



# **INCLUSIONARY HOUSING ORDINANCE**

Planning Commission  
Regular Meeting | September 9, 2026



# Why inclusionary housing is being considered

- Requires or incentivizes a share of new housing to be affordable
- Can produce deed-restricted units within mixed-income development projects
- Can generate local funding for affordable housing when a fee is paid
- Implements Housing Element Program B 2.1.1

**1,554 units**

Vallejo's 2023-2031 RHNA assigned to moderate-income households or below

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**1,446 units**

Remaining need in the very-low-, low-, and moderate-income categories through 2025

**The ordinance is one tool; actual results will depend on future development and the compliance options selected.**



# The proposed ordinance reflects prior direction

**Dec. 2024**



**Housing Element**

Program B 2.1.1 directs the City to consider an ordinance.

**July 2025**



**1st Joint Study Session**

EPS shared initial market and feasibility findings.

**Nov. 2025**



**2<sup>nd</sup> Joint Study Session**

Direction: develop a modest, flexible program.

**May 2026**



**Public Review Draft**

20-day review; ten substantive submissions received.



# Current market conditions support a modest starting point

EPS tested five development prototypes against industry return thresholds. Most prototypes were **below feasibility thresholds** even before an inclusionary requirement was applied.

| Rental Prototype                 | Estimated Yield on Cost | 5.5% Threshold            |
|----------------------------------|-------------------------|---------------------------|
| Lower-Density Apartments         | 4.97%                   | Below                     |
| Higher-Density Apartments        | 4.70%                   | Below                     |
| Ownership Prototype              | Estimated Profit Margin | 15% Threshold             |
| Single-Family Detached           | 15.13%                  | <b>Meets – marginally</b> |
| Single-Family Small-Lot Detached | 5.73%                   | Below                     |
| Multifamily Condominium          | -36.50%                 | Below                     |



# Applicability to residential projects with 20 or more units

| Project Type                                                                | Total Affordability | Income Mix     |
|-----------------------------------------------------------------------------|---------------------|----------------|
| Rental – 20+ Units                                                          | 5%                  | 1% VLI + 4% LI |
| Ownership – 20-100 units                                                    | 5%                  | 3% LI + 2% MOD |
| Ownership – more than 100 units                                             | 8%                  | 5% LI + 3% MOD |
| <b>Notes:</b> VLI = Very Low Income; LI = Low Income; MOD = Moderate Income |                     |                |

- The following **project types are exempt** from the ordinance: reconstruction of units destroyed by disaster, ADUs, residential care facilities, and applications accepted as complete before the effective date of the ordinance
- **Fractional requirements** are calculated separately by income category. A fraction of 0.50 or greater is rounded up. For a fraction below 0.50, the developer may either provide the additional affordable unit or pay the applicable fractional in-lieu fee.
- The ordinance would take effect **180 days after final passage** to allow an implementation transition.



# Covered projects would have multiple ways to comply

## Provide Units on Site

The standard path integrates affordable units into the residential project.

## Pay the In-Lieu Fee

A developer may pay a fee for some or all the required units instead.

## Request Another Option

Off-site units in the same census tract; ownership projects may provide on-site rental units.

**The ordinance also includes a waiver or adjustment process if a developer demonstrates that the requirements lack a reasonable relationship to the project's impacts or would result in an unconstitutional taking.**



# Affordable unit standards

## Comparable

Proportional bedroom mix and size; comparable construction quality and exterior design

## Integrated

Dispersed where feasible, with equal access to on-site amenities

## Timely

Constructed and occupied before or concurrently with market-rate units, unless approved otherwise

## Long-Term Affordability

Restricted as affordable for at least 55 years

**Each project would submit an Affordable Housing Plan and execute a recorded Affordable Housing Agreement.**



# The in-lieu fee scales with market-rate residential floor area

| Rental Project Type              | Applicability       | In-lieu Fee     |
|----------------------------------|---------------------|-----------------|
| Lower-Density Apartments         | 20+ units           | \$8.64/sq. ft.  |
| Higher-Density Apartments        | 20+ units           | \$9.87/sq. ft.  |
| Ownership Project Type           | Applicability       | In-lieu Fee     |
| Single-Family Detached           | 20-100 units        | \$9.29/sq. ft.  |
|                                  | More than 100 units | \$15.01/sq. ft. |
| Single-Family Small-Lot Detached | 20-100 units        | \$8.16/sq. ft.  |
|                                  | More than 100 units | \$13.23/sq. ft. |
| Multifamily Condominium          | 20-100 units        | \$17.08/sq. ft. |
|                                  | More than 100 units | \$27.55/sq. ft. |

**Fee revenue would be placed in a separate City fund and restricted to authorized affordable housing purposes.**



# Public comments emphasized competing policy priorities

## **Proceed cautiously or do not adopt**

- Most development prototypes are currently infeasible
- Requirements and fees could further constrain housing production
- Use incentives, streamlining, phasing, or market triggers

## **Strengthen the requirements**

- Lower the applicability threshold to 10 units
- Require a 15% to 20% affordable set-aside
- Prioritize on-site units and expand reporting and enforcement

**Staff recommends a modest, flexible framework now, followed by an initial program evaluation after about three years.**



# Staff Recommendation

Adopt a Resolution recommending that the City Council amend the Vallejo Municipal Code by adding Chapter 16.216 relating to Affordable Housing Requirements and find the ordinance exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3).





# QUESTIONS

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# REFERENCE TABLES

**Table 1: Inclusionary Requirements Evaluated by EPS**

| <b>Project Type</b>                                                                                                                    | <b>Option A</b>            | <b>Option B</b>             | <b>Option C</b>                 |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------|---------------------------------|
| Rental, 20 or more units                                                                                                               | 5% total<br>1% VLI + 4% LI | 4% total<br>2% VLI + 2% LI  | 6% total<br>2% VLI + 4% LI      |
| Ownership, 20-100 units                                                                                                                | 5% total<br>3% LI + 2% MOD | 7% total<br>4% LI + 3% MOD  | 10% total<br>5% LI + 5% MOD     |
| Ownership, more than 100 units                                                                                                         | 8% total<br>5% LI + 3% MOD | 10% total<br>6% LI + 4% MOD | 15% total<br>7.5% LI + 7.5% MOD |
| <b>Source:</b> EPS Feasibility Analysis, Tables 9 and 10. <b>Notes:</b> VLI = Very Low Income; LI = Low Income; MOD = Moderate Income. |                            |                             |                                 |

**Table 2: Progress Toward Meeting Vallejo's 2023-2031 RHNA**

| <b>Income Level</b> | <b>Vallejo's RHNA Allocation</b> | <b>Projection Period (6/30/22 – 1/30/23)</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>Total Units to Date</b> | <b>Remaining</b> |
|---------------------|----------------------------------|----------------------------------------------|-------------|-------------|-------------|----------------------------|------------------|
| VLI                 | 690                              | 4                                            | 6           | 10          | 7           | 27                         | 663              |
| LI                  | 369                              | 0                                            | 12          | 10          | 33          | 55                         | 314              |
| MOD                 | 495                              | 0                                            | 9           | 7           | 10          | 26                         | 469              |
| AMOD                | 1,346                            | 144                                          | 94          | 41          | 143         | 422                        | 924              |
| <b>Total Units:</b> | <b>2,900</b>                     | <b>148</b>                                   | <b>121</b>  | <b>68</b>   | <b>193</b>  | <b>530</b>                 | <b>2,370</b>     |

**Source:** City of Vallejo CY2025 General Plan Annual Progress Report. Notes: VLI = Very Low Income; LI = Low Income; MOD = Moderate Income; AMOD = Above Moderate Income

**Table 3: Income Categories and Illustrative Maximum Housing Costs**

| <b>Income Category</b>                                                                                                                                                          | <b>Maximum Annual Income</b> | <b>Illustrative Maximum Monthly Housing Cost</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|--------------------------------------------------|
| VLI                                                                                                                                                                             | \$61,850                     | \$1,546                                          |
| LI                                                                                                                                                                              | \$98,950                     | \$2,474                                          |
| MOD                                                                                                                                                                             | \$134,550                    | \$3,364                                          |
| <b>Source:</b> California HCD 2026 State Income Limits for Solano County, effective June 23, 2026. <b>Notes:</b> VLI = Very Low Income; LI = Low Income; MOD = Moderate Income. |                              |                                                  |

**Table 4: Illustrative Application of Rental Requirements by Project Size**

| Example Rental Project                                                                                                                                                                                                                                                   | VLI Requirement                                               | LI Requirement                                             | Illustrative On-Site Unit Mix                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------|
| 20-Unit Project                                                                                                                                                                                                                                                          | 20 units $\times$ 1% = 0.2 units<br>(1 unit, if rounded up)   | 20 units $\times$ 4% = 0.8 units<br>(1 unit, rounded up)   | 18 market-rate units<br>1 VLI units<br>1 LI unit    |
| 50-Unit Project                                                                                                                                                                                                                                                          | 50 units $\times$ 1% = 0.5 units<br>(1 unit, rounded up)      | 50 units $\times$ 4% = 2 units                             | 47 market-rate units<br>1 VLI unit<br>2 LI units    |
| 120-Unit Project                                                                                                                                                                                                                                                         | 120 units $\times$ 1% = 1.2 units<br>(2 units, if rounded up) | 120 units $\times$ 4% = 4.8 units<br>(5 units, rounded up) | 113 market-rate units<br>2 VLI units<br>5 LI units  |
| 300-Unit Project                                                                                                                                                                                                                                                         | 300 units $\times$ 1% = 3 units                               | 300 units $\times$ 4% = 12 units                           | 285 market-rate units<br>3 VLI units<br>12 LI units |
| <b>Notes:</b> Examples assume that all fractional requirements are rounded up and satisfied on site. For a fraction below 0.50, the developer may instead pay an in-lieu fee rather than provide the additional affordable unit. VLI = Very Low Income; LI = Low Income. |                                                               |                                                            |                                                     |

**Table 5: Illustrative Application of Ownership Requirements by Project Size**

| Example Ownership Project                                                                                                                                                                                                                                                | LI Requirement                                            | MOD Requirement                                             | Illustrative On-Site Unit Mix                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------|
| 20-Unit Project                                                                                                                                                                                                                                                          | 20 units $\times$ 3% = 0.6 units<br>(1 unit, rounded up)  | 20 units $\times$ 2% = 0.4 units<br>(1 unit, if rounded up) | 18 market-rate units<br>1 LI unit<br>1 MOD unit     |
| 50-Unit Project                                                                                                                                                                                                                                                          | 50 units $\times$ 3% = 1.5 units<br>(2 units, rounded up) | 50 units $\times$ 2% = 1 unit                               | 47 market-rate units<br>2 LI units<br>1 MOD unit    |
| 120-Unit Project                                                                                                                                                                                                                                                         | 120 units $\times$ 5% = 6 units                           | 120 units $\times$ 3% = 3.6 units<br>(4 units, rounded up)  | 110 market-rate units<br>6 LI units<br>4 MOD units  |
| 300-Unit Project                                                                                                                                                                                                                                                         | 300 units $\times$ 5% = 15 units                          | 300 units $\times$ 3% = 9 units                             | 276 market-rate units<br>15 LI units<br>9 MOD units |
| <b>Notes:</b> Examples assume that all fractional requirements are rounded up and satisfied on site. For a fraction below 0.50, the developer may instead pay an in-lieu fee rather than provide the additional affordable unit. LI = Low Income; MOD = Moderate Income. |                                                           |                                                             |                                                     |

**Table 7: Illustrative Rental In-Lieu Fees by Project Type and Size**

| Example Rental Project                                                                                                                                                                                                                                                                                                                                                                      | Assumed Residential Floor Area | Lower-Density Apartments (\$8.64/sq. ft.) | Higher-Density Apartments (\$9.87/sq. ft.) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------------------|--------------------------------------------|
| 20-Unit Project                                                                                                                                                                                                                                                                                                                                                                             | 24,000 sq. ft.                 | \$207,360                                 | \$236,880                                  |
| 50-Unit Project                                                                                                                                                                                                                                                                                                                                                                             | 60,000 sq. ft.                 | \$518,400                                 | \$592,200                                  |
| 120-Unit Project                                                                                                                                                                                                                                                                                                                                                                            | 144,000 sq. ft.                | \$1,244,160                               | \$1,421,280                                |
| 300-Unit Project                                                                                                                                                                                                                                                                                                                                                                            | 360,000 sq. ft.                | \$3,110,400                               | \$3,553,200                                |
| <p><b>Source:</b> EPS Feasibility Analysis, Table 9 and Appendix B. <b>Notes:</b> Illustrative fee = total units × 1,200 square feet per unit × applicable fee per square foot. Calculations use the rounded rates presented in Table 6. Actual fees would be based on the residential floor area shown in the approved project plans and the fee schedule adopted by the City Council.</p> |                                |                                           |                                            |

**Table 8: Illustrative Ownership In-Lieu Fees by Project Type and Size**

| Example Ownership Project | Single-Family Detached<br>(2,200 sq. ft./unit) | Single-Family Small-Lot Detached<br>(1,600 sq. ft./unit) | Multifamily Condominium<br>(1,200 sq. ft./unit) |
|---------------------------|------------------------------------------------|----------------------------------------------------------|-------------------------------------------------|
| 20-Unit Project           | \$408,760<br>(\$9.29/sq. ft.)                  | \$261,120<br>(\$8.16/sq. ft.)                            | \$409,920<br>(\$17.08/sq. ft.)                  |
| 50-Unit Project           | \$1,021,900<br>(\$9.29/sq. ft.)                | \$652,800<br>(\$8.16/sq. ft.)                            | \$1,024,800<br>(\$17.08/sq. ft.)                |
| 120-Unit Project          | \$3,962,640<br>(\$15.01/sq. ft.)               | \$2,540,160<br>(\$13.23/sq. ft.)                         | \$3,967,200<br>(\$27.55/sq. ft.)                |
| 300-Unit Project          | \$9,906,600<br>(\$15.01/sq. ft.)               | \$6,350,400<br>(\$13.23/sq. ft.)                         | \$9,918,000<br>(\$27.55/sq. ft.)                |

**Source:** EPS Feasibility Analysis, Table 10 and Appendix B. **Notes:** Illustrative fee = total units × assumed residential square feet per unit × applicable fee per square foot. The 20- and 50-unit examples use the rates for ownership projects containing 20–100 units; the 120- and 300-unit examples use the rates for projects containing more than 100 units. Calculations use the rounded rates presented in Table 6. Actual fees would depend on the approved project floor area and the fee schedule adopted by the City Council.