordable housing. The amount of land is based on a required percentage of the site's developable area.

Article 4 Development Impact Fee: fees charged to certain development projects to help address the impact of new buildings on City services, such as roads and transit. Fees are established under Article 4 of the Planning Code.

Pipeline Project: a project that has submitted a complete development application, but has not yet received a First Construction Document.

San Francisco Planning

Image above: Rendering of 555-585 Bryant Street, courtesy of Solomon Cordwell Buenz

What Changed?

1. Inclusionary requirements are simpler and more consistent

Projects with fewer than 25 units

No longer subject to the Inclusionary Affordable Housing Program.

Projects with 25 or more units

The citywide on-site inclusionary rate is now 5% for both rental and ownership projects, except for the Mission Area Plan, which has an 8% on-site rate.

Fewer income tiers

On-site affordable units now require two-income tiers instead of three. The middle-income tier has been removed.

Rental projects

- 4% at Low Income: 55% Area Median Income
- 1% at Moderate Income: 80% Area Median Income

Ownership projects

- 4% at Low Income: 80% Area Median Income
- 1% at Moderate Income: 100% Area Median Income

Affordable Housing Fee

The Affordable Housing Fee is now 10% for most projects and 15% for projects located in specific geographic areas.

Off-site option

The citywide off-site rate is now 10%, with:

- 8% at Low Income
- 2% at Moderate Income

For projects located in specific geographic areas, the off-site rate is:

- 12% at Low Income
- 3% at Moderate Income

The one-mile site proximity requirement is still in place. However, projects located in specific geographic areas or in a Well-Resourced Neighborhood have flexibility for where off-site units can be located.

2. More flexibility in how projects meet inclusionary requirements

Citywide, land dedication is now available as an option for meeting affordable housing requirements. This option allows a project to dedicate land to the City for affordable housing.

3. A clearer path for project changes

The new Code creates an administrative process for eligible pipeline projects to make certain changes to their inclusionary requirements and entitlements.

Eligible pipeline projects can use the administrative process to:

- Take advantage of new inclusionary rates and requirements.
- Request an extension of the project's entitlement.

4. Development impact fees are reduced

Article 4 development impact fees, except for the Inclusionary Affordable Housing Fee, are now reduced by 67%.

THE BIGGER PICTURE

These changes are intended to better align housing requirements with current market conditions, help more projects move forward and increase housing production across San Francisco. By making it easier for housing projects to move forward, the changes can also encourage continued investment in communities and contribute to more vibrant, active neighborhoods throughout the City.

Learn more about the Inclusionary Affordable Housing Program at:

https://sfplanning.org/project/inclusionary-affordable-housing-program

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