



INCLUSIONARY HOUSING ORDINANCE UPDATES

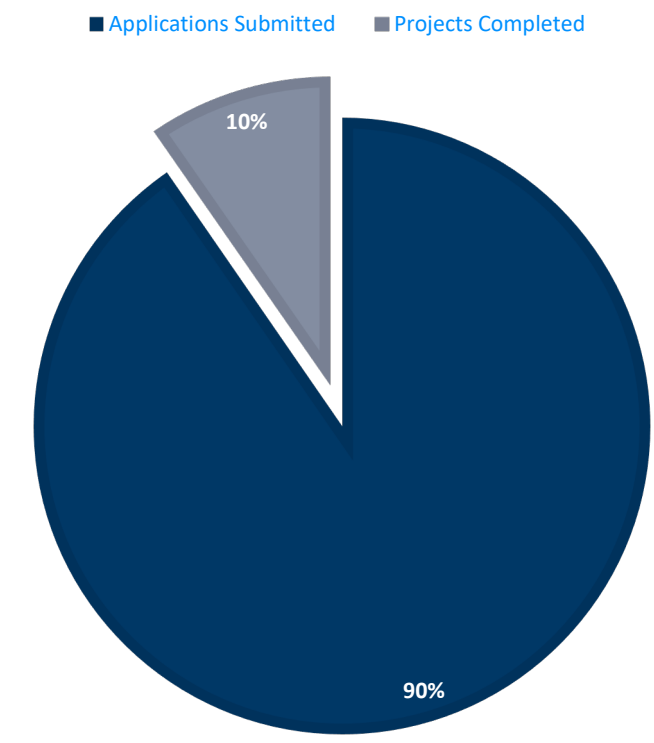
- **March/June Budget Message directed:**
 - Streamline processes
 - Incentive usage of the credit exchange system
 - Adjust AMI target levels to prioritize workforce housing development between 60% and 120% AMI
 - Exempt 100% Affordable developments from the IHO



Program Performance Data

- 🏠 2019 to 2025 – Period of Data Review, Phase 1 IHO
- 🏠 404 Total Applications Submitted
- 🏠 Only 43 Projects (10.6%)
- 🏠 Totaling 1,442 or approximately 288 Units Annually

PROPOSED VS COMPLETED PROJECTS





Program Performance Data

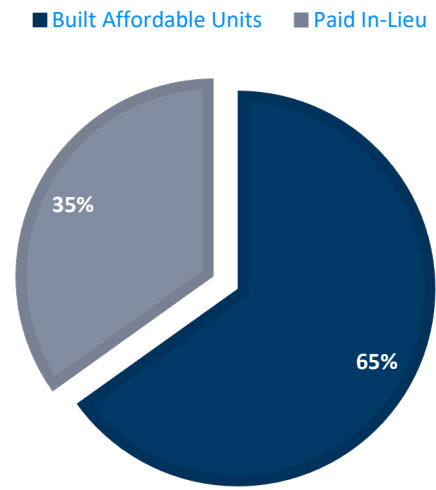
2019 to 2025 – 43 Projects Completed

- 🏠 28 Project Built Affordable Units
 - 43% of units at 50% AMI
 - 56% of units at 60% AMI – 110%
- 🏠 15 Projects Paid In-Lieu (\$47M, overwhelming majority from 5 Projects)

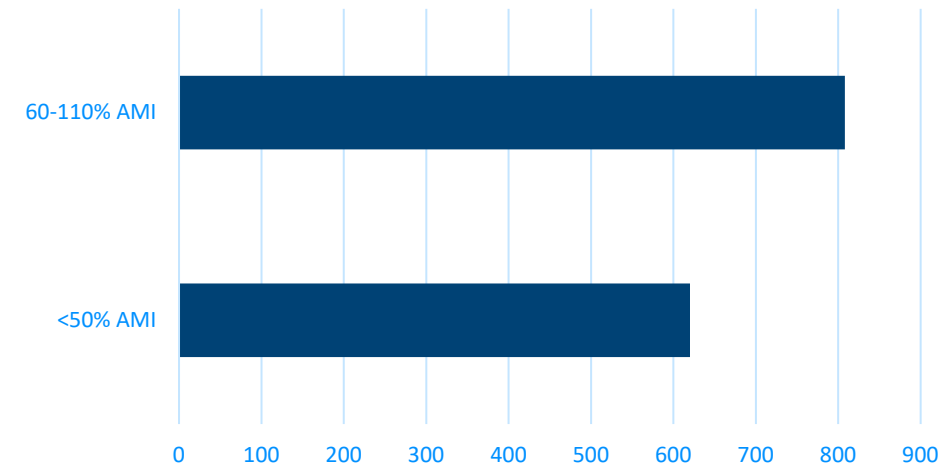
Takeaways:

1. Program supports workforce housing
2. Developers favor building units over paying in-lieu fees
3. Program unit production parallels the Department Gap Financing Program for affordable units

IN-LIEU FEES VS AFFORDABLE UNITS



UNIT BREAKDOWN, BY AMI LEVELS





Proposed Ordinance Changes

5.08.500 Inclusionary Housing Requirement for On-Site Compliance

NOTE: Santa Clara County Area Median Income, Family of 4, 2025: \$195,200

Option	Existing	Proposed
Rental	5% at 50% AMI 5% at 60% AMI <u>5% at 100% AMI</u> 15% total OR 10% at 30% AMI	5% at 60% AMI 5% at 80% AMI <u>5% at 110% AMI</u> 15% total
For-Sale	15% at 120% AMI (maximum sales price at 110% AMI)	15% at 120% AMI (maximum sales price at <u>120% AMI</u>)

Proposed Ordinance Changes

5.08.510 Inclusionary Housing Requirement for Off-Site Compliance

Option	Existing	Proposed
Rental	10% at 50% AMI 5% at 60% AMI 5% at 100% AMI 20% total	10% at 60% AMI 10% at 80% AMI 10% at 100% AMI 30% total
For-Sale	20% at 120% AMI (maximum sales price at 110% AMI)	25% at 110% AMI (maximum sales price at 110% AMI)

Area Median Income [AMI]	2 Person Household	4 Person Household
50%	\$80,400	\$100,450
60%	\$93,720	\$117,120
80%	\$127,650	\$159,550
100%	\$156,150	\$195,200
120%	\$187,400	\$234,250

Proposed Ordinance Changes

- **5.08.400 Streamlined Process for 100% Affordable Developments**
 - Reduce additional work by utilizing regulatory agreements to show IHO compliance rather than an IHO Process & Agreement
- **5.08.600 Affordability Period for Rental Inclusionary Units**
 - Reduce affordability restriction term to 55 years to align with state and federal regulations.

Initial Surplus Credit Program

Concept & Intent

When a developer provides more affordable housing units than required for a given project, the *surplus units* can be converted into credits. These credits can then be:

- Banked for use in future projects by the same developer, or
- Transferred/sold to other developers who need to meet their IHO obligations.

The Housing Department will establish the exchange and manage the transactions to ensure equivalency and transferability.



Surplus Credit Program

Restrictions

- **Equivalency:** Credits must match the room size and tenure to be eligible for transfer.
For example, a surplus One Bedroom creates 2 rooms and cannot be used to satisfy a Two Bedroom unit requirement which creates 3 rooms.
- **Transferability:** *align AMI ranges and timing for utilization*

Benefits

- **Flexibility for developers** → encourages them to provide more affordable units when feasible.
- **Efficiency** → makes it easier to balance where and how affordable housing gets produced.
- **Incentivizes** → exceeding requirements to synchronize with shift in capital markets

Inclusionary Housing Ordinance Regulations

To make the updated requirements easier to follow, we'll offer:

- Clear pathways for selecting compliance options
- Detailed guides for each compliance option
- Visual exhibits to illustrate requirements
- Interactive calculators for obligation estimates
- Ready-to-use templates for applications, agreements, and other compliance forms



HOUSING DEPARTMENT

UPDATES TO THE INCLUSIONARY HOUSING ORDINANCE