

Inclusionary Housing Ordinance

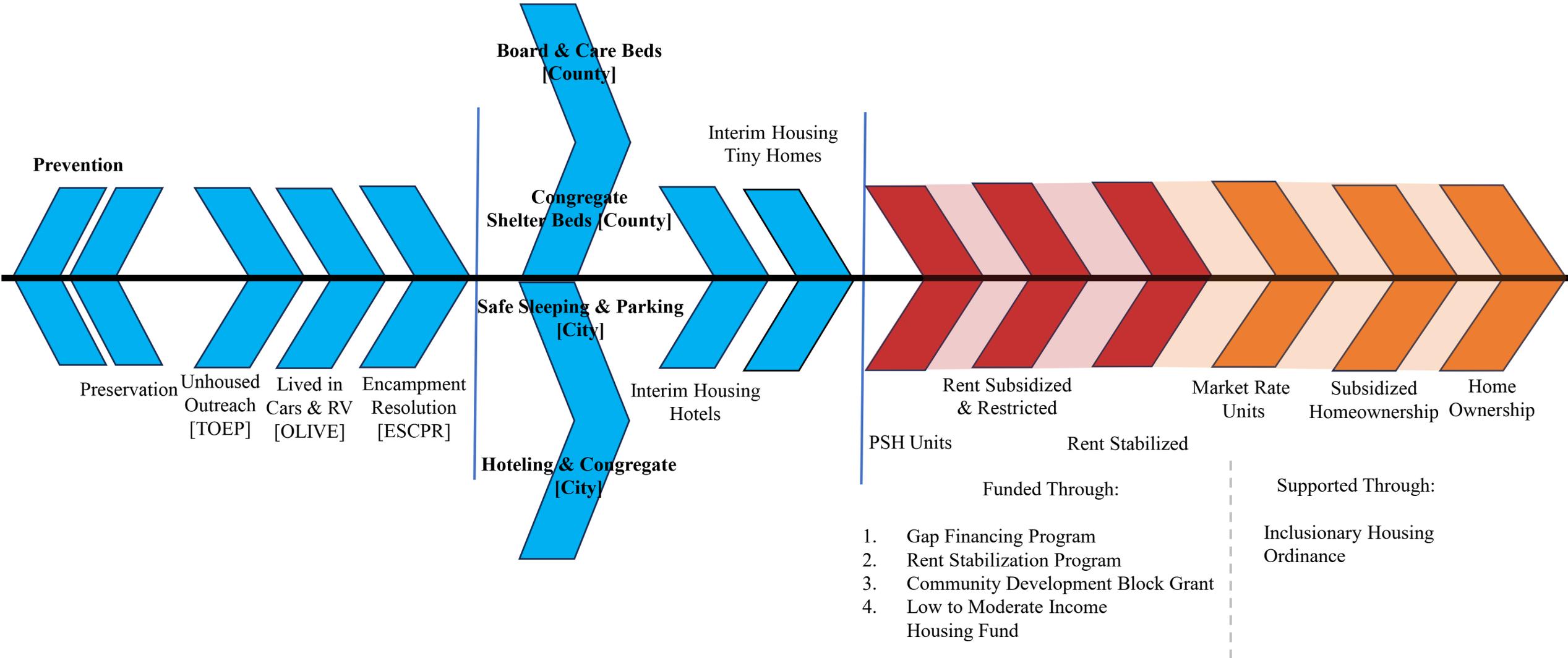
Item 8.4

March/June Budget Message Directed

1. Adjust AMI target levels to align prioritization to workforce housing developments between 60% and 120% AMI
2. Exempt 100% Affordable developments from the IHO Process
3. Streamline regulatory processes
4. Align to the Moderate-Income Housing Strategy adopted by the City Council Community and Economic Development Committee in May 2025

- Housing Department Staff presented at three (3) public informational and interactive meetings on the proposed changes to the Inclusionary Housing Ordinance
 - 2 virtual meetings on October 9th and December 10th
 - 1 in-person meeting on January 14th
- Recommendation memorandum was posted on the City's Council Agenda website for the January 27, 2026, City Council meeting
- Recordings of the virtual community meetings were published on the City's website

HOUSING CONTINUUM



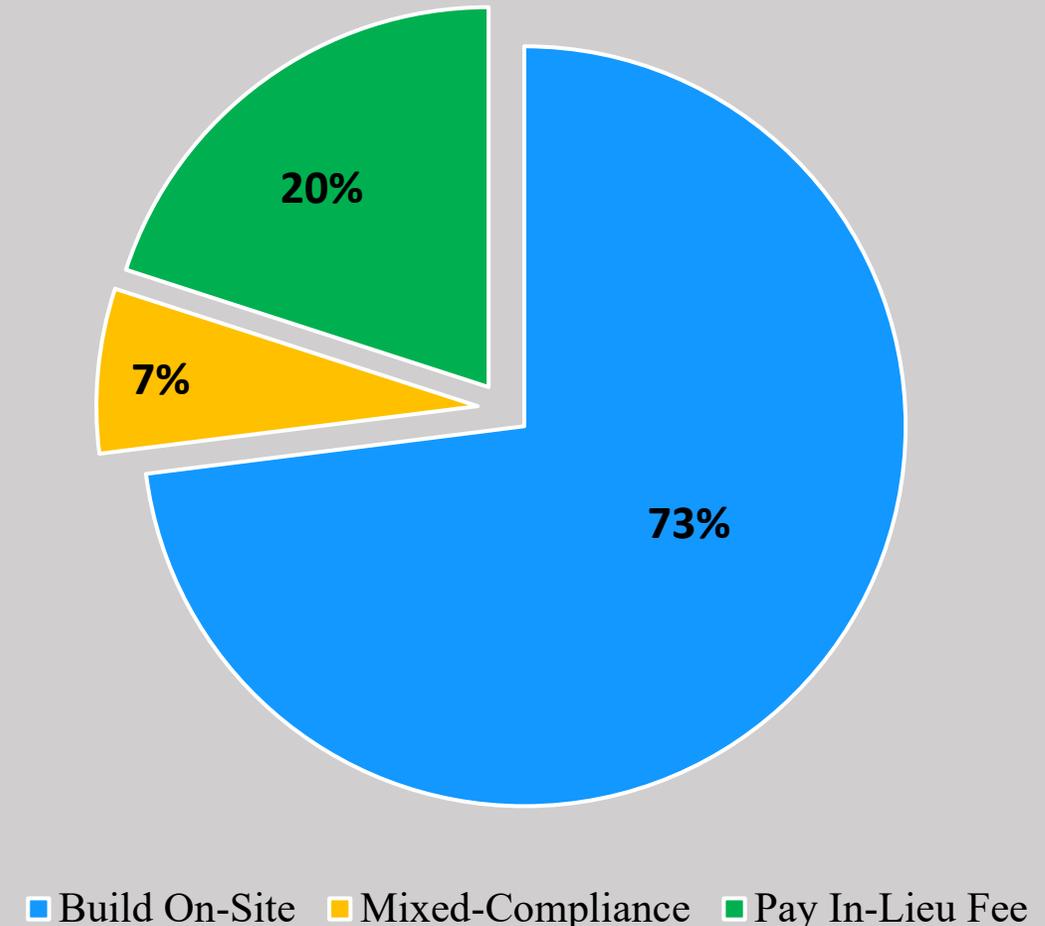
PROGRAM OUTCOMES

IHO Program Snapshot*

- 404 Total Applications Submitted
- Only 58 Projects (14% of applications) began construction
 - 43 Projects Completed On-Site Units (10%) totaling 1,442 units
 - 43% of units at 50% AMI
 - 56% of units at 60% – 110% AMI
 - 15 Projects Paid In-Lieu (\$44M, overwhelming majority from 5 Projects)
- Over 1,444 units under construction today under the housing production incentive program

* Since 2018

Project Pipeline by Compliance Method



PROGRAM PERFORMANCE DATA

IHO Program Current Applications*

🏠 On-Site Affordable Housing | 53 Projects | 1,850 units

- 30%-50% AMI: 24%
- 60%-100% AMI: **74%**
- 110%-120%: 2%

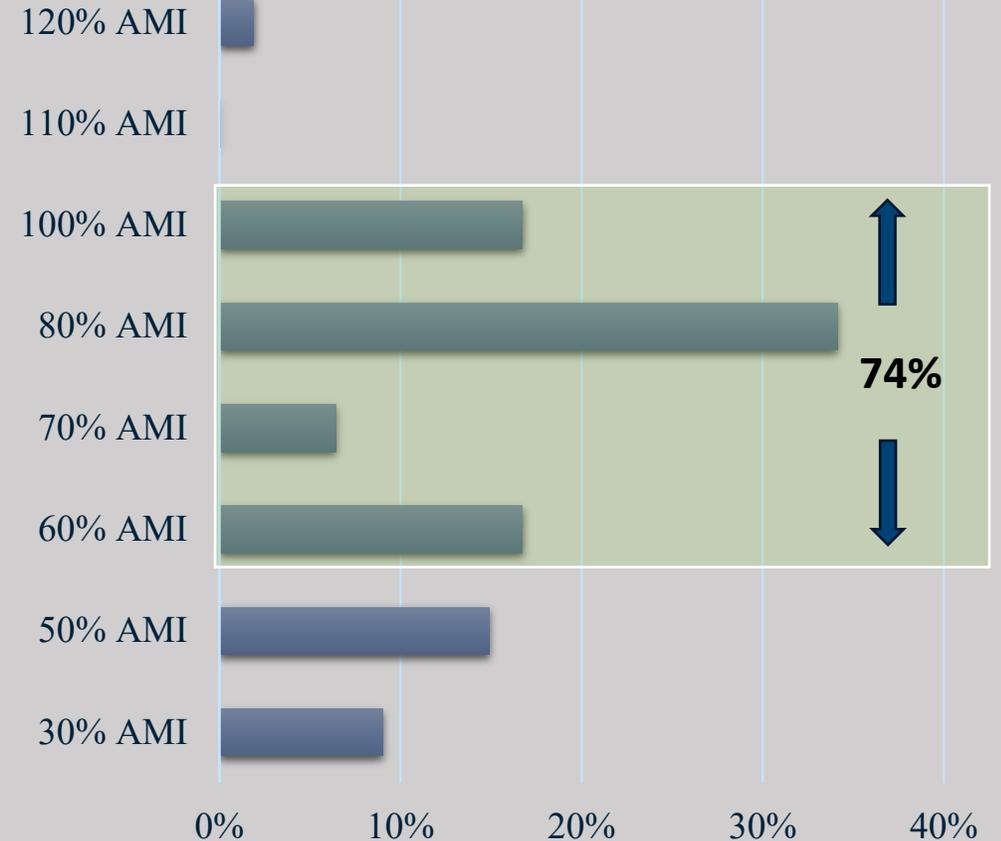
🏠 Mixed-Compliance | 5 Projects | 50 Units

- 50 on-site affordable units
- \$12.4 million in-lieu fees

🏠 In-Lieu Fee Only | 15 Projects

- \$38.2 million total fees

Applications by AMI



*Does not include 100% affordable housing projects

PROPOSED ORDINANCE CHANGES - 1



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	15% at 120% AMI

5.08.510 Inclusionary Housing Requirement for Off-Site Compliance

Option	<i>Existing</i>	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	25% at 110% AMI

PROPOSED ORDINANCE CHANGES - 2

- 1. 5.08.400 Streamlined Process for 100% Affordable Developments**
 1. Reduce additional work by utilizing regulatory agreements to show IHO compliance rather than an IHO Process & Agreement

- 2. 5.08.600 Affordability Period for Rental Inclusionary Units**
 1. Reduce the affordability restriction term to 55 years to align with state and federal regulations

- 3. Other Administrative Efficiencies**

REGULATORY UPDATE

SURPLUS CREDIT PROGRAM

Concept, Intent, and Pilot

1. When a developer provides more affordable housing units than required for a given project, the *surplus units* can be converted into credits.
2. 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 IHO obligations

REGULATORY UPDATE

SURPLUS CREDIT PROGRAM

Restrictions

1. **Equivalency:** Credits must synchronize with unit room counts to be eligible for transfer
2. **Transferability:** Align AMI ranges and construction timing for utilization

Benefits

1. **Flexibility** → Adjustments to financial market conditions, build now, bank benefits for later
2. **Efficiency** → Easier consideration for where and how affordable housing units get produced

Building A



- (1) 3 BR / 1,500 sqft / 110% AMI – 4 RMS
- (1) 2 BR / 1,000 sqft / 80% AMI – 3 RMS
- (1) 1 BR / 800 sqft / 60% AMI – 1 RM

3,300 sqft – 8 Rooms

Building B



- (2) 2 BR / 2,000 sqft / 70% AMI – 6 RMS
- (2) 1 BR / 1,600 sqft / 90% AMI – 2 RMS

3,600 sqft – 8 Rooms

REGULATORY UPDATES STREAMLINE PROCESSES

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

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