ACTION ITEM 9.D.

DATE: October 27, 2026
TO: Mayor and Members of the City Council
FROM: Kristin Pollot, AICP, Planning and Development Services Director
Hector Rojas, Long Range Planning Manager
SUBJECT: **HOLD A PUBLIC HEARING AND INTRODUCE AN ORDINANCE ADDING CHAPTER 16.216 TO THE VALLEJO MUNICIPAL CODE RELATING TO AFFORDABLE HOUSING REQUIREMENTS AND FIND THIS ACTION EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO CEQA GUIDELINES SECTION 15061(b)(3)**

RECOMMENDATION

Hold a public hearing and introduce an ordinance adding Chapter 16.216, Affordable Housing Requirements, to Title 16 of the Vallejo Municipal Code and find this action exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

REASONS FOR RECOMMENDATION

The proposed ordinance would implement Housing Element Program B 2.1.1 and respond to the City Council's direction at the November 24, 2025, joint study session to bring back an inclusionary housing ordinance as soon as possible. Staff presented the Planning Commission with a modest program applying to residential projects of 20 or more units, with affordable housing requirements and alternative compliance options informed by EPS's feasibility analysis. The Commission recommended a lower applicability threshold and different affordability requirements, as discussed below.

Staff continues to recommend the ordinance presented to the Planning Commission because EPS found that most residential development prototypes were infeasible under current market conditions even without inclusionary requirements. The staff proposal would establish an initial program to produce affordable units and generate affordable housing funding while limiting additional burdens on housing production. An accompanying resolution to establish a corresponding in-lieu fee schedule would be brought back for consideration at a later date, before the program effective date.

BACKGROUND AND DISCUSSION

Inclusionary housing ordinances require or incentivize residential developers to provide a share of new dwelling units at rents or sale prices affordable to lower- and moderate-income households. Depending on the ordinance, developers may also satisfy some or all of the requirement through an in-lieu fee or another alternative means of compliance. Inclusionary housing is one of several tools local governments use to create mixed-income communities, expand the supply of deed-restricted affordable units, and generate local funding for affordable housing.

On December 30, 2024, the City Council adopted the 2023-2031 Housing Element. The Housing Element explains that market-rate development can increase demand for lower-cost housing while using limited developable land, and that existing federal and State housing subsidy programs are not sufficient by themselves to meet local needs. Housing Element Program B 2.1.1 directs the City to consider adoption of an Inclusionary Housing Ordinance to address this concern. As described in Program B 2.1.1, the

review process must seek developer input, conduct the necessary economic analysis, and consider an ordinance addressing project thresholds, affordability levels, compliance options, incentives, construction timing, and administration. Further, Program B 2.1.1 establishes a quantified objective of 150 lower- and moderate-income units, including at least 50 units in mixed-income developments, with emphasis on new and infill opportunities in relatively higher-resource and higher-income areas, to be provided over the course of the Housing Element's full planning period (January 31, 2023, through January 31, 2031).

To initiate Program B 2.1.1 implementation, the City retained Economic & Planning Systems, Inc. (EPS) to conduct developer outreach and analyze inclusionary housing feasibility and in-lieu fees. EPS's work concluded with a two-part joint study session process where their preliminary findings and feasibility analysis were shared and discussed.

On July 7, 2025, the first joint City Council and Planning Commission study session was held. At this session, EPS presented its market and feasibility findings, and Councilmembers, Commissioners, and members of the public discussed current development conditions, the potential effect of affordability requirements on housing production, the operation and administration of inclusionary programs, and possible approaches such as phased implementation, exemptions, and alternative compliance.

On November 24, 2025, a second joint City Council and Planning Commission study session was held to continue the conversation from the first session. At the conclusion of the joint study-session process, staff received direction to proceed with developing a modest Inclusionary Housing Ordinance that reflected Vallejo's current market conditions and provided flexibility in how covered projects could comply.

Staff subsequently reviewed inclusionary ordinances adopted by Pasadena, Benicia, Concord, El Cerrito, Hayward, and Richmond, and worked with EPS and the City Attorney's Office to prepare a Vallejo ordinance. The City released the draft ordinance for a 20-day public review and comment period beginning May 7, 2026, and ending May 27, 2026. During this time, ten comment letters were received (see the 'Public Comments' section below for more details).

Feasibility Analysis

EPS's final Feasibility Analysis of Inclusionary Housing Requirements (Attachment 2) is dated March 13, 2026, and was published on the City's website on May 27, 2026. The analysis includes an evaluation of five representative development prototypes using two standard return measures: 1) profit margin for ownership development; and 2) yield on cost for rental development. Although the measures differ because ownership units are sold while rental projects are held as income-producing assets, each result was compared with an industry standard threshold used to indicate whether a project is likely to attract investment. The analysis found poor conditions for new housing across the Bay Area and that most product types in Vallejo did not meet the applicable threshold even before an inclusionary requirement was applied. Of the five prototypes, only single-family detached housing was marginally feasible, with an estimated 15.13% profit margin compared with a 15% threshold.

The prototype assumptions were informed by EPS's review of recent and proposed developments, discussions with developers active in Vallejo and the surrounding region, and discussions with City staff. This input informed the prototype characteristics, the 15% ownership return threshold, construction-cost estimates, and market-value assumptions.

The other ownership prototypes analyzed did not meet the 15% profit-margin threshold: small-lot single-family detached development was estimated at 5.73%, and the multifamily attached condominium prototype at negative 36.50%. The baseline-density and higher-density multifamily apartment prototypes produced estimated yields on cost of 4.97% and 4.70%, respectively, below the 5.5% rental threshold. EPS noted that these are prototypical results and that the economics of an individual development may differ based on land cost, parking, financing, achievable rents or sale prices, unit mix, and other project-specific factors.

EPS concluded that imposing inclusionary requirements would generally reduce project revenue without reducing development costs and therefore make residential projects marginally less feasible. In light of the current market, EPS advised that the City could consider a modest program, alternatives to compliance, phased implementation, market-based triggers, or waiting until market conditions improve. EPS evaluated the following three requirement levels:

Table 1: Inclusionary Requirements Evaluated by EPS

Project Type	Option A	Option B	Option C
Rental, 20 or more units	5% total 1% VLI + 4% LI	4% total 2% VLI + 2% LI	6% total 2% VLI + 4% LI
Ownership, 20-100 units	5% total 3% LI + 2% MOD	7% total 4% LI + 3% MOD	10% total 5% LI + 5% MOD
Ownership, more than 100 units	8% total 5% LI + 3% MOD	10% total 6% LI + 4% MOD	15% total 7.5% LI + 7.5% MOD

Source: *EPS Feasibility Analysis, Tables 9 and 10. Notes: VLI = Very Low Income; LI = Low Income; MOD = Moderate Income.*

The public review draft ordinance reflected Option A, which combines the lowest ownership requirements evaluated with a comparatively low rental requirement while retaining a 1% very-low-income component. Staff selected this approach in response to the joint study-session direction and EPS's finding that most prototypes were not currently feasible even without an inclusionary requirement.

Planning Commission Recommendation

On September 9, 2026, the Planning Commission conducted a duly noticed public hearing and voted 7-0 to adopt Resolution No. PC26-17 (Attachment 5.) The resolution recommends that the City Council add Chapter 16.216, Affordable Housing Requirements, to the Vallejo Municipal Code (VMC) and consider and adopt several revisions to the staff recommended draft, as shown in Exhibit B of the Resolution.

The Planning Commission's recommended revisions would reduce the applicability threshold from 20 to 10 units and apply the affordability percentages evaluated under EPS's Option B. Under this recommendation, rental projects would provide 4% affordable units, consisting of 2% very-low-income and 2% low-income units. Ownership projects of 10–100 units would provide 7% affordable units, consisting of 4% low-income and 3% moderate-income units. Ownership projects of over 100 units would provide 10% affordable units, consisting of 6% low-income and 4% moderate-income units.

The Planning Commission also directs staff to report annually to the Commission on the ordinance's effectiveness, if it is adopted, and recommends City Council direct a new feasibility analysis approximately two years after the ordinance's enactment to inform potential adjustments to the affordability requirements and corresponding in-lieu fees.

Staff continues to recommend the 20-unit threshold and Option A requirements because of the economic feasibility constraints identified by EPS. The proposed ordinance reflects that recommendation. The following discussion and illustrative tables describe the staff proposal. If Council selects different affordability requirements, the ordinance would need to reflect Council's direction.

Vallejo's 2023-2031 Regional Housing Needs Allocation (RHNA)

The proposed ordinance in Attachment 1 would add Chapter 16.216 (Affordable Housing Requirements) to VMC Title 16 (Zoning). It is intended to increase the production of housing affordable to very low-, low-, and moderate-income households and to generate funds that may be used for affordable housing activities. Vallejo's 2023-2031 RHNA is 2,900 units: 690 very-low-income units; 369 low-income units; 495 moderate-income units; and 1,346 above-moderate-income units. 1,554 units, or approximately 54% of the RHNA, are assigned to moderate-income households or below.

Table 2 summarizes Vallejo's progress toward meeting its 2023-2031 RHNA through the end of 2025 (without an inclusionary housing ordinance). Of the 530 units credited toward the RHNA to date, 108 are affordable to moderate-income households or below, leaving a remaining need of 1,446 units across those three income categories.

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

Income Level	Vallejo's RHNA Allocation	Projection Period (6/30/22 – 1/30/23)	2023	2024	2025	Total Units to Date	Remaining
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
Total Units:	2,900	148	121	68	193	530	2,370

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*

Proposed Ordinance

The proposed ordinance broadly aligns with the City's RHNA by targeting all three below-market categories (including very-low, low, and moderate affordability levels). The rental requirement includes very-low- and low-income units, while the ownership requirement targets low- and moderate-income households. The distribution is not intended to mirror the RHNA percentages exactly; rather, it balances the need for deeper affordability with EPS's finding that the affordability gap and feasibility impact increase as the required income level decreases.

Income Categories and Maximum Housing Costs

HCD updates county income limits annually and adjusts them by household size. Under the 2026 limits for Solano County, Table 3 illustrates the income categories and maximum housing costs for a three-person household, the benchmark household size generally used for a two-bedroom unit. The monthly amount represents 30% of gross income and is intended only as an illustration.

Table 3: Income Categories and Illustrative Maximum Housing Costs

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

Ordinance Applicability
The proposed ordinance would apply to residential projects containing 20 or more units. It would exempt: 1) reconstruction of units destroyed by a natural disaster; 2) accessory dwelling units, which are regulated under a separate State and local framework; and 3) residential care facilities, which operate under a distinct residential and services model. It would also exempt applications accepted as complete before the ordinance takes effect to avoid a substantial change in development requirements for projects that are currently under review. The ordinance would become effective 180 days after final passage, providing an implementation transition period.

Requirements for Rental Projects
Under the proposed ordinance, a covered rental project containing 20 or more units would be required to set aside 5% of its units as affordable units, consisting of 1% affordable to very-low-income households and 4% affordable to low-income households. Affordable rents would be based on 30% of the applicable maximum household income, less a utility allowance.

Table 4 illustrates how the rental requirements would apply to projects of varying sizes. For purposes of these examples, all fractional requirements are assumed to be rounded up and satisfied by providing the resulting affordable units on site. When a fraction is below 0.50, the proposed ordinance alternatively allows the developer to pay an in-lieu fee instead of providing the additional affordable unit.

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 × 1% = 0.2 units (1 unit, if rounded up)	20 units × 4% = 0.8 units (1 unit, rounded up)	18 market-rate units 1 VLI unit 1 LI unit
50-Unit Project	50 units × 1% = 0.5 units (1 unit, rounded up)	50 units × 4% = 2 units	47 market-rate units 1 VLI unit 2 LI units
120-Unit Project	120 units × 1% = 1.2 units (2 units, if rounded up)	120 units × 4% = 4.8 units (5 units, rounded up)	113 market-rate units 2 VLI units 5 LI units

300-Unit Project	300 units × 1% = 3 units	300 units × 4% = 12 units	285 market-rate units 3 VLI units 12 LI units
Notes: *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.*			

Requirements for Ownership Projects

Under the proposed ordinance, an ownership project containing 20 to 100 units would be required to set aside 5% of its units as affordable units, consisting of 3% affordable to low-income households and 2% affordable to moderate-income households. An ownership project containing more than 100 units would be required to set aside 8% of its units as affordable units, consisting of 5% affordable to low-income households and 3% affordable to moderate-income households.

Table 5 illustrates how the ownership requirements would apply to projects of the same sizes shown in Table 4, including examples within both applicable requirement tiers. Consistent with Table 4, the examples assume that all fractional requirements are rounded up and satisfied by providing the resulting affordable units on site. When a fraction is below 0.50, the proposed ordinance alternatively allows the developer to pay an in-lieu fee instead of providing the additional affordable unit.

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 × 3% = 0.6 units (1 unit, rounded up)	20 units × 2% = 0.4 units (1 unit, if rounded up)	18 market-rate units 1 LI unit 1 MOD unit
50-Unit Project	50 units × 3% = 1.5 units (2 units, rounded up)	50 units × 2% = 1 unit	47 market-rate units 2 LI units 1 MOD unit
120-Unit Project	120 units × 5% = 6 units	120 units × 3% = 3.6 units (4 units, rounded up)	110 market-rate units 6 LI units 4 MOD units
300-Unit Project	300 units × 5% = 15 units	300 units × 3% = 9 units	276 market-rate units 15 LI units 9 MOD units
Notes: *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.*			

In-Lieu Fee

Under the proposed ordinance, a housing developer may elect to pay an in-lieu fee instead of providing some or all of the required affordable units. This option is important under current market conditions because it provides a housing project developer with an alternative when onsite production would create a greater design, financing, or feasibility constraint, while still requiring the development to contribute to affordable housing. Fee revenue would be deposited into a separate City fund designated for affordable housing, allowing the City to combine receipts with other funding and support a range of affordable

housing activities. If the proposed ordinance is adopted, Staff will come back with a proposed resolution for adoption of the in-lieu fee schedule.

Other Forms of Alternative Compliance
The proposed ordinance would also allow a developer to request approval to construct affordable units off-site within the same census tract. Keeping the units within the same census tract would maintain a geographic connection to the market-rate project, support mixed-income development within the surrounding area, and reduce the potential for affordable units to be shifted to and concentrated in other parts of the City. The final decision-making body for the development project (either the Planning Commission or, when the project requires City Council action, the City Council) could approve the request upon finding that off-site construction equally or better serves the City's interests. An ownership project could alternatively provide affordable rental units onsite.

Affordable Unit Standards
Affordable units would generally be proportional to the market-rate units in bedroom mix and size, dispersed throughout the project to the extent feasible, comparable in construction quality and exterior design, and provide equal access to onsite amenities. The affordable units would need to be constructed and occupied before or concurrently with the market-rate units unless an alternative schedule is approved by the final decision-making body for the development project. Both rental and ownership affordable units would be restricted for a minimum of 55 years. A 55-year minimum provides long-term affordability through multiple occupancy cycles and is consistent with a commonly used term for California affordable housing covenants while avoiding the legal and administrative complexities of a perpetual restriction.

Program Administration
A covered project would be required to submit an Affordable Housing Plan as part of its development application identifying the required units, calculations, locations, income targets, phasing, and marketing approach. As a condition of project approval, a developer providing affordable units would execute an Affordable Housing Agreement addressing the number, size, location, tenure, income targeting, monitoring, and resale or rental restrictions applicable to the affordable units. For a project with a parcel or tentative map, the agreement would be recorded concurrently with the final map; for a project without such a map, it would be recorded before issuance of a building permit. An agreement for off-site units would be recorded simultaneously against the off-site property. A waiver or adjustment of the affordable housing requirement would remain available if a developer demonstrates that the requirements lack a reasonable relationship to the project's impacts or would result in an unconstitutional taking.

Implementation, Reporting, and Periodic Evaluation
The Planning Commission directed staff to report annually to the Commission on the ordinance's effects and recommended that Council direct a new feasibility analysis approximately two years after the ordinance's enactment. Program reporting would track covered residential applications and approvals, affordable units produced, alternative compliance, fee receipts and expenditures, and administrative demands. A new feasibility analysis would evaluate affordability requirements and economically equivalent fees under then-current market conditions. Council may provide direction on the Commission's recommended two-year analysis as part of its consideration of this item.

<u>Code Compliance</u>

The City Council is expressly authorized to adopt, as a condition of development, inclusionary housing requirements applicable to residential rental units affordable to moderate-, lower-, very low-, and extremely low-income households, as those income categories are defined in Health and Safety Code Sections 50079.5, 50093, 50105, and 50106, provided that alternative means of compliance such as in-lieu fees, land dedication, off-site construction, or acquisition and rehabilitation of existing units are available. (See Cal. Gov. Code § 65850(g).) The proposed ordinance provides two of these alternatives: payment of an in-lieu fee and off-site construction.

VMC Section 16.611.02(D) requires proposed Zoning Code amendments to be reviewed and recommended by the Planning Commission at a duly noticed public hearing before City Council consideration. The Planning Commission completed that review at its September 9, 2026 public hearing and adopted Resolution No. PC26-17 (Attachment 5) recommending Council action.

To approve the Zoning Code text amendment, the City Council must make the findings required by VMC Section 16.611.03(A):

1. The ordinance amendment is consistent in principle with the General Plan and any applicable specific plan; and

2. The ordinance amendment is consistent with the purpose of the Zoning Code to promote the growth of the city in an orderly manner and to protect the public health, safety, and general welfare.

Staff Analysis

The proposed ordinance is consistent in principle with the General Plan because it directly implements Housing Element Program B 2.1.1, which directs the City to evaluate and consider adoption of an inclusionary housing ordinance to increase the production of housing to lower- and moderate-income households. The proposed ordinance is also intended to contribute to the Housing Element's quantified objective of producing 150 lower- and moderate-income units, including at least 50 units in mixed-income developments, during the Housing Element planning period. Because future development activity and the compliance options selected by developers cannot be predicted, the ordinance's contribution toward that objective cannot be quantified at this time.

The proposed ordinance is consistent in principle with General Plan policies that support expanding housing opportunities and increasing access to affordable housing. Policy A.1 calls for the City to provide opportunities for new housing sufficient to meet its share of regional housing demand at all income levels. Policy A.4 supports a variety of housing types, including rental and ownership opportunities for moderate- and above-moderate-income households. Policy B.1 calls for continued efforts to expand housing

opportunities for all residents, including households unable to afford market-rate housing, and Policy B.2 supports the provision of financial or other assistance for the development of affordable housing units. Policy F.1 calls for equal access to housing opportunities and housing options for households across a range of income levels, densities, and housing types to meet the diverse needs and preferences of the community. Policy H.4 supports promoting a healthy balance of housing within neighborhoods by encouraging a mix of affordable and market-rate housing.

The proposed ordinance advances these General Plan policies by establishing affordable housing requirements for covered residential development, providing alternative means of compliance, and generating in-lieu fee revenue to support affordable housing activities. The ordinance does not amend any General Plan land use or density designation, or otherwise modify the location, intensity, or physical development standards applicable to residential development. Rather, it establishes affordable housing requirements and alternative means of compliance for residential development otherwise permitted under the General Plan. No conflict with any applicable specific plan has been identified.

The proposed ordinance is also consistent with the purposes of the Zoning Code because it establishes clear standards governing affordable housing requirements for covered residential projects while providing alternative means of compliance and provisions for waivers or adjustments where authorized. The ordinance is intended to promote orderly residential development and the public health, safety, and general welfare by increasing the production of housing affordable to lower- and moderate-income households without changing General Plan land use designations, permitted residential densities, or other underlying development standards.

Public Comments

The City published the draft ordinance on May 7, 2026, for a 20-day public review and comment period ending May 27, 2026. The City received ten substantive submissions: six from individual commenters and four organizational letters, including one joint letter signed by eight community, housing, legal services, and advocacy organizations (see Attachment 3 for copies of all letters received). The comments expressed a wide range of views, from opposition to the ordinance to support conditioned on substantially stronger requirements.

Development Feasibility and Housing Production

Several individual commenters and the Building Industry Association (BIA) Bay Area opposed the draft ordinance or urged the City to proceed cautiously. These comments cited EPS's finding that most residential prototypes are currently infeasible, expressed concern that mandatory requirements and in-lieu fees would discourage investment or reduce overall housing production, and recommended that the City instead prioritize streamlining, incentives, public subsidy, fee reductions, and other measures intended to improve project feasibility. Some commenters also raised concerns regarding administrative cost and complexity, fee transparency, the effect of utility costs on affordability, the City's existing supply of subsidized housing and vouchers, and perceived public-safety impacts.

BIA Bay Area specifically urged the City not to adopt the draft ordinance. If the City moves forward, BIA recommended a voluntary, incentive-based structure supported by local density, floor-area-ratio, and parking incentives in addition to State Density Bonus Law; implementation triggers tied to verified improvement in market feasibility; requirements phased in over multiple years; in-lieu fees set materially

below the economically equivalent affordability gap; differentiation by geography and housing product type; and a sunset provision with mandatory periodic re-study. BIA also urged the City to focus on streamlining entitlements, lowering impact fees, reducing parking requirements, allowing lower-cost and missing-middle housing types, using targeted public subsidies and vouchers, and partnering with nonprofit affordable housing developers on public land.

Requests to Strengthen the Ordinance
The joint letter submitted by Public Advocates and the Vallejo Housing Justice Coalition supported adoption of an inclusionary program but urged the City to strengthen the draft. The signatories recommended reducing the applicability threshold from 20 to 10 units; requiring a total 20% affordable set-aside, including 15% low-income and 5% very-low-income units; establishing an in-lieu fee formula tied to the full affordability gap described above; prioritizing on-site production; dedicating fee revenue exclusively to affordable housing and tenant-stabilizing uses; and adding implementation, enforcement, monitoring, annual reporting, and public-dashboard requirements. Fair Housing Advocates of Northern California similarly supported an inclusionary ordinance but urged a 15% to 20% requirement to further fair housing goals.

Implementation and Alternative Compliance
Solano-Napa Habitat for Humanity recommended adding an alternative allowing a market-rate developer to partner with an affordable housing developer to construct off-site affordable units or onsite inclusionary rental units. Another commenter who generally supported the draft ordinance requested annual reporting on units produced and in-lieu fees collected and expended, questioned the use of off-site units and the 180-day effective date, and emphasized long-term property management and maintenance.

Copies of the written comments received during the public comment period are included in Attachment 3. One additional written comment letter was received after the comment period and before the Planning Commission's September 9, 2026 hearing (Attachment 4). In the letter, Theresa Karr expressed concern that inclusionary requirements could increase costs borne by market-rate buyers and renters, reduce overall housing production, and require additional City staffing and oversight.

Public Notice
In accordance with VMC Section 16.602.08(A), notice of the October 27, 2026, City Council public hearing was published in the Times-Herald and electronically distributed on October 6, 2026.

FISCAL IMPACT

The amount of future in-lieu fee revenue cannot be estimated because it is dependent upon the number, type, and size of covered residential projects and the compliance options selected by future housing developers. Fee revenue would be restricted to authorized affordable housing activities. The proposed ordinance would also allow an Affordable Housing Agreement to provide for recovery of City implementation and monitoring costs.

Program administration will require staff resources for application and agreement review, household eligibility verification, affordability monitoring, fee accounting, and required reporting. Staff would use the proposed ordinance's 180-day implementation period to prepare initial forms and procedures. The need for additional staffing or consultant support cannot be determined until the City has experience with the volume and

complexity of covered projects.

Subsequent adoption of the fee resolution would not itself appropriate funds for a particular affordable housing project or expenditure. Proposed uses of fee revenue would return to Council through the budget process or a separate appropriation. Any additional staffing or consultant costs would be evaluated through departmental work planning and the City's budget process.

ENVIRONMENTAL REVIEW

The proposed ordinance is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3), the "common-sense exemption." It does not change land-use designations, zoning districts, allowable density or intensity, or the physical development envelope, and does not authorize construction or approve a particular development project.

The subsequent establishment and collecting of in-lieu fees in conjunction with this ordinance would not commit the City to construct, fund, or approve a particular housing project. Future residential developments and projects funded with fee revenue would remain subject to CEQA as applicable. Based on the record and consideration of the overall action, the proposed ordinance includes findings that there is no possibility its adoption would have a significant environmental effect.

ATTACHMENTS

1.	Attach 1_Ordinance Adding Ch 16.216_CAO Stamp
2.	Attach 2_Feasibility Analysis of Inclusionary Housing Requirements
3.	Attach 3_Comments Received During Comment Period
4.	Attach 4_Additional Public Comment
5.	Attach 5_PC26-17

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Approved as to form:

By: _____ *for*
Veronica A.F. Nebb
City Attorney

ORDINANCE NO. _____ N.C.(2d)

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF VALLEJO ADDING CHAPTER 16.216 TO THE VALLEJO MUNICIPAL CODE RELATING TO AFFORDABLE HOUSING REQUIREMENTS

* *

WHEREAS, the City of Vallejo's 2023-2031 Housing Element includes Program B 2.1.1, which directs the City to seek housing developer input, conduct the necessary economic analysis, and consider an Inclusionary Housing Ordinance addressing project thresholds, affordability levels, compliance options, incentives, construction timing, and administration; and

WHEREAS, to implement Housing Element Program B 2.1.1, the City retained Economic & Planning Systems, Inc. (EPS) to conduct developer outreach and prepare an economic feasibility analysis of potential inclusionary housing requirements and in-lieu fees; and

WHEREAS, on July 7, 2025, the City Council and Planning Commission held a joint study session to receive and discuss EPS's preliminary market and feasibility findings and potential approaches to an inclusionary housing program; and

WHEREAS, on November 24, 2025, the City Council and Planning Commission reconvened for a continuation of the joint study session, after which staff received direction to proceed with developing a modest Inclusionary Housing Ordinance that reflected Vallejo's current market conditions and provided flexibility in how covered projects could comply; and

WHEREAS, the City published a draft Inclusionary Housing Ordinance for a 20-day public review and comment period beginning May 7, 2026 and ending May 27, 2026, and received ten substantive written submissions expressing a range of views regarding the proposed requirements; and

WHEREAS, EPS completed a Feasibility Analysis of Inclusionary Housing Requirements that evaluated representative residential development prototypes, alternative affordability requirements, and economically equivalent in-lieu fees under then-current market conditions; and

WHEREAS, the proposed Ordinance would add Chapter 16.216 to the Vallejo Municipal Code (VMC), apply to residential projects containing 20 or more units, establish affordable housing requirements, and provide alternative means of compliance including payment of an in-lieu fee and off-site construction; and

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WHEREAS, Government Code Section 65850(g) authorizes cities to require, as a condition of residential rental development, that a percentage of units be affordable to specified income groups and requires the ordinance to provide alternative means of compliance; and

WHEREAS, in accordance with VMC Chapter 16.611, any proposed amendments to the Zoning Code must first be reviewed and recommended by the Planning Commission at a duly noticed public hearing prior to being considered by the City Council; and

WHEREAS, on September 9, 2026, after giving all public notices required by State law and the VMC, the Planning Commission conducted a duly noticed public hearing regarding the proposed Inclusionary Housing Ordinance, at which all interested persons were given an opportunity to be heard, and voted 7-0 to adopt Resolution No. PC26-17 recommending that the City Council add Chapter 16.216, Affordable Housing Requirements, to the VMC and consider and adopt revisions to the proposed ordinance, directing annual reporting to the Commission, and recommending that Council direct a feasibility analysis approximately two years after enactment; and

WHEREAS, notice of the City Council's public hearing on the proposed Inclusionary Housing Ordinance and the related CEQA determination was mailed to all persons requesting notice pursuant to Section 16.602.08 of the VMC, emailed to the members of the City Council, and published in a 1/8th page advertisement in the Times-Herald, a newspaper of general circulation, on October 6, 2026; and

WHEREAS, after giving all public notices required by State law and the VMC, the City Council conducted a duly noticed public hearing on October 27, 2026, to consider and receive public testimony on the proposed Ordinance and CEQA determination.

NOW, THEREFORE, THE CITY COUNCIL DOES ORDAIN AS FOLLOWS:

SECTION 1. Recitals.

The foregoing recitals are true and correct, and the same are incorporated herein by reference.

SECTION 2. Record.

The Record of Proceedings ("Record") upon which the City Council bases its decision includes but is not limited to: (1) the staff reports, City files and records, the EPS Feasibility Analysis of Inclusionary Housing Requirements, Planning Commission Resolution PC26-17 and its exhibits, written public comments, and other documents prepared for this Ordinance and the implementing in-lieu fee resolution; (2) the evidence, facts, findings, and other determinations set forth in this Ordinance; (3) the Vallejo General Plan 2040 and its Final Environmental Impact Report; (4) the Addendum to the General Plan 2040 Final Environmental Impact Report adopted

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for the 2023-2031 Housing Element; (5) the VMC and its related environmental documents; (6) all documentary and oral evidence received at public meetings and hearings, or otherwise submitted to the City, relating to this Ordinance; and (7) all other matters of common knowledge to the City Council including, but not limited to, City, State, and federal laws, policies, rules, regulations, reports, records, and projections related to development within the City of Vallejo and its surrounding areas.

The location and custodian of the records is the Office of the City Clerk, 555 Santa Clara Street, Vallejo, California 94590.

SECTION 3. California Environmental Quality Act.

Based on the Record described above, and all matters deemed material and relevant before adoption of this Ordinance, the City Council finds that adoption of this Ordinance is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines Section 15061(b)(3), the common-sense exemption.

This Ordinance establishes affordability requirements and alternative means of compliance for residential development otherwise authorized under the City's General Plan, specific plans, and Zoning Code. It does not change any land-use designation or zoning district, increase allowable residential density or development intensity, modify the physical development envelope, authorize construction, or approve any particular development project. The requirements affect the affordability and occupancy of units within future residential development but do not alter the amount, location, or physical form of development otherwise permitted by applicable land-use regulations. Future residential developments remain subject to CEQA, as applicable.

SECTION 4. Findings.

The City Council hereby makes the following findings as required by VMC Sections 16.611.03.A.1 and A.2 (Required Findings, Zoning Code Text Amendments):

A.1. The ordinance amendment is consistent in principle with the general plan and any applicable specific plan;

Facts in support: *The proposed ordinance is consistent in principle with the General Plan because it directly implements Housing Element Program B 2.1.1, which directs the City to evaluate and consider adoption of an inclusionary housing ordinance to increase the production of housing to lower- and moderate-income households. The proposed ordinance is also intended to contribute to the Housing Element's quantified objective of producing 150 lower- and moderate-income units, including at least 50 units in mixed-income developments, during the Housing Element planning period. Because future development activity and the compliance options selected by developers cannot be*

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predicted, the ordinance's contribution toward that objective cannot be quantified at this time.

The proposed ordinance is consistent in principle with General Plan policies that support expanding housing opportunities and increasing access to affordable housing. Policy A.1 calls for the City to provide opportunities for new housing sufficient to meet its share of regional housing demand at all income levels. Policy A.4 supports a variety of housing types, including rental and ownership opportunities for moderate- and above-moderate-income households. Policy B.1 calls for continued efforts to expand housing opportunities for all residents, including households unable to afford market-rate housing, and Policy B.2 supports the provision of financial or other assistance for the development of affordable housing units. Policy F.1 calls for equal access to housing opportunities and housing options for households across a range of income levels, densities, and housing types to meet the diverse needs and preferences of the community. And Policy H.4 supports promoting a healthy balance of housing within neighborhoods by encouraging a mix of affordable and market-rate housing. The proposed ordinance advances these policies by establishing affordable housing requirements for covered residential development, while providing alternative means of compliance.. The ordinance does not amend any General Plan land use or density designation, or otherwise modify the location, intensity, or physical development standards applicable to residential development. Rather, it establishes affordable housing requirements and alternative means of compliance for residential development otherwise permitted under the General Plan. No conflict with any applicable specific plan has been identified.

A.2. The zoning text amendments are consistent with the purpose of the Zoning Code to promote the growth of the city in an orderly manner and to promote and protect the public health, safety, and general welfare.

Facts in support: *The proposed Inclusionary Housing Ordinance is consistent with the purpose of the Zoning Code because it establishes uniform and predictable requirements governing the affordable housing contribution of covered residential development. The 20-unit threshold, modest affordability percentages, alternative compliance options, pipeline exemption, and waiver or adjustment process are intended to balance the City's affordable housing objectives with current development feasibility. The ordinance promotes orderly growth by integrating affordable housing into planned residential development without changing the amount or location of development allowed by the General Plan, specific plans, or Zoning Code. It promotes and protects the public health and general welfare by expanding access to stable housing, supporting mixed-income development, and establishing clear standards for affordability, construction timing, equal access to amenities, and long-term monitoring. The ordinance preserves all applicable building, fire, health, and safety requirements governing future residential development.*

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SECTION 5. Chapter 16.216 Added to VMC Title 16, Zoning.

There is hereby added a new Chapter 16.216 to VMC Title 16, Zoning, which is adopted to read as follows:

Chapter 16.216
AFFORDABLE HOUSING REQUIREMENTS

Section 16.216.01 Purpose.

A. *Purpose.* The purpose of this chapter is to promote the public welfare and ensure that new residential development contributes to the achievement of the city's housing goals by increasing the production of units affordable to households of moderate-, low-, and very low-income; and generating funds for the development of moderate-, low-, and very-low income housing.

B. *Findings.* The City Council finds that the citizens of the city are experiencing a housing shortage for moderate-, low-, and very-low income households. A goal of the city is to achieve a balanced community with housing available for households over a range of income levels. Increasingly, persons with moderate-, low-, and very-low incomes who work and/or live within the city are unable to locate housing at prices they can afford and are increasingly excluded from living in the city. Federal and state housing subsidy programs are not sufficient by themselves to satisfy the housing needs of moderate-, low-, and very-low income households. The city finds that the high cost of newly constructed housing does not, to any appreciable extent, provide housing affordable by moderate-, low-, and very-low income households while at the same time generates increased demand for lower wage service jobs to maintain public and/or common infrastructure, and that continued new development which does not include lower cost housing will serve to further aggravate the current housing shortage by reducing the supply of developable land. The city further finds that the housing shortage for persons of moderate-, low-, and very-low incomes is detrimental to the public health, safety and welfare, and further, that it is a public policy of the state of California as mandated by the requirements for a housing element of the General Plan, to make available an adequate supply of housing for persons of all economic segments of the community.

Section 16.216.02 Definitions.

For purposes of this chapter, the following terms shall have the meanings set forth below. Where a defined term is also defined by state statute, the state statutory definition shall control in the event of any conflict, and this chapter shall be interpreted consistently with the most current income limits published by the California Department of Housing and Community Development ("HCD").

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A. **"Affordable Housing Agreement"** means the agreement described in Section 16.216.09.

B. **"Affordable Unit"** means a dwelling unit within a residential project, or an off-site unit approved pursuant to Section 16.216.06(A)(1), that is reserved for occupancy by, and priced or rented to be affordable to, a Very Low Income, Low Income, or Moderate Income household, as applicable, pursuant to this chapter.

C. **"Area Median Income" or "AMI"** means the median family income for Solano County, adjusted for household size, as published annually by HCD pursuant to Health and Safety Code Section 50093(c).

D. **"Moderate Income" or "Moderate Income Household"** means a household whose gross income does not exceed the moderate-income limits established for Solano County, adjusted for household size, as defined in Health and Safety Code Section 50093 and as published annually by HCD.

E. **"Low Income" or "Low Income Household"** means a household whose gross income exceeds the qualifying limit for Very Low Income but does not exceed the qualifying limit for lower income households, adjusted for household size, as defined in Health and Safety Code Section 50079.5 and as published annually by HCD.

F. **"Very Low Income" or "Very Low Income Household"** means a household whose gross income does not exceed the qualifying limits for very low income households, adjusted for household size, as defined in Health and Safety Code Section 50105 and as published annually by HCD.

G. **"HCD Income Limits"** means the state income limits published annually by the California Department of Housing and Community Development pursuant to Health and Safety Code Section 50093(c), as may be revised from time to time. The most recently published HCD income limits for Solano County in effect at the time of application for an affordable unit shall govern eligibility and pricing determinations under this chapter.

Section 16.216.03 Affordable Units or Fee Required.

A. *Requirement.* All residential projects of twenty (20) or more residential units shall be designed and constructed to include the number of affordable units required by Section 16.216.04, subject to the alternative means of compliance authorized by Sections 16.216.05 and 16.216.06. No application for a general plan amendment, specific plan amendment, rezoning, tentative map, use permit, variance, design review, development review, or building permit for a residential project shall be approved without compliance with this chapter.

B. *Exemptions.* This chapter shall not apply to:

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1. The reconstruction of any dwelling units that were destroyed by fire, flood, earthquake or other act of nature.

2. Accessory Dwelling Units and Junior Accessory Dwelling Units.

3. Residential care facilities where otherwise regulated by this title.

4. A land use/development application that has been accepted as complete prior to the effective date of this chapter.

Section 16.216.04 Number of Affordable Units.

A. The number of affordable units required in a residential project are as follows:

1. *Rental Projects of 20 or More Units.* A rental project consisting of twenty (20) or more dwelling units shall include one (1) percent of the total number of dwelling units for rent to households earning not more than Very Low Income; and four (4) percent of the total number of dwelling units for rent to households earning not more than Low Income. Monthly rents shall not exceed one-twelfth (1/12) of thirty percent (30%) of the applicable maximum annual household income, less a monthly utility allowance, as determined by the City.

2. *Ownership Projects of 20-100 Units.* An ownership project consisting of twenty (20) to one hundred (100) dwelling units shall include affordable units for sale to households earning not more than Low Income in an amount equal to three (3) percent of the total number of dwelling units, and affordable units for sale to households earning not more than Moderate Income in an amount equal to two (2) percent of the total number of dwelling units.

3. *Ownership Projects of Over 100 Units.* An ownership project consisting of more than one hundred (100) dwelling units shall include affordable units for sale to households earning not more than Low Income in an amount equal to five (5) percent of the total number of dwelling units, and affordable units for sale to households earning not more than Moderate Income in an amount equal to three (3) percent of the total number of dwelling units.

B. *Fractional Units.* The required number of affordable units shall be calculated separately for each income category specified in this section. When application of the percentages set forth above results in a fractional affordable unit, a fraction of one-half (0.50) or greater shall be rounded up to the next whole affordable unit. For a fraction of less than one-half (0.50), the developer may either (1) round up to the next whole affordable unit and provide the additional affordable unit, or (2) pay an in-lieu fee for the fractional unit. The fractional-unit

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fee shall be calculated by multiplying the fractional unit by the applicable in-lieu fee established by resolution pursuant to Section 16.216.05(B).

C. *Replacement Units.* If a residential project subject to the affordable housing requirements of Section 16.216.03(A) would result in the elimination of existing deed-restricted affordable dwelling units, such units must be replaced on a one-for-one basis with equally affordable or more affordable deed-restricted units.

Section 16.216.05 In-Lieu Fees.

A. A developer proposing to construct a residential project may pay a fee in lieu of providing some or all of the affordable units required by Section 16.216.04. The option to pay in-lieu fees shall be made in writing at the time the developer submits the application for the residential project.

B. In-lieu fees shall be paid prior to issuance of building permits and shall be deposited into a separate City fund designated for the development of affordable housing. Fees may also be used for administration of City affordable housing programs. The City Council shall establish the amount of such fees by resolution.

Section 16.216.06 Alternatives.

A. The developer may request an alternative means of compliance with this chapter as part of a development application in accordance with the following provisions:

1. *Off-Site Construction.* Affordable units may be constructed on a site or sites not contiguous to the residential project, provided that such site or sites are located within the same census tract as the residential project, at the discretion of the body with review authority over the residential project upon a finding that off-site construction equally or better serves city interests because of factors involving the residential project including, but not limited to, overall project size, density, character and location, accessibility to public transportation, and proximity to retail and service establishments. The approval of off-site construction of affordable units shall be subject to Section 16.216.07(D), and such terms and conditions as may be imposed by the body with review authority.

2. *On-Site Rental Units.* When on-site inclusionary for-sale units are required by this chapter, a developer may instead construct on-site inclusionary rental units. If a developer chooses to construct on-site inclusionary rental units in lieu of on-site inclusionary for-sale units, the requirements for such on-site rental inclusionary units shall be the same as if the residential development were a rental residential development project.

Section 16.216.07 Affordable Unit Standards.

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A. *Mix, Size, and Number of Bedrooms.*

1. Affordable units in an ownership project shall be proportional in unit mix including but not limited to the number of bedrooms and unit size as the market rate units. The affordable ownership units need not exceed 1,400 square feet and three bedrooms when included in a development of market rate units for ownership that exceed 1,400 square feet and three bedrooms.

2. Affordable units in rental projects shall be proportional in unit mix including but not limited to the number of bedrooms and unit size as the market rate units. The affordable rental units need not exceed 1,000 square feet and three bedrooms when included in a development of market rate rental units that exceed 1,000 square feet and three bedrooms.

B. *Location and Design.* Affordable units shall be dispersed throughout a residential project to the extent feasible and be comparable in construction quality and exterior design to the market rate units. However, interior materials and appliances may differ in quality.

C. *Equal Access.* The affordable units shall have equal access to all on-site amenities available to market rate units.

D. *Timing of Construction.* All affordable units must be constructed and occupied prior to or concurrently with the construction and occupancy of market rate units unless an alternative construction timing schedule has been approved by the body with review authority. Off-site affordable units shall be constructed and occupied in accordance with the timing schedule approved pursuant to Section 16.216.06(A)(1).

E. *Duration of Affordability Requirement.* Affordable units shall be legally restricted to occupancy by households of the income levels for which the units were designated, for a minimum period of 55 years from the date of first occupancy for rental units, and 55 years from the date of first sale for owner-occupied units, unless the requirements of a California law require a shorter period of duration.

Section 16.216.08 Eligibility for Occupancy of Affordable Units.

A. *General Eligibility.* No household may occupy an affordable unit unless the city or its designee has approved the household's eligibility or has failed to make a determination of eligibility in accordance with the applicable affordable ownership and resale restrictions. If the city or its designee maintains a list or identifies eligible households, initial and subsequent occupants shall be selected first from the list of identified households, in compliance with any rules approved by the city.

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B. *Occupancy as Principal Residence.* A household who occupies a rental affordable unit or who purchases an affordable unit in an ownership project shall at all times occupy the unit as the household's principal residence.

Section 16.216.09 Affordable Housing Agreement Requirement.

A. *Affordable Housing Agreement.* Each developer of a residential project providing affordable units pursuant to this chapter, as a condition of approval, shall execute an Affordable Housing Agreement in the form provided by the city. Each Affordable Housing Agreement shall include the following:

1. A description of the residential project, including whether the affordable units will be rented or owner-occupied;

2. The number, size and location of the affordable units;

3. Provisions and/or documents for resale restrictions, deeds of trust, right of first refusal or rental restrictions;

4. Provisions for monitoring the ongoing affordability of the affordable units, and the process for qualifying prospective resident households for income eligibility;

5. Any additional obligations relevant to the compliance with this chapter; and

6. Provision for the city to recoup costs for implementation and monitoring of the Agreement.

B. *Recording of Agreement.* Each Affordable Housing Agreement shall be recorded against owner-occupied affordable units and the residential projects containing rental affordable units. Additional rental or resale restrictions, deeds of trust, rights of first refusal and/or other documents acceptable to the city shall also be recorded against owner-occupied affordable units. In cases where the requirements of this chapter are satisfied through the development of off-site affordable units, the Affordable Housing Agreement shall simultaneously be recorded against the property where the off-site units are to be developed.

C. *Time of Recordation.* For residential projects for which a parcel or tentative map has been approved, the Affordable Housing Agreement shall be recorded concurrently with the recording of the final map for the residential project. For residential projects not subject to parcel or tentative maps, the Affordable Housing Agreement shall be recorded prior to the issuance of a building permit.

D. *Purchasers of Affordable Units.* Each purchaser of an affordable unit in an ownership project, whether that purchaser bought the affordable unit from the developer or from a

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previous owner of the affordable unit, shall be required to execute an agreement in the form provided by the city which contains resale restrictions including, but not limited to, restrictions on who may purchase the affordable unit and restrictions on the maximum sales price permitted on resale. The resale restrictions may also allow the city a right of first refusal to purchase the affordable unit. This agreement shall be recorded against the affordable unit as part of the closing documents for the sales transaction.

Section 16.216.10 Affordable Housing Plan Application.

A. *Applications.* Applications for residential projects subject to this chapter shall include an Affordable Housing Plan. The Affordable Housing Plan shall identify the method or combination of methods proposed to satisfy the affordable housing requirements of Section 16.216.04, including the provision of on-site affordable units, payment of in-lieu fees pursuant to Section 16.216.05, off-site construction pursuant to Section 16.216.06(A)(1), or another alternative means of compliance authorized by this chapter. The Affordable Housing Plan shall include the following information, as applicable, in addition to information otherwise required under this title.

B. *Required Affordable Housing Plan Information.*

1. The location, structure, proposed occupancy (rental or ownership) and size of the proposed market rate and affordable units, if affordable units are proposed to be provided;

2. The calculations used to determine the number of required affordable units, including the calculations for each applicable income category;

3. A floor plan or site plan depicting the location of the affordable units, if affordable units are proposed to be provided on-site;

4. The income level targets for each affordable unit, if affordable units are proposed to be provided;

5. For phased developments, a phasing plan identifying the timing and method of compliance with the affordable housing requirements;

6. A marketing plan stating how qualified households will be reviewed and selected to either purchase or rent the affordable units, if affordable units are proposed to be provided;

7. If the developer proposes to satisfy any portion of the affordable housing requirements through payment of an in-lieu fee, documentation identifying the number of affordable

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units for which the fee will be paid and the applicable fee calculation pursuant to Section 16.216.05; and

8. Any other information requested by the Planning and Development Services Director that is reasonably necessary to assist in the evaluation of the Affordable Housing Plan for compliance with the standards of this chapter.

Section 16.216.11 Waiver or Adjustment.

Notwithstanding any other provision in this chapter, the requirements of this chapter shall be waived or adjusted if the developer demonstrates that there is no reasonable relationship between the impact of a proposed residential project and the requirements of this chapter, or that applying the requirements of this chapter would take property in violation of the United States or California Constitutions. To receive a waiver or an adjustment, the developer must include all relevant information in support of the waiver or adjustment at the time the developer submits its application for the residential project. The developer shall also present all arguments in support of the waiver or adjustment before the city body with review authority over the residential project.

SECTION 6. Effective Date.

This Ordinance shall take effect and be in full force and effect from and after one hundred and eighty (180) days after its final passage.

* *

I HEREBY CERTIFY that the foregoing ordinance was first read at a regular meeting of the City of Vallejo City Council on the 27th day of October 2026 and was passed and adopted at a regular meeting of the Vallejo City Council on the _____day of _____, 2026 by the following vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
ANDREA SORCE, MAYOR

ATTEST:

_____

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DAWN G. ABRAHAMSON, CITY CLERK

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Economic & Planning Systems, Inc.
The Economics of Land Use

FEASIBILITY ANALYSIS OF INCLUSIONARY HOUSING REQUIREMENTS

REPORT

Prepared for:
City of Vallejo

Prepared by:
Economic & Planning Systems, Inc.

March 13, 2026

EPS #231030

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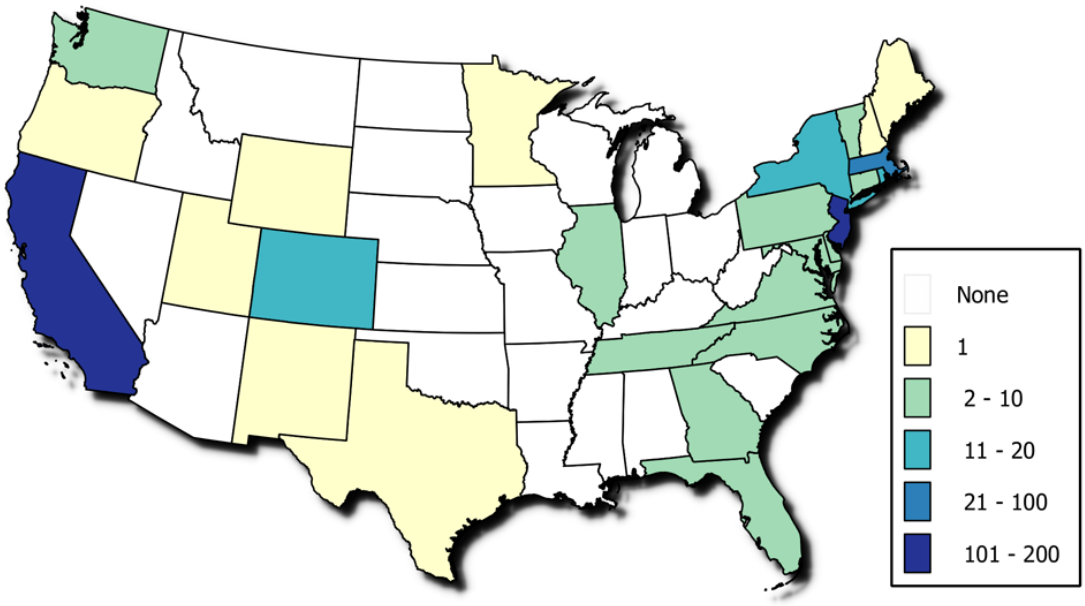
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1. Introduction and Summary of Findings

Inclusionary housing programs require that new market-rate residential development projects include a certain percentage of housing units at rents or sale prices that are affordable to lower-income households. These program requirements often vary for different product types and/or different tenures and also may include the option for new development to pay a fee in lieu of providing affordable units on-site, as an alternative means of compliance. First implemented in 1974, inclusionary housing programs have been adopted by hundreds of jurisdictions nationwide, including more than 100 cities and counties in the State of California (**Figure 1**). They are one of many tools that cities can use to achieve more affordable housing in their communities.

Figure 1 Total Inclusionary Zoning Programs by State

Figure 1: While many states have IZ programs, the distribution is heavily concentrated. Most states have between 1 and 10 programs, while New Jersey and California both have over 100. Hawaii has one program and Alaska has none.



Source: National Housing Conference, 2017.

The City of Vallejo does not currently have an inclusionary zoning ordinance but has recently opted to explore adopting one as a housing program from its recent 6th Cycle Housing Element. Economic & Planning Systems, Inc. (EPS) was retained by the City to conduct an economic feasibility study to determine what level of updated inclusionary requirements or equivalent in-lieu fees may be supportable in Vallejo in the context of current market conditions.

EPS analyzed how the inclusion of below-market-rate (BMR) units impacts the financial feasibility of new market-rate residential development by evaluating several options for a new inclusionary program using industry standard profit and return metrics. Such an analysis is intended to provide the City with context regarding the implications of adopting such requirements and potential unintended impacts on impeding new development. In addition, cities introducing or updating inclusionary housing programs often consider the requirements and fees set by their "peer cities." **Appendix A** presents comparisons of inclusionary requirements and in-lieu fees for rental and ownership projects in several cities in the Bay Area, including others in Solano County.

The key findings and recommendations stemming from the feasibility analysis are summarized below. The subsequent chapters of this report provide details on the methodology and assumptions underlying the feasibility analysis, the results of the feasibility analysis, and the recommendations for inclusionary requirements by development product type that align with the feasibility findings.

Key Findings

1. **Market conditions for constructing new market-rate housing are currently poor across the Bay Area.** Construction costs have been rising faster than rents have been growing, and the production of new housing has slowed dramatically in recent years.

2. **Most building types in Vallejo currently face feasibility challenges, except for single-family detached homes.** This is due to combination of reasons, including high construction costs and the lower achievable market-rate sale prices and rents in Vallejo compared to much of the Bay Area. As a result, most types of projects do not meet the minimum returns that most developers require in order to move a project forward, even if all the units are offered at market rate prices.

3. **Inclusionary housing requirements will make new housing developments projects marginally less feasible.** By requiring some units to be sold or rented for less than they otherwise might, inclusionary housing programs reduce the revenues achievable from new development while not generally changing the costs of development. Thus, a developer's return on investment decreases under an inclusionary program, and may diminish so much that the project is no longer an attractive investment and thus does not happen.

4. **Under near-term market circumstances, the City may consider starting with a modest inclusionary program.** Comparable Bay Area jurisdictions have rental requirements ranging from 6 to 10 percent and for-sale requirements ranging from 10 to 15 percent. Many of these requirements were adopted (or updated) several years ago under macroeconomic conditions different from

today. City staff identified several options of inclusionary programs to consider, which range from a total requirement of 4 to 6 percent BMR units for rental projects, and 5 to 10 percent BMR units for for-sale projects. These options are estimated to yield a cost ranging from approximately $8 to $50 per square foot of the market-rate units, and these figures (detailed on **Table 9** and **Table 10**) and can serve as the maximum allowable in-lieu fees.

5. **The City may consider incorporating alternatives to compliance, phasing in requirements, or waiting until market conditions improve to implement inclusionary housing requirements.** Due to current findings of market challenges, there is the concern that inclusionary requirements may suppress new housing production. However, phasing in requirements based on market indicators and/or setting an in-lieu fee that is modest relative to the cost of providing units on-site may be effective at minimizing negative feasibility impacts.

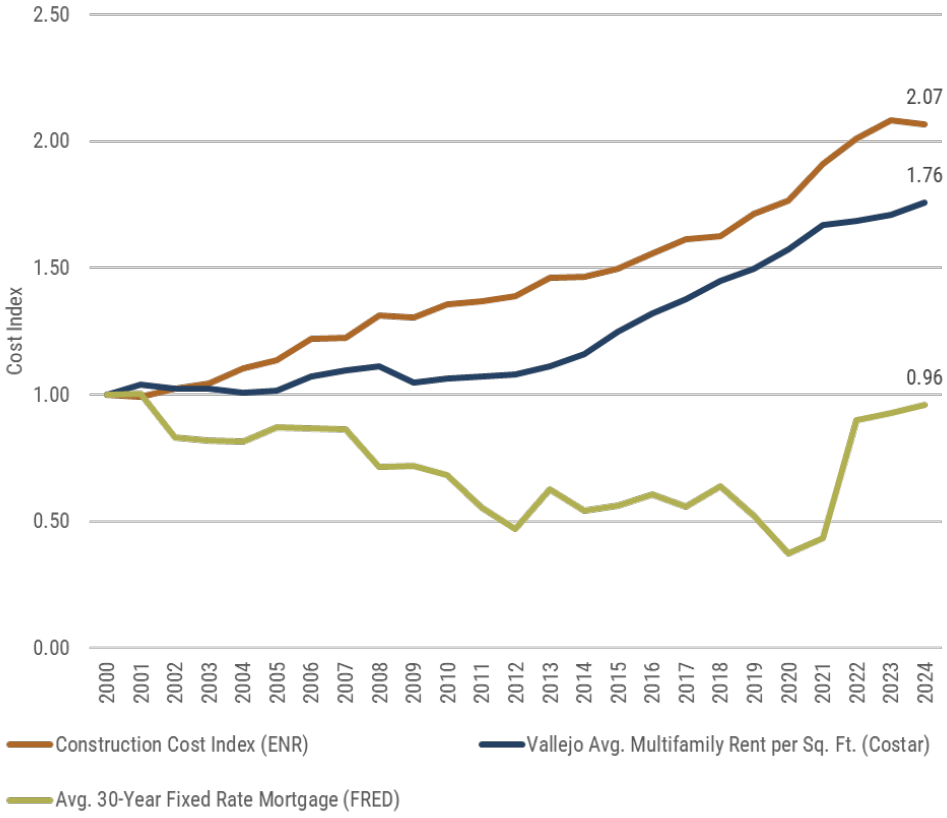
2. Background and Local Market Context

Housing Market Conditions and Challenges

The housing market in the Bay Area has encountered recent economic challenges that make it difficult to build new housing. In the last several decades, the rise in construction costs has outpaced market-rate rent growth, meaning that it is now more expensive than ever to build a new housing unit, with a diminishing level of returns. Vallejo is particularly challenged due to rents that are lower than the Bay Area average.

Several pieces of data demonstrate this trend. **Figure 2** shows the trends of construction costs, Vallejo's average multifamily rents, and the average 30-year fixed-rate mortgage, indexed from 2000 to 2024. Since 2000, construction costs have risen steadily and rents have not kept up at the same rate. When financing costs were lower, some projects could still proceed, but recent increases in interest rates have thwarted much new investment.

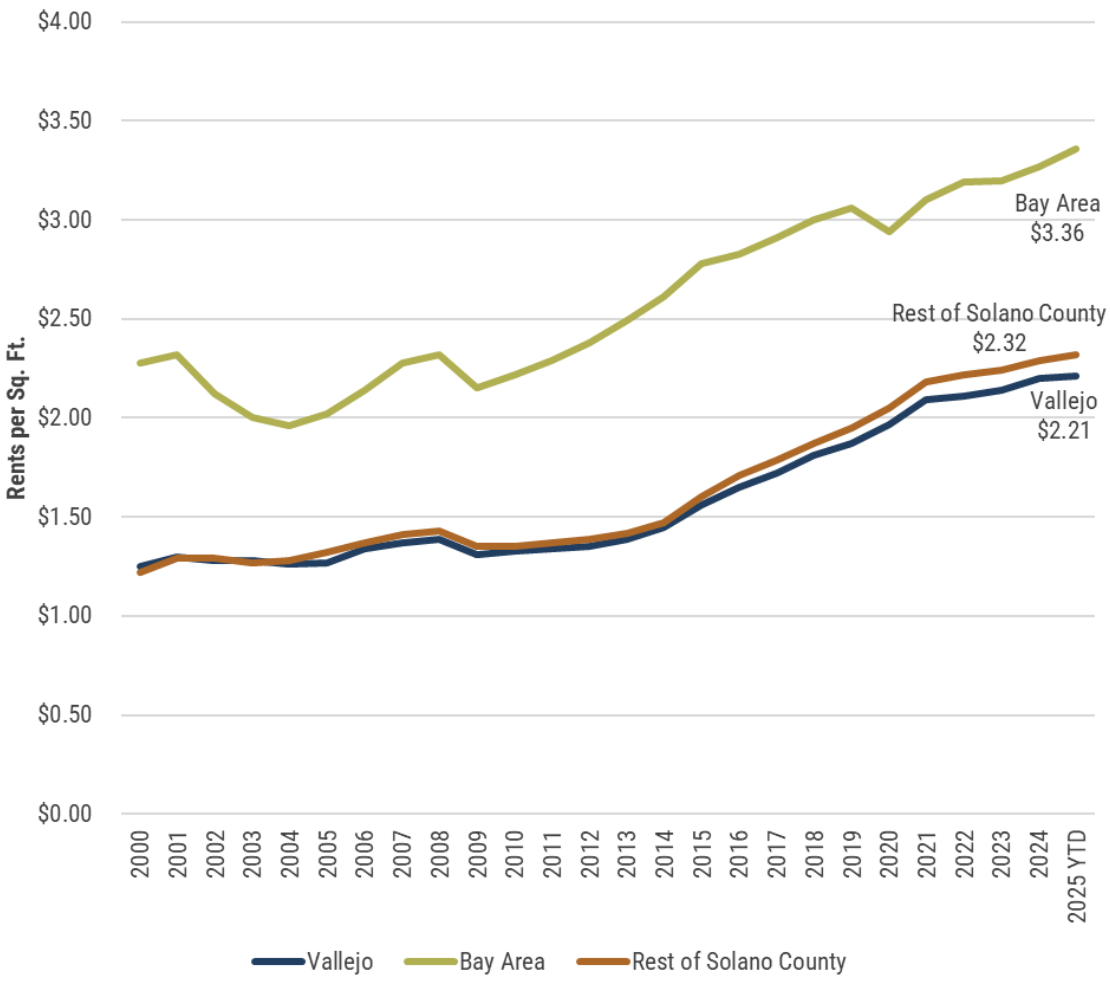
Figure 2 Index of Construction Costs, Multifamily Rents, Mortgage Rates, 2000 to 2024



Source: CoStar; Engineering News-Record; Federal Reserve Economic Data; Economic & Planning Systems.

Vallejo's multifamily rents have also not increased at the same pace as in the rest of Solano County and the Bay Area generally, as shown in **Figure 3**. On a per-square foot basis, the monthly rent for a multifamily unit in Vallejo is $2.21, which is 34 percent lower than the median in the Bay Area region ($3.36) and 5 percent lower than the rest of Solano County ($2.32). While this keeps current units in the city affordable, especially to lower-earning households, lower rent also means that new market-rate construction in Vallejo may be less competitive or attractive for developers in relation to nearby cities. This is especially critical as an inclusionary program relies on ongoing market-rate activity to deliver affordable units.

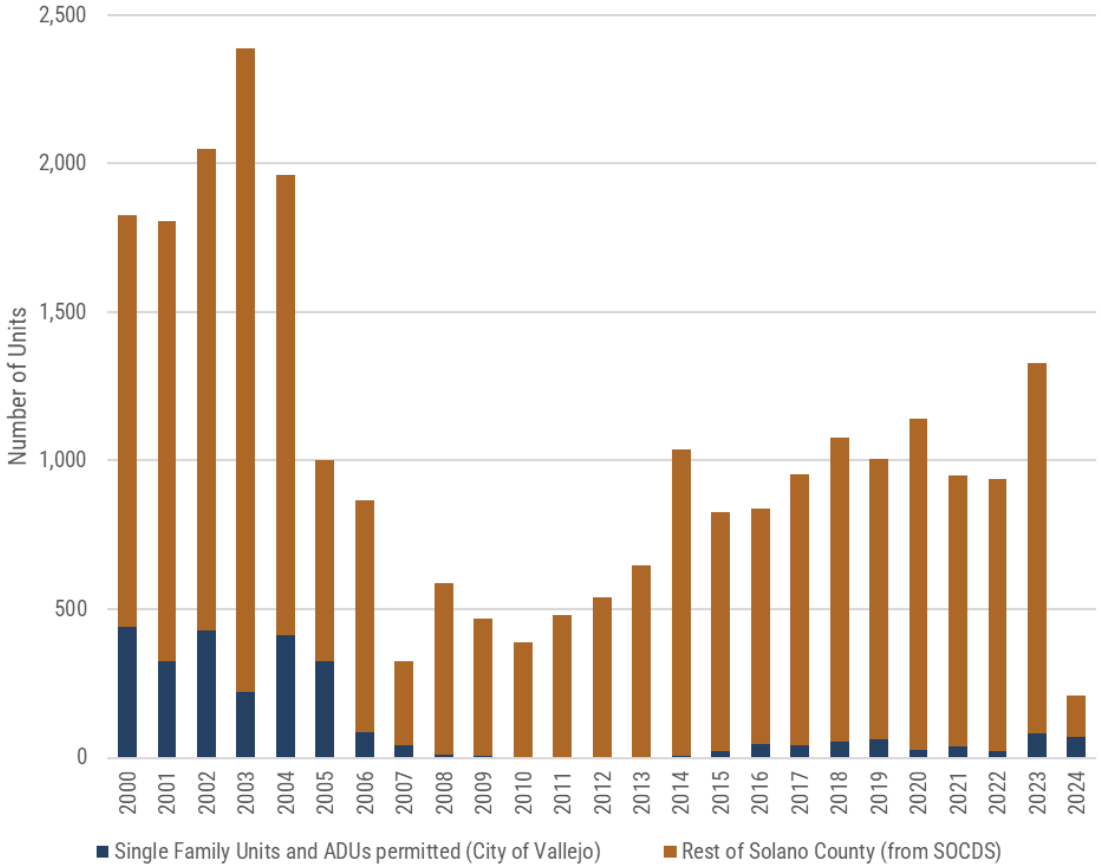
Figure 3 Multifamily Rents per Square Foot, 2000 to 2025



Source: CoStar; Economic & Planning Systems

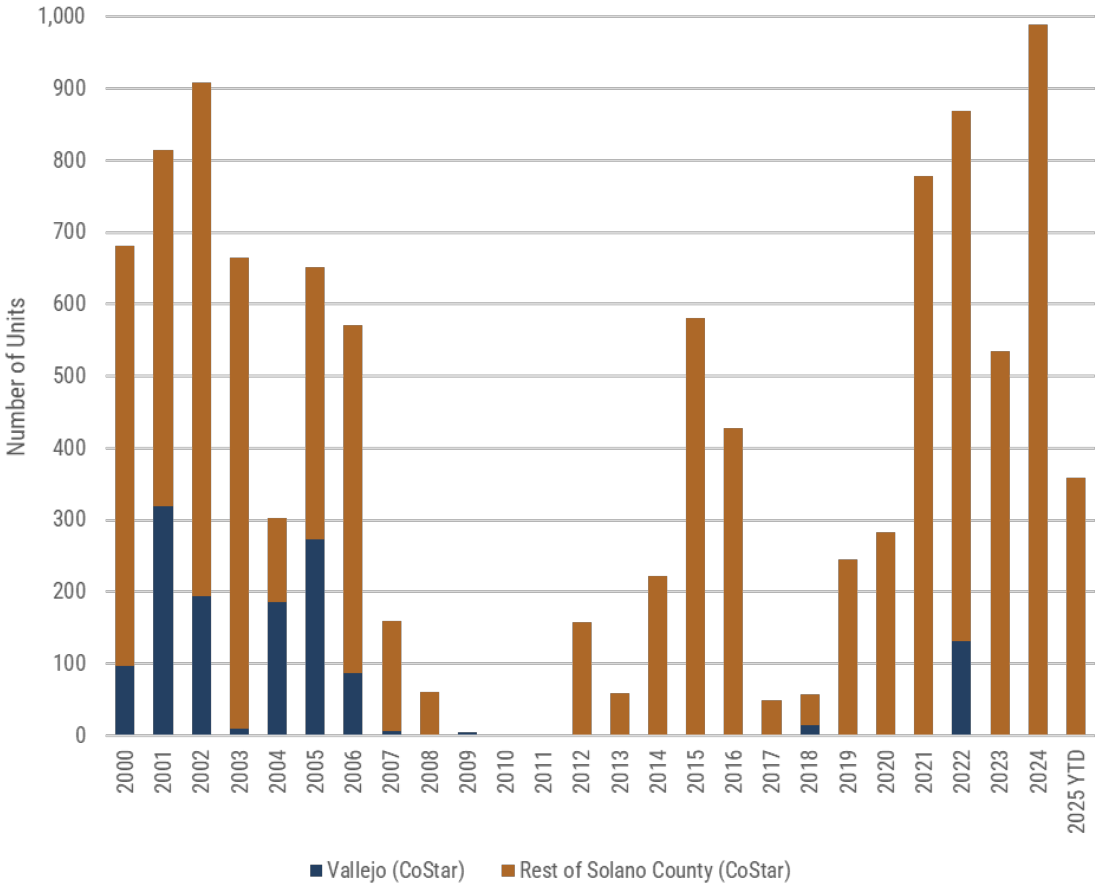
Finally, even as other cities in Solano County have picked up in development activity in the last decade, Vallejo lags behind. **Figure 4** and **Figure 5** show the single-family (and accessory dwelling units) permitted and multi-family units under construction in the county from 2000 to 2024. Vallejo now has a much smaller market share compared to the early 2000s, despite being Solano County's most populous city.

Figure 4 Single Family Units and ADUs Permitted in Solano County, 2000 to 2025



Source: City of Vallejo; U.S. Department of Housing and Urban Development (HUD); Economic & Planning Systems.

Figure 5 Multifamily Units Under Construction in Solano County, 2000 to 2025



Source: CoStar; Economic & Planning Systems.

Housing Regulatory Context

Regional Housing Needs Allocation

The State of California requires every jurisdiction to adequately plan for its community's housing needs, as specified by the Regional Housing Needs Allocation (RHNA), which determines the amount of housing units needed for each jurisdiction by income category.

Vallejo has an allocation of 2,900 total units to be permitted between 2023 and 2031. **Table 1** displays the RHNA breakdown by income levels. The allocation is slightly concentrated in affordable units, with 54 percent of the total units at Moderate Incomes or below. Inclusionary housing programs can help cities achieve their RHNA numbers in the lower-income affordability categories, as long as market-rate or typically "Above Moderate" income units are also being constructed

Table 1 RHNA Allocation for Vallejo, 2023-2031

Affordablility Category	Units	Percentage
Very Low Income	690	23.8%
Low Income	369	12.7%
Moderate Income	495	17.1%
Above Moderate	1,346	46.4%
Total	**2,900**	**100.0%**

Source: California HCD; Economic & Planning Systems, Inc.

6th Cycle Housing Element

The City of Vallejo adopted its 6th Cycle Housing Element (2023-2031) in December 2024. This policy document, mandated by the State of California, requires cities to identify policies and strategies required to meet current RHNA numbers. Within the Element, Vallejo has **Program B.2.1.1. Inclusionary Housing Ordinance**, which commits the City to exploring an inclusionary housing strategy and options, with a goal of creating 150 lower- and moderate-income units, with at least 50 in mixed-income developments. As stated in Vallejo's Housing Element:

> *"To address the need for affordable housing, and as outlined by the City's Housing Strategy, the City will prepare a nexus study, research an inclusionary housing ordinance, and seek developer input prior to drafting an ordinance."*

Household Incomes and Affordability

HCD Income Limits

Affordable rents and sale prices for below-market-rate units are based on maximum housing costs affordable to households at various household income levels. Income levels are set by the California Department of Housing and Community Development (HCD) on an annual basis. According to the 2025 HCD Income Limits for Solano County (**Table 2**), the Area Median Income (AMI) is defined as $113,200 for a household of four.

Table 2 Solano County 2025 Income Limits by Persons in Household

Affordability Category	Maximum Percentage of County Median	Number of Persons in Household							
		1	2	3	4	5	6	7	8
Acutely Low Income	0% - 15%	$13,100	$14,950	$16,850	$18,700	$20,200	$21,700	$23,200	$24,700
Extremely Low Income	30%	$28,850	$33,000	$37,100	$41,200	$44,500	$47,800	$51,100	$54,400
Very Low Income	50%	$48,100	$54,950	$61,850	$68,700	$74,200	$79,700	$85,200	$90,700
Low Income	80%	$76,950	$87,950	$98,950	$109,900	$118,700	$127,500	$136,300	$145,100
Median Income	100%	$87,200	$99,700	$112,150	$124,600	$134,550	$144,550	$154,500	$164,450
Moderate Income	120%	$104,650	$119,600	$134,550	$149,500	$161,450	$173,400	$185,400	$197,350

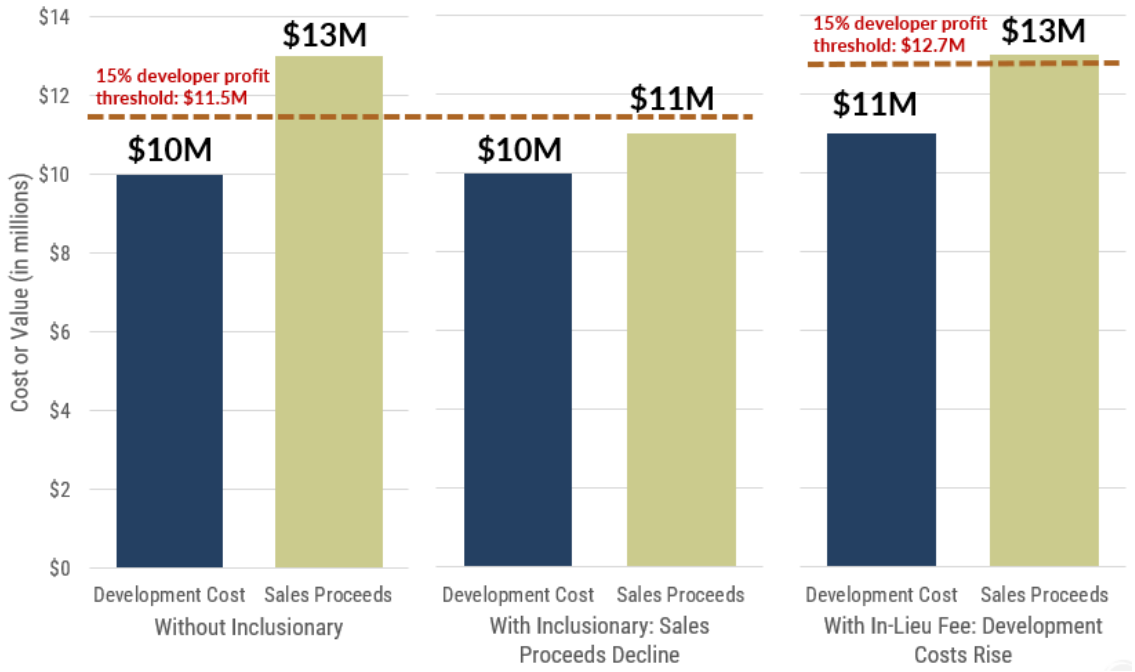
Sources: CA Department of Housing and Community Development; Economic & Planning Systems, Inc.

3. Methodology and Assumptions

In an inclusionary program, developers are required to set aside a portion of their units for lower-income households. When a developer builds the affordable units within a project that is primarily market-rate units, the project's construction costs are not significantly affected. However, the revenue the developer can expect from the affordable units is less than the revenue from the market-rate units. The developer is, in effect, subsidizing the development of the affordable units with revenue from the market-rate units. The subsidy is greater for units affordable to Very Low-income households than it is for Low-income households and Moderate-income households.

In many jurisdictions, the developer may be given an option to pay a fee in lieu of providing the units on site. When a developer pays an in-lieu fee, all the units are sold or rented as market-rate units, so the revenue potential is not affected. However, the construction costs are affected by the amount of the in-lieu fee. **Figure 6** provides an illustrative example of how these different options affect the developer's sales proceeds on a for-sale project, assuming a 15 percent profit threshold is required for feasibility and to attract investment that allows the project to proceed. In this example, the project exceeds the feasibility threshold without any inclusionary requirements or with an in-lieu fee but is infeasible if inclusionary units are added. Given a choice, a developer is likely to pay the in-lieu to meet the city's affordable housing requirement.

Figure 6 Illustration of Impacts on Feasibility



Source: Economic & Planning Systems

Return Metrics and Feasibility Threshold

Inclusionary housing programs are only able to deliver affordable units if new market-rate residential development is occurring and can achieve prices or rents that support the additional costs of including affordable units. Therefore, before evaluating the development feasibility of updates to the City's inclusionary housing program, EPS evaluated the local residential market activity. This evaluation provides a sense of the types of market-rate development that are occurring along with the prevailing sales prices and rents of new residential development.

The assessment of financial feasibility for real estate development products is based on calculating financial return metrics and comparing them against typical industry target thresholds. In the case of residential development, relevant return metrics are based on comparing total project revenues to total project construction costs.

This analysis establishes a feasibility threshold based on two standard return metrics used by real estate developers. These return metrics reflect the value of the investment in a project, and are a critical element in informing a developer's "go/no-go" decision to proceed with development:

- For ownership, or for-sale housing products (typically single family detached and attached homes, including townhomes and

condominiums), the feasibility threshold is based on the return metric of "profit margin," calculated as the percentage by which total project value (sales proceeds) exceeds total project cost. Based on EPS research and feedback from developers active in Solano County, the analysis assumes that developers in Vallejo and the surrounding region will require at least a 15 percent profit margin on for-sale development projects. Therefore, any project attaining a profit margin at or above 15 percent would be considered feasible in this analysis and could arguably support some inclusionary requirement.

- For rental housing products (typically, multifamily apartments), the feasibility threshold is based on the return metric of "yield on cost," calculated by dividing the annual net operating income (NOI) by the total costs of development. Based on EPS research and experience, the analysis assumes that developers in Vallejo and the surrounding region will require a yield on cost of at least 5.5 percent.

It is important to note that these return metrics do not specifically account for the time value of money and are based on the assumption that a project could be entitled, constructed, and sold or leased in a standard rather than attenuated timeline.

Product Prototypes

The prototype residential products used in the feasibility analysis were informed by EPS research on the local housing market. Research included review of recent developments and proposed projects, discussions with developers active in the region, and discussions with City staff. The characteristics for the prototype development products used in this analysis are summarized in **Table 3**. They include two rental prototypes: lower baseline density multifamily apartments (30 units/acre) and higher-density multifamily apartments (65 units/acre). There are three for-sale prototypes –single-family detached homes, single-family small lot homes, and condominiums. A recently constructed example of each prototype specific to the City of Vallejo is also given, if available.

The unit characteristics for each prototype are meant to represent average unit sizes, with the resulting analysis demonstrating feasibility for an average residential project of that product type. However, any specific project will have its own cost and revenue factors that may be impacted in part by its unit mix and design characteristics.

Table 3 City of Vallejo Prototype Residential Products

Item	Single Family Detached	Small Lot Single Family Detached	Multifamily Attached Condominium	Baseline Density Multifamily Apartment	Higher Density Multifamily
Tenure	Ownership	Ownership	Ownership	Rental	Rental
Building Type	Detached	Detached	Multifamily	Multifamily	Multifamily
Density (units/acre)	8	15	30	30	65
Unit Square Feet (gross)	2,200	1,600	1,500	1,200	1,200
Unit Square Feet (net)	2,200	1,600	1,200	950	950
Number of Bedrooms	4	3	2	2	2
Parking per Unit	2	2	1.5	1.5	1.5
Parking Type	Attached Garage	Attached Garage	Podium	Surface	Podium
Vallejo Example	201 Rollingwood Dr			1765 Broadway	2118 Sacramento St

Source: City of Vallejo; Costar; EPS discussions with local active developers

Developer Cost Assumptions

Housing construction costs categories include land acquisition, site preparation, hard costs (e.g., construction labor and materials), and indirect or "soft" costs (e.g., architecture, entitlement, marketing, etc.). For multifamily projects that include a structured garage or separate surface lot, EPS also defines parking costs per unit as a separate line item. Data from recent developments and land transactions in the local market have been combined with information from interviews with various housing developers to inform the construction cost assumptions used in this analysis. Total development costs are inclusive of construction costs (typical land costs plus "hard costs" for labor and materials plus "soft costs" for entitlement, design, financing, marketing, etc.) and the minimum developer profit. This total development cost thus represents the total unit value at or above which the developer would have financial incentive to construct this unit. **Table 4** below summarizes the estimated costs per unit for each product prototype. **Appendix B** contains detailed tables and assumptions for these costs.

Table 4 Construction Costs for Prototype Residential Products

	Single Family Detached	Small Lot Single Family Detached	Multifamily Attached Condo	Baseline Density Multifamily Apartment	Higher Density Multifamily Apartment
Construction Costs	$687,925	$544,800	$634,413	$500,313	$529,887
Development Costs (with 15% developer profit)	$791,114	$626,520	$729,575	n/a	n/a

Source: CoStar; Redfin, Economic & Planning Systems.

Market Value Assumptions

To understand how inclusionary requirements affect overall project value, EPS also estimated the current market value of units in Vallejo for each product type.

Market-rate Rents

For rental apartments, the metric used to determine feasibility is yield-on-cost, which is calculated as annual net operating income (NOI) divided by construction costs. Annual NOI is calculated as annual rent minus annual operating expenses, which are assumed at $10,000 per market-rate unit in this analysis. Current market-rate rents for recently constructed products are reported by CoStar to be $3.06 per square foot, which equates to $2,907 per month for a 2-bedroom, 950 square-foot apartment. Assuming that the NOI must equal 5.5 percent of the total construction costs, the estimated NOI could support a construction cost of $452,436.

Market-rate Sale Prices

For the for-sale prototypes, the value of the unit is equal to the estimated sale price. The sale prices for each prototype are established based on market research and conversations with local developers. Current sales prices for newly constructed condominium units, estimated by Redfin, are reported to be $402,831 per typically sized two-bedroom unit; single family small lot units are valued at $576,000 per 3-bedroom unit, and new single family detached homes are selling for approximately $792,000 per 4-bedroom unit. **Table 5** shows the market values used in the feasibility analysis for each product type.

Table 5 City of Vallejo Residential Market Values

	Sale Price			Capitalized Market Value and Monthly Rent	
	Single Family Detached	Small Lot Single Family Detached	Multifamily Attached Condo	Baseline Density Multifamily Apartment	Higher Density Multifamily Apartment
Market Value	$792,000	$576,000	$402,831	$452,436	$452,436
Monthly Rent	-	-	-	$2,907	$2,907

Source: CoStar; Redfin, Economic & Planning Systems.

Affordable Housing Values

Inclusionary housing programs typically aim to supply housing affordable to the Very Low-, Low-, and Moderate-income categories. In general, Very Low-income households are defined as those earning up to 50 percent of AMI. Low-income households earn up to 80 percent AMI and Moderate-income households earn up to 120 percent of AMI, adjusted for household size.

Based on the household income limit at each income level, as defined by the State for all jurisdictions in Solano County, EPS calculated the maximum spending towards housing costs affordable at each income level. The analysis assumes that households spend 30 percent of their gross annual income on total housing costs. For rental units, housing costs include rent and utilities. EPS estimates NOI per unit by subtracting operating expenses and utilities from housing payments, then calculates unit values based on the assumption that the NOI represents 5.5 percent of the total unit value.

For for-sale units, housing costs include mortgage and interest payments, insurance, property taxes, and Homeowners' Association (HOA) dues. To calculate the maximum affordable sale price for these for-sale units, EPS estimated these housing costs and subtracted it from 30 percent of gross annual income to obtain the maximum income available for a mortgage payment. This mortgage payment was converted into an affordable home sale price assuming a 5 percent down payment and a 30-year mortgage with a fixed interest rate of 5 percent.

Table 6 indicates the maximum annual incomes for County households associated with each income category for the assumed household size, as well as the supportable rental unit values and for-sale prices associated with each income category.

Table 6 Affordable Unit Values

Item	Very Low Income	Low Income	Moderate Income
Single Family Detached (For Sale)			
Maximum Household Income[1]	$74,200	$118,700	$161,450
Supportable Home Price	$156,500	$319,500	$476,100
Small Lot Single Family Detached (For Sale)			
Maximum Household Income[1]	$68,700	$109,900	$149,500
Supportable Home Price	$148,500	$312,500	$444,500
Multifamily Condominiums (For Sale)			
Maximum Household Income[1]	$61,850	$98,950	$134,550
Supportable Home Price	$131,900	$267,100	$398,300
Baseline Density Multifamily Apartments (Rental)			
Maximum Household Income[1]	$61,850	$98,950	$134,550
Supportable Unit Value	$131,000	$160,673	$421,082
Higher Density Multifamily Apartments (Rental)			
Maximum Household Income[1]	$61,850	$98,950	$134,550
Supportable Unit Value	$131,000	$333,364	$482,091

[1] Reflects 2025 HCD Income Limits for a three-person household for apartments and condominiums, a four-person household for small lot single-family homes, and a five-person household for single-family detached homes.

Equivalent In-Lieu Fee Calculation

For an inclusionary program, the equivalent in-lieu fee is the level of fee that would be economically equivalent to the developer constructing the required affordable units on-site. At this fee level, there is no financial advantage to building inclusionary units versus paying in-lieu fees because both options represent the same level of subsidy that the developer has to provide.

To calculate this, EPS subtracted the supportable unit values that each income level can afford ("Value" in **Table 7**) from the unit's development cost ("Cost") to get the subsidy or equivalent in-lieu fee per affordable unit. What this indicates, for example, is that a developer that provides a prototypical single-family home (of four bedrooms) in Vallejo that is priced affordable for a Low Income household (of five persons) would effectively be subsidizing that unit at a cost of $471,614.

Alternatively, an in-lieu fee payment to the City of $471,614 for that unit would enable the developer to provide the unit as market-rate but still contribute an equivalent amount to the City's affordable housing resources.

Table 7 Subsidy per Affordable Unit

Subsidy or Equivalent In-Lieu Fee per Affordable Unit	Very Low Income (50% AMI)	Low Income (80% AMI)	Moderate Income (120% AMI)
Single Family Detached			
Cost	$791,114	$791,114	$791,114
Value	$156,500	$319,500	$476,100
Subsidy Gap	**$634,614**	**$471,614**	**$315,014**
Small Lot Single Family Detached			
Cost	$626,520	$626,520	$626,520
Value	$148,500	$312,500	$444,500
Subsidy Gap	**$478,020**	**$314,020**	**$182,020**
Mulitfamily Attached Condo			
Cost	$729,575	$729,575	$729,575
Value	$131,900	$267,100	$398,300
Subsidy Gap	**$597,675**	**$462,475**	**$331,275**
Baseline Density Multifamily Apartment			
Cost	$500,313	$500,313	$500,313
Value	$131,000	$333,364	$482,091
Subsidy Gap	**$369,313**	**$166,950**	**$18,222**
Higher Density Multifamily Apartment			
Cost	$529,887	$529,887	$529,887
Value	$131,000	$333,364	$482,091
Subsidy Gap	**$398,887**	**$196,523**	**$47,796**

Source: Economic & Planning Systems

4. Feasibility Analysis

Market-rate Development Feasibility

The first step in assessing feasible inclusionary housing requirements for Vallejo is to evaluate whether fully market-rate projects under defined product prototypes are financially feasible. EPS calculated the yield-on-cost or profit margin for each product prototype without inclusionary requirements, assuming the current market-rate prices and development costs described above in **Table 4** and **Table 5**. As shown in **Table 8**, only single-family detached homes appear to be marginally feasible under the current relationship of construction costs and market-rate sale prices. Other product types do not appear to reach their minimum return thresholds under present market conditions in Vallejo.

Table 8 Development Feasibility for Vallejo Housing Prototypes

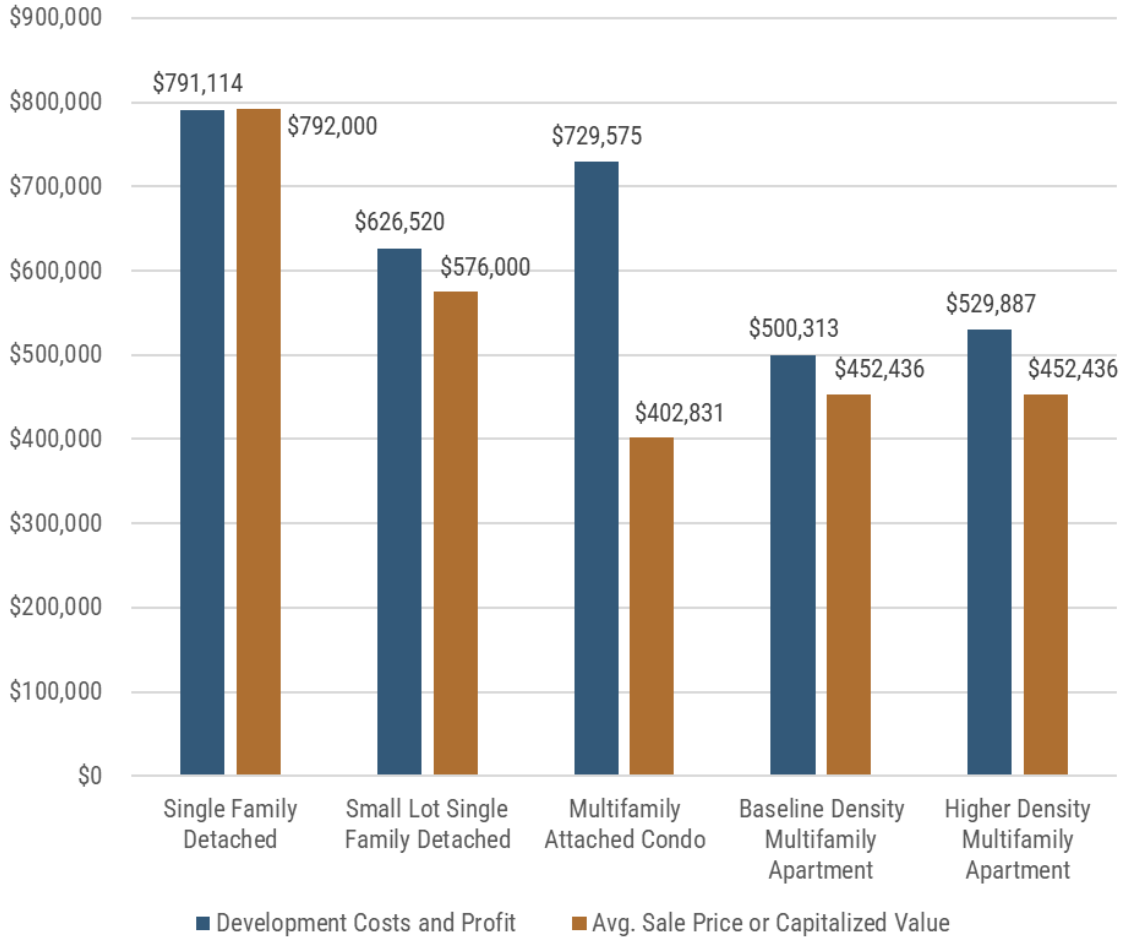
Item	Feasibility Threshold	Results
Single Family Detached		
Development Costs Per Unit		$687,925
Average Sale Price		$792,000
Profit		$104,075
Profit Margin	15%	15.13%
Small Lot Single Family Detached		
Development Costs Per Unit		$544,800
Average Sale Price		$576,000
Profit		$31,200
Profit Margin	15%	5.73%
Multifamily Attached Condo		
Development Costs Per Unit		$634,413
Average Sale Price		$402,831
Profit		($231,583)
Profit Margin	15%	-36.50%
Baseline Density Multifamily Apartment		
Development Costs Per Unit		$500,313
Net Operating Income Per Unit		$24,884
Yield on Cost	5.5%	4.97%
Higher Density Multifamily Apartment		
Development Costs Per Unit		$529,887
Net Operating Income Per Unit		$24,884
Yield on Cost	5.5%	4.70%

Source: Economic & Planning Systems

Single-family detached housing is only slightly feasible because the estimated average sale price of $792,000 represents a profit margin of 15.13 percent over development costs. Single-family small lot units do not reach the 15 percent threshold for feasibility. For condominiums, development costs exceed the sale value that could be received for the product type, so the profit margin is actually estimated to be negative. Rental apartments are challenged because rising construction costs and reduced market rents together demonstrate weak net operating income and therefore low yield-on-cost.

Another perspective of evaluating this is to compare the costs with minimum developer profit or yield-on-cost included to determine whether market values are in excess of that. **Figure 7** shows the prototypes comparing their development costs and profit with their sale price or capitalized value. Only single-family detached units have a sale price that exceeds the developer cost plus minimum profit level.

Figure 7 Development Costs and Profit vs. Market Value of Vallejo Housing Prototypes



Source: Economic & Planning Systems

It is important to note that this analysis only reflects an average prototypical project, and any specific project may have its own cost and revenue factors that may be impacted in part by its unit mix. There are many factors that can impact the financial feasibility of any particular development project. For example, if a project can acquire land at a lower price or provide less parking than what is represented in the above assumptions or identify lower-cost financing, the project economics may improve. Similarly, a developer may find that there is sufficient market demand to achieve rents or sale prices higher than those assumed in this analysis.

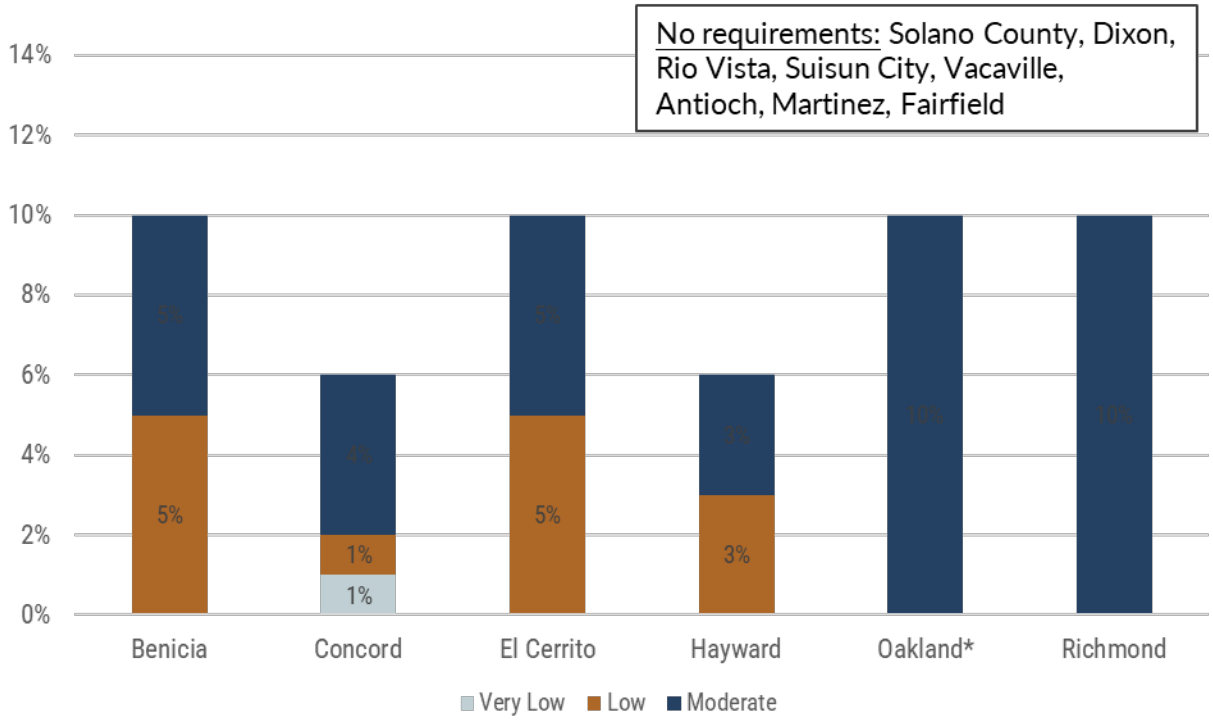
Inclusionary Requirements in Other Jurisdictions

Understanding how other local cities have adopted their inclusionary programs can help Vallejo select an inclusionary level or fees that keeps the housing market competitive with their peer jurisdictions.

EPS evaluated the inclusionary requirements for all cities in Solano County, and select other jurisdictions in Alameda County and Contra Costa County. Currently, Benicia is the only city in Solano County with a requirement, although others like Fairfield or Vacaville have also recently considered it. **Figure 8** shows several comparable cities' inclusionary requirements for rental projects, which range from 6 to 10 percent and primarily include Low Income and Moderate Income levels, although Concord also requires some Very Low Income units. **Figure 9** presents the requirements for for-sale units in the same cities. The for-sale programs target only Low Income and Moderate Income levels with requirements between 10 and 15 percent. For Very Low Income households, even with properties priced affordably, they are likely to face additional challenges towards homeownership such as securing mortgage financing or keeping up with maintenance costs and property taxes.

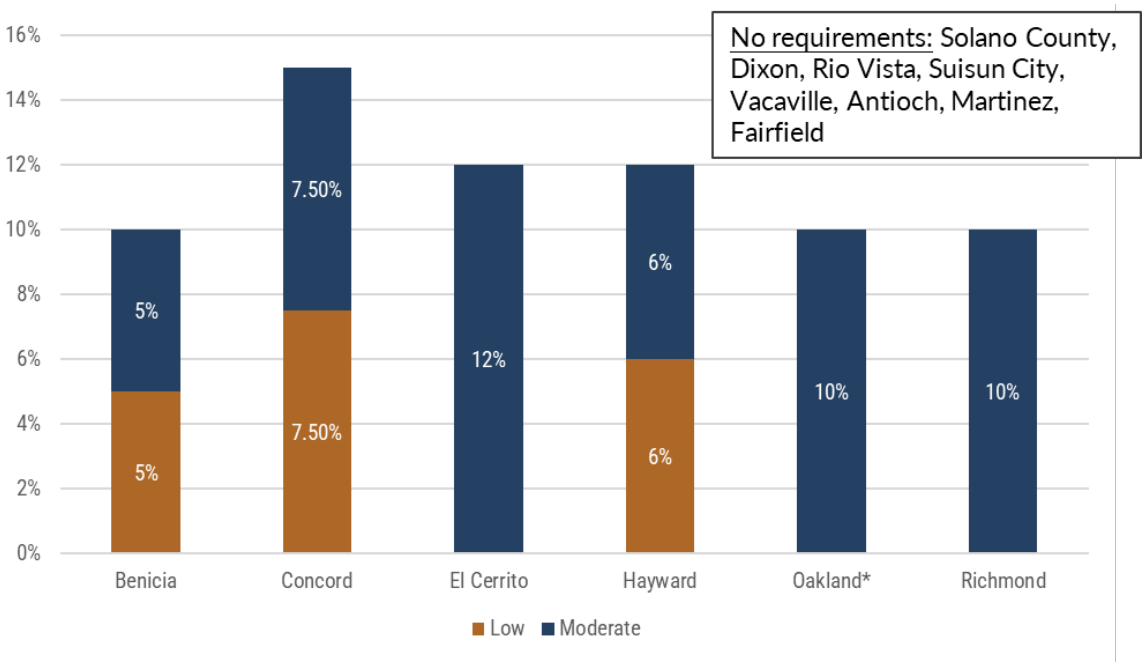
A detailed table comparing requirements and fees is included in **Appendix A.**

Figure 8 Rental Inclusionary Requirements in Peer Cities



**Oakland has affordable housing impact fee requirements and presents an on-site affordable housing option as alternative.*
Source: Economic & Planning Systems

Figure 9 For-Sale Inclusionary Requirements in Peer Cities



**Oakland has affordable housing impact fee requirements and presents an on-site affordable housing option as alternative.*
Source: Economic & Planning Systems

Equivalent In-Lieu Fees of Inclusionary Housing Options

At the November 24, 2025 study session with City Council, EPS and City staff received direction to proceed with identifying requirements and fees of a modest inclusionary program. Based on research into how peer cities have set their program requirements, staff developed three options to explore for rental and ownership each, presented below in **Table 9** and **Table 10**. From this, EPS calculated the equivalent in-lieu fees on each program option, using the subsidies per affordable unit previously calculated on **Table 7**.

Of the options presented for rental projects, the total inclusionary requirement ranges from 4 to 6 percent. For a rental project, an in-lieu fee is equivalent to roughly $10,000 to $16,000 per market rate unit. For a for-sale product, the options vary by the total project size, with smaller projects below 100 units receiving a reduced requirement and lower in-lieu fees as a result.

Table 9 Rental Inclusionary Program Options and Calculated In-Lieu Fees

Product Type	Inclusionary Option A	Inclusionary Option B	Inclusionary Option C
Inclusionary Requirement for Rental (20+ units)			
Very Low Income	1%	2%	2%
Low Income	4%	2%	4%
Moderate Income	0%	0%	0%
Total	5%	4%	6%
In-Lieu Fee (Subsidy) for 100 Unit Project			
Lower Density Multifamily Apartment - Total	$1,037,112	$1,072,526	$1,406,425
per Affordable Unit	$207,422	$268,132	$234,404
per Market Rate Unit	$10,371	$10,725	$14,064
per Market Rate Square Foot	$8.64	$8.94	$11.72
Higher Density Multifamily Apartment - Total	$1,184,980	$1,190,820	$1,583,867
per Affordable Unit	$236,996	$297,705	$263,978
per Market Rate Unit	$11,850	$11,908	$15,839
per Market Rate Square Foot	$9.87	$9.92	$13.20

Source: Economic & Planning Systems

Table 10 For-Sale Inclusionary Program Options and Calculated In-Lieu Fees

Product Type	Inclusionary Option A	Inclusionary Option B	Inclusionary Option C
Inclusionary Requirement for For Sale (20 to 99 units)			
Very Low Income	0%	0%	0%
Low Income	3%	4%	5%
Moderate Income	2%	3%	5%
Total	5%	7%	10%
In-Lieu Fee (Subsidy) for 50 Unit Project			
Single Family Detached (20-99 units)	$1,022,434	$1,415,748	$1,966,569
per Affordable Unit	$408,974	$404,499	$393,314
per Market Rate Unit	$20,449	$28,315	$39,331
per Market Rate Square Foot	$9.29	$12.87	$17.88
Single Family Small Lot Detached (20-99 units)	$653,050	$901,070	$1,240,100
per Affordable Unit	$261,220	$257,449	$248,020
per Market Rate Unit	$13,061	$18,021	$24,802
per Market Rate Square Foot	$8.16	$11.26	$15.50
Multifamily Condominium (20-99 units)	$1,024,988	$1,421,864	$1,984,377
per Affordable Unit	$409,995	$406,247	$396,875
per Market Rate Unit	$20,500	$28,437	$39,688
per Market Rate Square Foot	$17.08	$23.70	$33.07
Inclusionary Requirement for For Sale (100+ units)			
Very Low Income	0%	0%	0%
Low Income	5%	6%	7.5%
Moderate Income	3%	4%	7.5%
Total	8%	10%	15%
In-Lieu Fee (Subsidy) for 100 Unit Project			
Single Family Detached (100+ units)	$3,303,110	$4,089,738	$5,899,706
per Affordable Unit	$412,889	$408,974	$393,314
per Market Rate Unit	$33,031	$40,897	$58,997
per Market Rate Square Foot	$15.01	$18.59	$26.82
Single Family Small Lot Detached (100+ units)	$2,116,160	$2,612,200	$3,720,300
per Affordable Unit	$264,520	$261,220	$248,020
per Market Rate Unit	$21,162	$26,122	$37,203
per Market Rate Square Foot	$13.23	$16.33	$23.25
Multifamily Condominium (100+ units)	$3,306,203	$4,099,953	$5,953,130
per Affordable Unit	$413,275	$409,995	$396,875
per Market Rate Unit	$33,062	$41,000	$59,531
per Market Rate Square Foot	$27.55	$34.17	$49.61

Source: Economics & Planning Systems, Inc.

Alternatives to Compliance or Implementation

The feasibility results suggest that under current market conditions, it may be challenging to implement any of the inclusionary options as mandatory requirements. However, there are alternatives to compliance or options for implementation that may be considered in response to housing production challenges in the market. The options discussed in this section have been included in various inclusionary policies in local jurisdictions and other locations across California.

Most inclusionary zoning policies include some exemptions or alternatives to compliance that are typically written into the adopted ordinance. For example, certain situations or types of development, such as ADUs or reconstruction after natural disasters, are commonly exempted from inclusionary requirements. In addition to allowing the payment of in-lieu fees, the ordinance may identify other alternatives for complying with local regulations, such as off-site construction of affordable housing, offering affordable rental units within a for-sale development, or dedication of land for affordable housing.

Jurisdictions can also adopt options relating to the implementation of the inclusionary policy. For example, phasing in requirements or fees over a period of time may allow developers time to prepare for upcoming changes. Setting market-based triggers (e.g., aggregate number of units entitled) to initiate an inclusionary policy bases its implementation on unbiased data showing improved market conditions. Such triggers may mitigate concerns that an inclusionary policy would be too restrictive on current housing production.

Cities may also reduce the in-lieu fee below the economically equivalent amount, which would incentivize payment of fees over providing inclusionary units but would generate affordable housing fund revenue for the City with which they may pursue a more flexible range of housing programs and projects. They may also vary requirements by geography within the City or by building type to encourage specific development areas or types.

All of these options represent policy decisions made based on a number of factors, including current development pipeline, stakeholder feedback or public receptiveness, and the goals of other housing programs in the city.

Appendices

Appendix A: Survey of Inclusionary Requirements in Select Jurisdictions

Table A-1 Ownership Inclusionary Requirements as of January 2024

County	Jurisdiction	Overall Inclusionary Requirement	Income Targets	Project Size Threshold	In-Lieu Fee	Last Ordinance Update
Solano County	**Vallejo**			***no inclusionary requirement***		
	Solano County			*no inclusionary requirement*		
	Benicia[1]	10-15%	1/2 Moderate 1/2 Low	10 units	calculated by formula	2023
	Dixon			*no inclusionary requirement*		
	Fairfield			*no inclusionary requirement*		
	Rio Vista			*no inclusionary requirement*		
	Suisun City			*no inclusionary requirement*		
	Vacaville			*no inclusionary requirement*		
Contra Costa County	Antioch			*no inclusionary requirement*		
	Concord[2]	15%	1/2 Moderate 1/2 Low	5 units	$20 per sq. ft.	2022
	El Cerrito[3]	12%	Moderate	9 units	$24 per sq. ft.	2018
	Martinez			*no inclusionary requirement*		
	Richmond[4]	10% 7%	Moderate; OR Low	10 units	$0-12 per sq. ft.	2020
Alameda County	Oakland[5]	10% 10% 5%	Moderate; OR Low; OR Very Low	all	$10,785-$31,006 per unit.	2016
	Hayward[6]	12%	1/2 Moderate 1/2 Low	2 units	$19.22-$25.97 per sq. ft. habitable space	2023

[1] In Benicia, developments of less than 100 units have a requirement of 10% while developments of 100 units or more have a requirement of 15%.

[2] In Concord, the in-lieu fee option applies to Ownership projects 5 to 9 units; projects 10 units or greater must build. Fractional units pay $254,838 x fractional unit amount.

[3] El Cerrito only allows in-lieu fees to be paid on fractional inclusionary units below 0.5; must-build requirement applies otherwise.

[4] Fee varies by project size and geographic location within Richmond

[5] Oakland has affordable housing impact fee requirements and presents an on-site affordable housing option as alternative. Fee varies depending on the zone of construction and the housing type.

[6] Hayward has 7.5% Moderate requirement for condominiums greater than 35 DU/ac. Fee varies depending on housing type and density level.

Table A-2 Rental Inclusionary Requirements as of January 2024

City		Overall Inclusionary Requirement	Income Targets	Project Size Threshold	In-Lieu Fee	Last Ordinance Update
Solano County	**Vallejo**			***no inclusionary requirement***		
	Solano County			*no inclusionary requirement*		
	Benicia	10-15%	5% Moderate 5% Low	10 units	calculated by formula	2023
	Dixon			*no inclusionary requirement*		
	Fairfield			*no inclusionary requirement*		
	Rio Vista			*no inclusionary requirement*		
	Suisun City			*no inclusionary requirement*		
	Vacaville			*no inclusionary requirement*		
Contra Costa County	Antioch			*no inclusionary requirement*		
	Concord	6%	4% Moderate 1% Low 1% Very Low	5 units	$15 per sq. ft.	2024
	El Cerrito[1]	10%	5% Moderate 5% Low	10 units	$19 per sq. ft.	2018
	Martinez			*no inclusionary requirement*		
	Richmond[2]	10% 9%	Moderate; OR Low	10 units	$0-12 per sq. ft.	2020
Alameda County	Oakland[3]	10% 10% 5%	Moderate; OR Low; OR Very Low	all	$9,692-$27,684 per unit.	2016
	Hayward	6%	1/2 Low 1/2 Very Low		$23.44 per sq. ft. habitable space	

[1] El Cerrito only allows in-lieu fees to be paid on fractional inclusionary units below 0.5; must-build requirement applies otherwise.

[2] Fee varies by project size and geographic location within Richmond

[3] Oakland has affordable housing impact fee requirements and presents an on-site affordable housing option as alternative. Fee varies depending on the zone of construction and the housing type.

Appendix B: Detailed Development Costs of Product Prototypes

Table B-1 Development Costs for Single Family Detached

Item	Single Family Detached Assumptions		Per Unit
Development Prototype			
Tenure	Ownership		
Parcel Size	1	acre	
Density	8	units/acre	
Unit Size (gross)	2,200	sq.ft.	
Unit Size (net)	2,200	sq.ft.	
Number of Bedrooms	4	per unit	
Parking	2	spaces per unit	
Development Costs			
Land Costs	$1,200,000	per acre	$150,000
Site Preparation	$25	per sq.ft. of land	$136,125
Subtotal, Land			*$286,125*
Direct Construction Costs	$120	per sq.ft.	$264,000
Parking Costs	$0	per space	$0
Subtotal, Direct Costs			*$264,000*
Development Impact Fees [1]	$70,000	per unit	$70,000
Planning and Building Fees	$15,000	per unit	$15,000
Indirect Costs [2]	20%	of direct costs	$52,800
Subtotal, Indirect Costs			*$137,800*
% of direct costs			52%
Total Construction Costs			**$687,925**
per square foot			$313
Developer Profit Threshold	15%	of total construction costs	$103,189
Total Development Costs			**$791,114**
per square foot			$360

Sources: Costar; Marshall & Swift; EPS discussions with local active developers

Table B-2 Development Costs for Single Family Small Lot Detached

Item	Small Lot Single Family Detached Assumptions		Per Unit
Development Prototype			
Tenure	Ownership		
Parcel Size	1	acre	
Density	15	units/acre	
Unit Size (gross)	1,600	sq.ft.	
Unit Size (net)	1,600	sq.ft.	
Number of Bedrooms	3	per unit	
Parking	2	spaces per unit	
Development Costs			
Land Costs	$1,200,000	per acre	$80,000
Site Preparation	$25	per sq.ft. of land	$72,600
Subtotal, Land			*$152,600*
Direct Construction Costs	$160	per sq.ft.	$256,000
Parking Costs	$0	per space	$0
Subtotal, Direct Costs			*$256,000*
Development Impact Fees [1]	$70,000	per unit	$70,000
Planning and Building Fees	$15,000	per unit	$15,000
Indirect Costs [2]	20%	of direct costs	$51,200
Subtotal, Indirect Costs			*$136,200*
% of direct costs			53%
Total Construction Costs			**$544,800**
per square foot			$341
Developer Profit Threshold	15%	of total construction costs	$81,720
Total Development Costs			**$626,520**
per square foot			$392

Sources: Costar; Marshall & Swift; EPS discussions with local active developers

Table B-3 Development Costs for Multifamily Attached Condominium

Item	Multifamily Attached Condo Assumptions		Per Unit
Development Prototype			
Tenure	Ownership		
Parcel Size	1	acre	
Density	30	units/acre	
Unit Size (gross)	1,500	sq.ft.	
Unit Size (net)	1,200	sq.ft.	
Number of Bedrooms	2	per unit	
Parking	1.5	spaces per unit	
Development Costs			
Land Costs	$1,000,000	per acre	$33,333
Site Preparation	$15	per sq.ft. of land	$21,780
Subtotal, Land			*$55,113*
Direct Construction Costs	$255	per sq.ft.	$382,500
Parking Costs	$33,500	per space, podium-style	$50,250
Subtotal, Direct Costs			*$432,750*
Development Impact Fees [1]	$48,000	per unit	$48,000
Planning and Building Fees	$12,000	per unit	$12,000
Indirect Costs [2]	20%	of direct costs	$86,550
Subtotal, Indirect Costs			*$146,550*
% of direct costs			34%
Total Construction Costs			**$634,413**
per square foot			$423
Developer Profit Threshold	15%	of total construction costs	$95,162
Total Development Costs			**$729,575**
per square foot			$486

Sources: Costar; Marshall & Swift; EPS discussions with local active developers

Table B-4 Development Costs for Baseline Density Multifamily Apartment

Item	Baseline Density Multifamily Apartment Assumptions		Per Unit
Development Prototype			
Tenure	Rental		
Parcel Size	1	acre	
Density	30	units/acre	
Unit Size (gross)	1,200	sq.ft.	
Unit Size (net)	950	sq.ft.	
Number of Bedrooms	2	per unit	
Parking	1.5	spaces per unit	
Development Costs			
Land Costs	$1,000,000	per acre	$33,333
Site Preparation	$15	per sq.ft. of land	$21,780
Subtotal, Land			*$55,113*
Direct Construction Costs	$255	per sq.ft.	$306,000
Parking Costs	$10,000	per space, surface parking	$15,000
Subtotal, Direct Costs			*$321,000*
Development Impact Fees [1]	$48,000	per unit	$48,000
Planning and Building Fees	$12,000	per unit	$12,000
Indirect Costs [2]	20%	of direct costs	$64,200
Subtotal, Indirect Costs			*$124,200*
% of direct costs			39%
Total Construction Costs			**$500,313**
per square foot			$417

Sources: Costar; Marshall & Swift; EPS discussions with local active developers

Table B-5 Development Costs for Higher Density Multifamily Apartment

Item	Higher Density Multifamily Apartment Assumptions		Per Unit
Development Prototype			
Tenure	Rental		
Parcel Size	1	acre	
Density	65	units/acre	
Unit Size (gross)	1,200	sq.ft.	
Unit Size (net)	950	sq.ft.	
Number of Bedrooms	2	per unit	
Parking	1.5	spaces per unit	
Development Costs			
Land Costs	$1,000,000	per acre	$15,385
Site Preparation	$15	per sq.ft. of land	$10,052
Subtotal, Land			*$25,437*
Direct Construction Costs	$275	per sq.ft.	$330,000
Parking Costs	$33,500	per space, podium-style	$50,250
Subtotal, Direct Costs			*$380,250*
Development Impact Fees [1]	$48,000	per unit	$48,000
Planning and Building Fees	$12,000	per unit	$12,000
Indirect Costs [2]	20%	of direct costs	$64,200
Subtotal, Indirect Costs			*$124,200*
% of direct costs			33%
Total Construction Costs			**$529,887**
per square foot			$442

Sources: Costar; Marshall & Swift; EPS discussions with local active developers

From: Ramon Rovirosa
To: Hector Rojas
Subject: Concern About Proposed Affordable Housing Fees
Date: Thursday, May 7, 2026 9:43:27 AM

This Message Is From an External Sender
This message came from outside your organization.

Dear Mayor, City Councilmembers, and City Staff,

I am a Vallejo resident living in Glen Cove, and I am writing to share my concern about the proposed affordable housing requirements and in-lieu fees for new residential development.

At a high level, I believe Vallejo should be doing everything it can to attract more housing development, not create additional costs that may discourage builders from investing here.

One of Vallejo's biggest advantages is that it remains one of the more relatively affordable places to live in the Bay Area. In March 2026, Redfin reported Vallejo's median home sale price at about $513,500, compared with about $785,000 in Contra Costa County, about $1.49 million in San Jose, and about $1.69 million in San Francisco. Zillow's March 2026 home-value data tells a similar story: Vallejo's average home value was about $520,970, compared with about $789,908 in Contra Costa County, about $1.46 million in San Jose, and about $1.36 million in San Francisco.

That relative affordability is an asset. Vallejo has the opportunity to attract families, workers, first-time homebuyers, and investment that might be priced out of San Francisco, San Jose, and much of Contra Costa County. But to take advantage of that opportunity, we need policies that make Vallejo easier and more attractive to build in — not policies that add uncertainty, fees, or financial barriers to new housing projects.

The new Costco/Fairview at Northgate project is a good example of the type of development Vallejo should want more of. It is bringing a relocated and expanded Costco, additional retail, open space, and new housing to a long-vacant site. The City's project page describes it as including new residential, open space, and commercial development, and recent reporting noted that the Planning Commission approved increasing the housing component from 178 homes to 245 homes. That is exactly the kind of mixed-use investment Vallejo needs: new homes, new retail activity, new tax revenue, and productive use of vacant land.

My concern is that a project like Costco/Fairview may have been much harder to make financially feasible if it had faced additional affordable housing mandates or in-lieu fees from the beginning. We should be asking whether similar projects in the future would still choose Vallejo if the City adds more costs, more uncertainty, and more requirements. Vallejo cannot afford to scare away the very projects that bring housing, jobs, retail activity, and long-term revenue to the City.

Vallejo is already struggling to get enough housing built. According to recent reporting on Vallejo's Housing Element progress, the City had only credited 193 homes toward its obligation to create 2,900 affordable homes, or about 6.65% of the eight-year goal. The same report noted that 26 housing development applications were submitted in 2025, proposing 625 homes, which suggests there is interest in building here — but we should be careful not to

make those projects harder to finance or complete.

I was especially concerned to read that the City's own inclusionary housing analysis reportedly found that many Vallejo projects are "not financially feasible" under current market conditions, and that adding mandatory on-site affordability requirements could further reduce feasibility and potentially discourage new housing production. That is exactly the risk I am worried about: a well-intentioned policy that results in fewer projects, fewer homes, and less overall investment in Vallejo.

Vallejo also already has a substantial amount of subsidized and income-restricted housing infrastructure compared with many nearby communities. The Vallejo Housing Authority administers the Housing Choice Voucher / Section 8 program, and its own public housing authority plan listed 2,267 Housing Choice Vouchers. By comparison, public housing data directories list Benicia at 376 vouchers, Fairfield at 894 vouchers, and Vacaville at 1,239 vouchers. The City's own website also lists multiple affordable or subsidized rental properties in Vallejo, including Ascension Arms, Bay View Vista, Casa de Vallejo, Marina Tower, Redwood Shores, Seabreeze Apartments, and Sereno Village Apartments.

I support affordable housing and believe Vallejo should remain an inclusive city. But given Vallejo's existing affordable housing and voucher infrastructure, I think the City should carefully compare our current affordable housing burden and voucher presence with nearby cities like Benicia, Fairfield, Vacaville, and American Canyon before adding new burdens to future development. Vallejo should not be the city that both carries a large share of the region's subsidized housing responsibility and makes new market-rate or mixed-income housing harder to build.

In my view, the best path forward is to make Vallejo a place where builders want to build. More overall housing supply can help ease pressure on rents and home prices, while also bringing new residents, jobs, customers for local businesses, and long-term revenue to support City services. The fact that 57% of Vallejo renters are rent-burdened shows how serious the housing affordability problem is, but it also shows why we need more total housing production, not policies that might slow it down.

I respectfully urge the City to be cautious about adopting additional fees or mandates that could make housing projects less feasible. Before moving forward, I would like to see the City clearly analyze whether the proposed fees and requirements will reduce the number of projects that can realistically be built in Vallejo. I would also encourage the City to focus on streamlining approvals, reducing uncertainty, encouraging infill development, and making it easier to build well-designed housing across income levels.

Vallejo has a real opportunity to grow in a positive way, but we need policies that entice development rather than push it away.

Thank you for your time and for considering the perspective of a Glen Cove resident.

Sincerely,
Ramon
Glen Cove resident, Vallejo

From: herbert starks
To: Hector Rojas
Subject: Concerns related to MUNICIPAL CODE RELATING TO AFFORDABLE HOUSING REQUIREMENTS
Date: Thursday, May 7, 2026 6:25:14 AM

This Message Is From an External Sender
This message came from outside your organization.

Please share as appropriate:

Regarding:
Concerns related to; MUNICIPAL CODE RELATING TO AFFORDABLE HOUSING REQUIREMENTS

As a long time Vallejo resident my concerns are as follows:

Vallejo does not currently have development momentum to impose stronger requirements without discouraging investment.

Housing alone does not create vibrancy therefore improving public safety, partnering with schools, cleaning up business and retail corridors would help improve developer interest before imposing regulation.

Short and intentional. Thank you for your time.

Sincerely,
Herb Starks

From: Kent Mecham
To: Hector Rojas
Subject: Crime
Date: Thursday, May 7, 2026 10:56:10 AM

This Message Is From an External Sender
This message came from outside your organization.

There is enough crime in Vallejo, we don't need more low housing that draws in crime., A big no on my vote
Sent from my iPhone

From: Jocelyn Sevilla
To: Hector Rojas
Subject: Housing concerns
Date: Saturday, May 9, 2026 1:53:44 AM
Attachments: IMG_0611.jpeg

This Message Is From an External Sender
This message came from outside your organization.

Dear Mayor and City Council Members,

I am writing to express my concern regarding the potential implementation of mandatory low-income unit requirements for new developments in Vallejo. While the goal of providing affordable housing is noble, the current economic climate in our city requires a more nuanced approach to ensure Vallejo can truly thrive.

Mandatory inclusionary requirements often serve as a deterrent to the very private investment we need. In a market like Vallejo's, where construction costs often outpace potential returns, adding a mandatory "below-market" requirement can make a project financially unfeasible. When a project doesn't "pencil out," it doesn't get built. This leaves the city with zero new units—market-rate or otherwise.

Furthermore, investors have a wide range of choices in Northern California. If Vallejo's regulatory environment is perceived as more burdensome than neighboring jurisdictions, we will see a flight of capital to cities with more predictable and flexible development rules.

I urge the Council to consider incentive-based programs—such as density bonuses, fee waivers, or expedited permitting—rather than strict mandates. This allows the market to drive growth while giving developers a reason to invest in our community. Let's focus on policies that encourage a high volume of all housing types, which will ultimately create the tax base and foot traffic necessary for Vallejo to flourish.

P.S the email listen on the email blast is incorrect it was missing the first name please see attached image, thank you.

Sincerely,

Jocelyn Sevilla

RECEIVED
5/18/26

May 12, 2026

To: Mr. Hector Rojas
Long-Range Planning Manager
City of Vallejo Planning Division
555 Santa Clara Street
Vallejo, CA 94590-5922

Fm: John DeBord
[redacted]

RE: Comments on Vallejo's Draft Inclusionary Housing Ordinance

First and foremost, proof as to whether the Inclusionary Housing Ordinance is viable will be the construction, or lack of construction, of inclusionary housing. Hence, I believe that the Ordinance should include requirements to report, annually, on the number of units constructed under terms of the Ordinance. If nothing is constructed, then the Ordinance is obviously too restrictive – i.e., housing cannot be profitably built or operated (e.g., as a non-profit) under terms of the Ordinance.

I sum, without a reporting requirement, the public, who will supposedly be served, won't know how successful, or unsuccessful, the Ordinance is. More specifically, I believe the public needs to be made aware of any in-lieu fees paid by developers who want to construct housing exclusive of contiguous affordable units. And subsequently, what housing the City provides with in-lieu funds received.

To my way of thinking, the allowance to permit construction of affordable units *not* contiguous to a residential project, figuratively equates to (a term I hesitate to use) "redlining" – i.e., the developer does not want lower income individuals sprinkled in amongst those better off. Hence, he/she remits in-lieu of fees. Then again, the object of the Ordinance is to increase the availability of affordable housing (inclusive or exclusive), which it (hopefully) accomplishes. Relegating affordable housing to a non-contiguous area does not necessarily lift all boats equally, which I believe is in everyone's best interest.

What concerns me most is management within a development, particularly that of either owned or rented affordable housing. I have seen public housing projects fail for lack of maintenance or adequate management of the properties. The most successful

developments, owned or rented, seem to be those where the residents and management work cooperatively to ensure that all units are properly maintained and that any problems related to drugs, alcohol, prostitution, break-ins, etc. be quickly addressed. It accomplishes little if affordable units end up in environments where rules are not adequately enforced. This is one reason I don't favor off-site construction of affordable housing units. Pride of ownership generally rubs off on those less privileged.

I question why the Ordinance takes effect 180 days after its final passage? Why not much sooner? A nervous developer may want to get under the wire before the Ordinance takes effect. Thereafter, developers may be more hesitant to enter into any developments given terms of the Ordinance. If the objective is to increase the supply of affordable units, why not try to reach that goal as soon as possible?

As a whole, I applaud the terms of the Ordinance. However, given today's cost of land, materials, labor, increase in demand for water and power, I question if any housing built today can be considered "affordable" even with a median income. Once the Ordinance takes effect, I look forward to knowing the number of units built under its terms.

Respectfully yours,

John DeBord

From:	Kristin Pollot
To:	Dawn Abrahamson
Cc:	Gillian Haen; Nalungo Conley; Veronica Nebb; Alicia Jones; Hector Rojas
Subject:	RE: Public Comment: Affordable Housing Requirements Chapter 16.xxx
Date:	Tuesday, May 12, 2026 10:53:35 AM
Attachments:	image007.png image008.png image009.png image011.png image012.png image013.png image014.png image015.png image016.png image017.png

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Thanks Dawn – This looks like it is actually a comment on the proposed draft Inclusionary Housing Ordinance, so I'm including Hector as he is managing the project.

Thanks,

Kristin Pollot, AICP
Planning and Development Services Director
City of Vallejo | Planning and Development Services Department
555 Santa Clara Street Vallejo, CA 94590
Direct: (707) 648-4382 | Kristin.Pollot@cityofvallejo.net

***City Hall and the Central Permit Center are open from 9 a.m. to 3 p.m. Mondays through Thursdays.

From: Dawn Abrahamson <Dawn.Abrahamson@cityofvallejo.net>
Sent: Tuesday, May 12, 2026 10:50 AM
To: Dawn Abrahamson <Dawn.Abrahamson@cityofvallejo.net>
Cc: Gillian Haen <Gillian.Haen@cityofvallejo.net>; Nalungo Conley <Nalungo.Conley@cityofvallejo.net>; Veronica Nebb <Veronica.Nebb@cityofvallejo.net>; Kristin Pollot <Kristin.Pollot@cityofvallejo.net>; Alicia Jones <Alicia.Jones@cityofvallejo.net>
Subject: FW: Public Comment: Affordable Housing Requirements Chapter 16.xxx

Good Morning Mayor & Councilmembers (bcc'd),

Forwarding the email below to each of you.

Dawn G. Abrahamson, MMC
City Clerk
City of Vallejo | City Clerk's Office
Office: (707) 648-4528| dawn.abrahamson@cityofvallejo.net
Cell: (707) 334-2931

IIMC President 2025-2026
International Institute of Municipal Clerks https://www.iimc.com/

From: David Shipley [redacted]
Sent: Tuesday, May 12, 2026 10:47 AM
To: Dawn Abrahamson <Dawn.Abrahamson@cityofvallejo.net>
Subject: Public Comment: Affordable Housing Requirements Chapter 16.xxx

This Message Is From an External Sender
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Public Comment:
Proposed city ordinance related to Affordable Housing Requirements CHAPTER 16.XXX

In my opinion, this proposal will not only fail to generate new affordable housing, it will act as a brake on any future housing proposals at any income level.

I interpret the proposal as an attempt to achieve city housing goals by:

A. Increasing production of affordable units (by adding to the burden of developers and adding costs directly to the, I guess, non-affordable units)
B. Generating funds for development of affordable units (by paying unspecified "in lieu fees" before permitting starts, with no guarantee that permits will be timely or even approved)
C. Providing "alternatives", (ADU style offsite construction or rentals)
D. Restricting resales, keeping resale price lower than current dollar maintenance costs. (Putting deed restriction language on the developer and some odd post construction monitoring for ongoing eligibility and marketing plan to target audience?)
E. Allowing a maximum size of 1400sf
F. Requiring owner/renter occupancy
G. Requiring developer to pay city costs for administration

Rebuttal:

1. Outside developers, need to buy, build, sell and get out. They can't be burdened with ongoing administration. That is a fail
2. Outside developers do not remain in Vallejo is also a fail. We should encourage development by individual single property owners. They build over a longer period, using local design, labor and materials, which builds business and wealth IN Vallejo, not exporting dollars made from our resources
3. Ongoing developer costs for city administration is a non-starter for any developer
4. Transparency of any fee structure is required for city costs and "in lieu" fees (which go to some unspecified development of affordable units)
5. The idea that the developer must pay for deed language is odd, but ongoing monitoring of eligibility and low income marketing is not a developer function, nor is paying for our housing department
6. In any development, affordable units are paid for by buyers / renters in the other units. There is no calculation of that burden on other residents or if there is a maximum burden
7. How will this proposal increase the number of lower income housing units when proposals at Blue Rock Springs, Mare Island, North Mare Island, etc sit fallow and public lands available are minimal?
8. How will this proposal increase the number of housed lower income applicants when it bifurcates responsibilities and adds complexity to the housing function of the city?

Reality Check: Section 8 vouchers are the only effective way to put lower income families in any development, even high end units, doing exactly the thing this proposal purports to do. Vouchers cost the city/state/federal government an amount equivalent to Social

Security, yes, I have a tenant paying more than I receive in Social Security. The only way to increase the availability of vouchers is with reducing overhead, simplifying the system
Reality Check: Take the old Post Office site, give it to a developer for free to build 40 units and it does not pencil out at today's cost (I checked with a developer I know. It would require viable retail tenants on ground level, something untenable today). Additional burden isn't going to get housing built
I have been told by other developers: Lennar, on Treasure Island, is building what is the lowest cost per foot development in the state at slightly more than $350/sf. That is the best case possible.
My experience with rentals: The rule of thumb for rentals is $1000/month/$100,000 in current value. Not purchase price, maintenance is always in current dollars. HOA's provide a simple gauge of exterior maintenance set asides where I pay as much as $1000/month in this area. With each tenant change or say ten years, an internal refresh is needed. Two years ago that cost me $40,000 for flooring/paint in one unit and it is inflating annually. I don't expect that to change, which, when added to the current cheapest possible build price from Lennar, puts a rent floor to be in a viable business at over $3500/month. Any lower is not "affordable", it is a business failing and that means maintenance deferred.

I understand you have state mandates. Given that, this proposal is unclear, meaning developers will pass us by. It does nothing to address the reality that housing authorities place Section 8 voucher recipients from other areas into our housing spaces. It does nothing to encourage local development of housing and supportive business. It adds burdens that effectively wall off small developments generated by Vallejo residents for Vallejo residents. This is supposed to provide housing rather than reduce competition. When we see cities involved in reducing competition it is usually a symbiotic relationship, say utility fees, utility providers and not so neutral regulators. It appears here that the city benefits by passing on housing department costs, but it is worth a review because every outside developer given access to Vallejo land resources is exporting wealth away from our city.

Thanks for your time,
Dave Shipley

From: Dawn Abrahamson
To: Dawn Abrahamson
Cc: Gillian Haen; Kristin Pollot; Nalungo Conley; Veronica Nebb; Hector Rojas
Subject: FW: Addendum to Public Comment: Affordable Housing Requirement Chapter 16.xxx
Date: Tuesday, May 12, 2026 4:30:46 PM
Attachments: image001.png
image002.png
image003.png
image005.png
image006.png

Mayor & Councilmembers (bcc'd),

Forwarding the email below as an addendum to Mr. Shipley's email forwarded to you earlier this morning.

Dawn G. Abrahamson, MMC
City Clerk
City of Vallejo | City Clerk's Office
Office: (707) 648-4528| dawn.abrahamson@cityofvallejo.net
Cell: (707) 334-2931

Spirit of the Bay

IIMC President 2025-2026
International Institute of Municipal Clerks https://www.iimc.com/

From: David Shipley [redacted]
Sent: Tuesday, May 12, 2026 4:16 PM
To: Dawn Abrahamson <Dawn.Abrahamson@cityofvallejo.net>
Subject: Addendum to Public Comment: Affordable Housing Requirement Chapter 16.xxx

This Message Is From an External Sender
This message came from outside your organization.

Addendum to my public comment on Affordable Housing Requirement Chapter 16.xxx

I noticed that, like Section 8 vouchers, there is an attempt to push the by tenant variability of utility costs on to the seller / landlord. While this is perhaps the main culprit in the day to day pain of housing costs, it simply isn't possible to assign this to anyone but the user of utilities. PG&E alone has had 10% increases annually for at least the last 5 years. When twinned with variable usage, it is untenable as a business responsibility.

That said, there is more opportunity for public policy to impact the collection of utility costs impacting housing and affordability than in focusing on the housing itself. Many

of these costs have gone from single need pricing to segmented markets, whether its power, water, insurance or entertainment, all with the assistance of policy regulators and with benefit to the city budget. Even city run utilities are guilty. The water and sewerage/stormwater bill was segmented in the early 2000's here in Vallejo, doubling the ability to push out costs. Weaning the city budget from utility fees and taxes is a necessary step in promoting conservation of provided utility usage and creating programs that target reducing usage. These programs are needed in order to lower the cost of housing/living for Vallejo residents.

Thanks again for your consideration,
Dave Shipley

Solano - Napa Habitat for Humanity®

RECEIVED 5/28/26

May 21, 2026

Hector Rojas
Long Range Planning Manager
Planning & Development Services
555 Santa Clara Street
Vallejo, CA 94590

Dear Mr. Rojas,

Thank you for reaching out to Solano-Napa Habitat for Humanity (SNHFH) to review and submit any comments on the City's proposed Affordable Housing Requirements draft ordinance. SNHFH's Site Selection & Project Development Committee discussed the draft ordinance at our May 18, 2026, meeting. After reviewing the draft ordinance, we only have one suggested edit. In Section 16.XXX.05 Alternatives, we suggest adding a third alternative. "Partnering with an affordable housing developer for the construction of off-site affordable units or on-site inclusionary rental units".

Please feel free to contact me or our committee member Dave Dowswell, who can be reached at: cddjdowswell@juno.com.

Sincerely yours,

Andrew Killeen
Chief Executive Officer
Solano-Napa Habitat for Humanity

cc: Kristen Pollot, AICP, Planning and Development Services Manager
David Dowswell, Site Selection & Project Development Committee

May 26, 2026

City of Vallejo Planning Division
Attn: Hector Rojas, Long-Range Planning Manager
555 Santa Clara Street
Vallejo, CA 94590
hector.rojas@cityofvallejo.net

Dear Hector Rojas,

The undersigned organizations are writing to urge the City of Vallejo to strengthen the draft inclusionary ordinance by:

- Applying the ordinance to residential developments containing 10 or more units;
- Requiring that at least 20% of units in covered developments be affordable, including 15% affordable to low-income households and 5% affordable to very-low-income households;
- Establishing a meaningful in-lieu fee formula tied to the actual affordability gap and real cost of producing affordable housing;
- Prioritizing on-site affordable housing production as the preferred compliance pathway;
- Requiring that all in-lieu fees be deposited into a dedicated affordable housing fund used exclusively for affordable housing production, acquisition, rehabilitation, preservation, and tenant-stabilizing housing strategies;
- Establishing clear implementation, monitoring, enforcement, and annual reporting mechanisms

Lower-Income Residents of Vallejo are Facing a Housing Crisis

The City of Vallejo needs strong new policies to address the crisis of unaffordable housing that leads to cost burden, overcrowding, and displacement pressures faced by all residents, and especially residents of color; this set of policies must include a strong and meaningful inclusionary ordinance. The City of Vallejo has acknowledged that residents of color are overpaying for housing at higher rates than white residents.[1] The City faces one of the highest rates of overcrowding in Solano County, with 7% of residents overcrowded as compared to 5.3% of Solano County residents; residents of color in Vallejo face particularly severe overcrowding.[2] In the words of the City's Housing Element, "Overcrowding in households typically results from either a lack of affordable housing (which forces more than one household

[1] In its own summary of housing issues facing its residents, the City found that 42.2% of all households are overpaying, and that "[p]roportionally, White Non-Hispanic/Latinx and Asian residents overpaying for housing are fairly comparable at approximately 35.0 percent of each population, while Hispanic and Latinx residents experience a higher rate of overpayment (42.0 percent), and Other and Multiple Race residents (45.0 percent). Black and African American residents exhibit the highest rate of overpayment, at 54.0 percent." *City of Vallejo 2023-2031 Housing Element* [*Housing Element*] *Appendix 3* at 95].
[2] 8% of Asian residents, 5.3% of Black residents, 15.6% of Hispanic residents, and 17.6% of "Other Race or Multiple Race" residents (self-identified) overcrowded, as compared with 2.2% of "White, Non-Hispanic" and 4.1% of "White" (which may include Hispanic) (self-identified). Housing Element Appendix 2 at 2-22.

to live together) and/or a lack of available housing units of adequate size. Overcrowding increases health and safety concerns and stresses the condition of the housing stock and infrastructure."[3]

These issues are particularly acute for lower-income households. The Housing Element notes that "In many circumstances, overpayment is closely tied to income and lower-income households are most at risk of displacement due to overpayment... Many lower-income households do not have access to affordable large units to accommodate larger families, thus resulting in overcrowding and subject to overpayment leading to potential displacement."[4] Some displaced individuals and families add to Vallejo's growing unhoused population, the largest in Solano County. Unhoused individuals are more likely to become ill and suffer violence and even death. Vallejo will not be able to meaningfully address homelessness–nor the social and environmental impacts of homelessness–unless it increases stock of deed-restricted affordable housing In addition to creating more stability, inclusionary ordinances promote the integration of affordable units in higher-cost, higher-opportunity neighborhoods. The need for increased housing stability and affordability is urgent, and requires a multi-pronged approach; increasing the stock of housing units affordable to lower-income households is an essential piece of this multi-pronged approach, and will be most realistically achieved through a strong inclusionary ordinance with a meaningful in-lieu fee that directly funds affordable housing.

The City Must Expand the Coverage of its Ordinance, and the Rates of Affordable Development

While we are pleased to see the City moving towards adopting an inclusionary ordinance, the draft falls short of what Vallejo residents need. We urge you to strengthen it before passage so that it more effectively meets the needs of the residents of Vallejo. In particular, we recommend the following:

- Apply the policy to developments with 10 units or more units, which is standard practice.[5] Limiting application to developments with 20 units or more would mean that a substantial amount of new development would include no affordable homes. Reducing the threshold to 10 units or more would increase the number of affordable units in Vallejo overall, ensure that more developments included affordable units, and expand the range of developments in which lower-income residents can afford to live.
- Increase the percentage of affordable units to the more standard 20%. An inclusionary rate of 5% is significantly lower than the regional standard, and would lead to no more than 2 affordable units per 30. Matching or exceeding the standard would ensure that a

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[3] *Id.*

[4] Housing Element Appendix 2 at 2-58

[5] For an Inclusionary policy to be consistent with the Transit Oriented Community policy, for example, it may exempt developments with fewer than 11 units. https://mtc.ca.gov/sites/default/files/documents/2026-04/MTC_TOC_PolicyAdministrativeGuidanceApril2026.pdf?cb=99e5fc83. See the Association of Bay Area Governments' Inclusionary Zoning Factsheet for more examples and information: https://abag.ca.gov/sites/default/files/documents/2025-09/InclusionaryZoning-09-25-2025.pdf.

meaningful number of affordable units are developed, show Vallejo to be a leader in equitable housing goals, meet the needs of current residents, and ensure that the City's growth enables everybody to live here.

- We appreciate the unusual inclusion in the draft ordinance of a set-aside for units affordable to very low-income residents, however, as written, the policy is likely to result in vanishingly few such units. We urge you to expand that set-aside from 1% to 5%. This, again, would ensure a meaningful number of units be made available to the very low-income residents of Vallejo, who are facing the greatest risks of instability and displacement.
- The City should explore whether a portion of the very-low-income requirement can be structured to serve extremely-low-income households when paired with project-based vouchers, operating subsidies, supportive housing funding, or other resources that make deeper affordability financially feasible.

Prior to the drafting and adoption process for the Housing Element, the Association of Bay Area Governments determined the number of units at each affordability level that Vallejo would need to develop in order to meet the needs of its residents between 2023 and 2031. Since 2023, the City has received applications to develop 45% of its projected need for market rate housing; it has received applications to develop 5.5% of its projected need for housing affordable to moderate-income households, 17.5% of its projected need for housing affordable to low-income households, and 4% of its projected need for housing affordable to very-low-income households. An ordinance that encourages or requires faster development of housing affordable to lower-income households is necessary to meet the actual, determined needs of the City's residents. Vallejo needs to become a leader in ensuring all of its residents are able to live in homes they afford; the least the City can do is meet the standards set by its peers.

The City Must Solidify An In-Lieu Fee Formula

We additionally urge the City to determine a formula for an in-lieu fee to incorporate into the ordinance now, rather than later, and to require that funds from the fees be set aside to go directly to developing affordable housing. It is our goal to ensure that in-lieu fees are not misused by developers to avoid building affordable housing. Our priority is for developers to build affordable units on site in the same projects and at the same time their market rate housing is built. A properly set in-lieu fees can be a meaningful way to incentivize mixed-income housing, without becoming impractical for developers who may have real constraints on developing affordable units; when developers do have real constraints, in-lieu fees can help to raise money to develop affordable housing later.

The most common way to determine the fee is to calculate the costs based on the gap between the affordable-housing and market-rate costs of building. Another way to calculate the fees would be to determine the gap between the cost to build an affordable unit and the construction loan available to an affordable housing developer. Both formulas require a financial "affordability gap" analysis that takes into consideration the difference between operating costs and incomes

for a variety of housing types (e.g. rental apartment, single family home), and the sales prices or rents affordable by various types of households.[6] The analysis would then allow for a determination of the affordability gap that can be translated into in-lieu fee amounts. Whatever formula is used, we recommend that the in lieu fee be set at 100% of the real cost differential. Because costs are constantly changing, usually increasing, it is best to write a formula into the ordinance rather than stating an amount itself, so that the fees reflect real time construction costs and inflation.

In determining an appropriate in-lieu fee, the City should ensure that the ordinance maintains a strong affordability *and* feasibility standard using incorporating production-oriented tools that improve feasibility of on-site affordable development, including density bonus alignment, parking reductions, expedited review, fee deferrals, and other incentives for projects that provide deeper affordability or exceed minimum requirements. These tools should not be used to weaken the affordability obligation, but rather to ensure that the ordinance produces real affordable units and does not become vulnerable to claims that it discourages housing development.

Finally, the City should establish a dedicated affordable housing fund into which all in-lieu fee revenues are deposited and restricted exclusively for affordable housing purposes, including affordable housing production, acquisition, rehabilitation, preservation, supportive housing development, the conversion of naturally affordable housing or underutilized nonresidential properties into long-term deed-restricted affordable housing and anti-displacement strategies.

The City Must Strengthen the Implementation and Enforcement Procedures Included in its Draft Ordinance

Finally, we urge the City to make an essential addition to the draft ordinance: the ordinance must incorporate a mechanism for implementation and enforcement, including details about what department will be in charge of implementing and enforcing the policy. Assigning ownership over the operation of the ordinance will ensure that it actually gets implemented; without this clarity, its impact may be delayed by years.

The City should also include periodic review and reporting provisions regarding implementation outcomes. Reporting should include the number of affordable units approved and constructed by affordability level, the amount of in-lieu fees collected and expended, the status of affordable housing projects funded through the ordinance, and progress toward meeting the City's identified lower-income housing needs. The ordinance should clearly identify the department or staff responsible for implementation, monitoring, compliance review, affordability covenant enforcement, and public reporting to ensure long-term accountability and effectiveness.

The City should also maintain a publicly accessible dashboard tracking implementation of the ordinance, including units approved, units built, affordability levels, in-lieu fees collected and expended, funded projects, and the pipeline of deeply affordable housing.

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[6] https://www.huduser.gov/periodicals/cityscpe/vol11num2/ch2.pdf (summarizes in-lieu fee calculations taken from two studies: Keyser Marston Associates (2005) and Bay Area Economics (2007))

For all of the above reasons, we urge the City to strengthen its Draft Inclusionary Ordinance before adopting it by: expanding coverage to include all developments with 10 or more units; expand the percentage of units set aside to be affordable to lower-income households to 15% of units affordable for low-income, and 5% affordable to very low-income; establish a meaningful in-lieu fee formula now, rather than waiting.

We thank you for your time and consideration,

Skylar Spear
Staff Attorney
Public Advocates

Cristál Gallegos
Project Director
Vallejo Housing Justice Coalition

Paul Theiss
Sierra Club Solano County

Eli Smith
Vallejo Homeless Union

Melissa Morris
Staff Attorney
Public Interest Law Project

David Lindsay
Common Ground

Ary Smith
Senior Attorney
Legal Services of Northern California

Melvin Cowan
Founder & Principal
Enough Housing

BIA BAY AREA

BUILDING INDUSTRY ASSOCIATION

Sent via email: hector.rojas@cityofvallejo.net

DATE: May 27, 2026

TO: Hector Rojas, Long Range Planning Director, City of Vallejo

FROM: Lisa Vorderbrueggen, Executive Director, East Bay Gov't Affairs, BIA|Bay Area

RE: Comments on May 7, 2026, Public Review Draft of the **Vallejo Inclusionary Housing Ordinance**

Dear Mr. Rojas:

The Building Industry Association of the Bay Area (BIA|Bay Area) represents 400 member companies engaged in the entitlement, development, design and construction of new homes across the nine-county region, including Solano County. We appreciate the opportunity to comment on the city's May 7, 2026, public review draft of the proposed inclusionary housing ordinance and the accompanying feasibility analysis prepared by Economic & Planning Systems, Inc. (EPS), dated March 13, 2026.

After reviewing both documents and relevant studies of inclusionary policies, BIA|Bay Area respectfully urges the city to decline to adopt the proposed inclusionary ordinance. Under current Vallejo market conditions, the ordinance will discourage new housing production, raise costs on projects that do move forward and deliver few — if any — affordable units, while worsening the city's overall housing shortage.

Our concerns and the supporting evidence are summarized below.

1. The city's own feasibility analysis shows the market cannot support the proposed requirements.

The EPS feasibility report is the most important document in this rulemaking, and its conclusions are stark. Of five residential prototypes tested against industry-standard return thresholds, only one —

single-family detached homes — is feasible under current Vallejo conditions, and only marginally so (15.13 percent profit margin against a 15 percent threshold).

- **Small-lot single-family:** 5.73 percent profit margin (15 percent required)
- **Multifamily condominium:** −36.50 percent profit margin — deeply infeasible
- **Baseline-density apartments (30 du/ac):** 4.97 percent yield-on-cost (5.5 percent required)
- **Higher-density apartments (65 du/ac):** 4.70 percent yield-on-cost (5.5 percent required)

EPS itself concludes that *"under current market conditions, it may be challenging to implement any of the inclusionary options as mandatory requirements."* Vallejo's multifamily rents sit 34 percent below the Bay Area median and 5 percent below the rest of Solano County, while construction costs have outpaced rents for two decades. The city's share of countywide multifamily production has collapsed despite Vallejo being Solano County's most populous jurisdiction.

Layering an inclusionary requirement on a market in which most product types are already infeasible does not produce affordable units. It produces no units.

2. Peer-reviewed evidence shows inclusionary zoning reduces supply and raises prices.

The economic case against an inclusionary ordinance in a weak market is established in the empirical literature, including by California researchers studying California cities. A 2019/2021 Mercatus Center synthesis of six studies showed that four found IZ raised prices and three concluded it reduced new production; none found that IZ increased supply.

- **Means & Stringham (2015):** IZ in California reduced housing supply by 7 percent and raised prices 20 percent between 1990 and 2000.
- **Bento et al. (2009):** IZ caused prices to rise 2–3 percent faster in adopting California jurisdictions and reduced single-family starts.
- **Hamilton (2021):** Mandatory IZ raised house prices 0.81–1.1 percent per year per square foot in the Baltimore–Washington region.
- **Schuetz, Meltzer & Been (2011):** In strong markets, IZ reduced supply and raised prices during periods of rising prices.

Nationally, researchers say IZ has delivered an estimated 129,000–150,000 units over the policy's entire history — a trivial figure relative to demand, consistent with the program functioning more like a lottery than a meaningful affordable housing strategy.

3. The 2024 Terner Center / UCLA Lewis Center analysis is decisive.

The most directly applicable analysis of inclusionary tradeoffs is the April 2024 report *Modeling Inclusionary Zoning's Impact on Housing Production in Los Angeles* by Shane Phillips, applying the Terner Housing Policy Simulator to L.A.'s Transit Oriented Communities (TOC) program.

Why it matters for Vallejo. The TOC program is widely regarded as a *best-case* inclusionary program: it is (1) voluntary, (2) provides large bonuses (up to 80 percent density, 55 percent FAR, parking elimination) and (3) operates in one of the strongest housing markets in the country. If problematic tradeoffs appear there, they will be far worse in Vallejo, where the proposed ordinance is mandatory, applies in a market the city's own consultant has documented as infeasible and offers no offsetting incentive beyond the materially less generous State Density Bonus Law.

Finding 1 — The exchange rate is brutal even in the best case. At the most efficient level (16 percent IZ), 4.3 market-rate units are forgone for every below-market-rate (BMR) unit produced. At 11 percent IZ: 4.5 lost; 25 percent IZ: 5.1; 40 percent IZ: 8.9. At *no* IZ level does the policy approach a one-for-one trade.

Finding 2 — Higher requirements eventually produce less of everything. BMR production peaks at ~25 percent IZ (49,500 units over 10 years in the L.A. simulation), then *declines* as the requirement rises. At 40 percent IZ, total housing falls to 96,200 units and BMR production drops to 38,500. Raising the requirement cannot solve a feasibility problem; it deepens it.

Finding 3 — A tiny rent increase wipes out the entire benefit. Phillips quantified the rent discount BMR tenants receive and compared it to the rent pressure that reduced supply imposes on L.A.'s ~740,000 market-rate renter households. Just 0.3–0.9 percent in additional annual rent growth fully negates every BMR unit the policy produces:

- **5 percent IZ:** 0.3 percent faster rent growth negates the $551M annual BMR value.
- **11 percent IZ:** 0.6 percent negates $1.08B.
- **16 percent IZ:** 0.8 percent negates $1.41B.
- **25 percent IZ:** 0.9 percent negates $1.67B.

Real-world IZ effects in the published literature (Hamilton: 0.81–1.1 percent per year; Schuetz et al.: 0.014 percent per year per year of policy age) place actual outcomes squarely within or above this break-even range. By the cited estimates, the policy more than negates its own affordable-housing benefit once costs to market renters are counted.

Finding 4 — Public subsidy is dramatically more cost-effective. The per-unit private subsidy embedded in an extremely-low-income BMR unit is ~$24,000 in year one, versus $13,800 per household for a Housing Choice Voucher in L.A. IZ is roughly 1.7x more expensive per household assisted than the principal federal rental assistance program — before counting supply-side and rent-growth costs. Vouchers and LIHTC are also progressively funded, while IZ functions as a regressive hidden tax on new renters and homebuyers.

Finding 5 — Development bonuses have hard limits. Cities cannot simply pile on larger bonuses. Above 7–8 stories, construction must shift from wood to concrete or steel — ~30 percent more expensive than Type III and 43 percent more than Type V. And value capture is sharply diminishing: a 100 percent density bonus may support 10 percent IZ, but a 300 percent bonus

supports only 18 percent, and a 1,000 percent bonus only 22 percent. The Vallejo draft offers no ordinance-specific bonus at all.

Finding 6 — The report's explicit recommendation.

> *"...policymakers should generally reserve the use of land use reforms for increasing overall housing production to improve affordability and choice in the wider housing market. They should use other tools, including increased public subsidies, to produce BMR homes and assist lower-income households. Public subsidies will be more cost-effective in this context."*

That is precisely the path BIA|Bay Area is urging Vallejo to take.

4. The proposed ordinance compounds these risks with structural defects.

Several features of the May 7 draft make it materially worse than the inclusionary programs studied in the literature — including the L.A. TOC program.

a. Mandatory, with no offsetting incentives. The draft imposes mandatory set-asides on rental and ownership projects of 20+ units (§ 16.XXX.03) with no ordinance-level density bonus, height bonus, parking reduction, fee waiver or concession. While the State Density Bonus Law remains available, its incentives are materially smaller than the layered TOC bonuses Phillips modeled. As Phillips writes: *"mandatory IZ policies without development bonuses are a worst-case approach."*

b. No phasing, no market trigger, no sunset. EPS expressly recommended phasing, alternatives to compliance and market-based triggers (e.g., aggregate units entitled). The draft contains none. It would take effect 180 days after passage regardless of market conditions and continue to apply even if production further collapses.

c. The 20-unit threshold captures exactly what doesn't pencil. EPS shows that multifamily condominiums, baseline-density apartments and higher-density apartments — the product types most likely to occur in 20+ unit projects — are all infeasible today before any inclusionary burden. Applying the ordinance to these projects will ensure they are not built.

d. 55-year covenants and replacement requirements add unmodeled cost. § 16.XXX.06(E) imposes a 55-year affordability covenant; § 16.XXX.03(C) requires one-for-one replacement of existing deed-restricted units. Monitoring, compliance, restricted resale values and lender complications for ownership BMRs are not reflected in EPS's subsidy-gap calculations. The actual feasibility hit will be larger than the report indicates.

e. In-lieu fees set by later resolution create regulatory uncertainty. § 16.XXX.04 defers the in-lieu fee to a future council resolution. Developers underwriting land today cannot price an obligation that has not been set. EPS's economically equivalent in-lieu fees range from ~$8 to $50 per

square foot of market-rate space; at the high end, a 100-unit condominium project would carry a ~$5.95 million in-lieu obligation on top of construction costs that already exceed sale value.

5. The likely outcome is fewer homes — and fewer affordable homes.

Taken together, the EPS findings and the empirical literature point to a clear, predictable outcome if the city adopts this ordinance as drafted:

- **Fewer projects will pencil and fewer will be built.** In the Terner L.A. simulation, moving from 0 percent to just 1 percent IZ reduced market-rate production by 71,400 units over 10 years. In a weaker market like Vallejo, the proportional effect will be at least as severe.
- **Vallejo will fall further behind its RHNA obligations.** The 6th Cycle Housing Element requires planning for 2,900 units, including 1,554 at Moderate Income or below. An ordinance that suppresses overall production undermines progress toward both market-rate and lower-income categories.
- **Few — if any — affordable units will actually be produced on-site.** With most prototypes infeasible at market rate, BMR units will not materialize. Developers who do proceed will rationally pay the in-lieu fee, shifting the strategy from unit production to fee collection at fee levels that themselves further suppress production.
- **Rents and prices in the existing housing stock will face upward pressure.** The cost of reduced supply is borne by all renters and buyers — disproportionately by lower-income households who do not receive a BMR unit. Phillips' 0.3–0.9 percent break-even threshold is well within the empirical range of actual IZ effects.

This is the central irony of inclusionary zoning: a policy adopted to help lower-income households can, in a weak or constrained market, make their situation worse.

6. Recommendations: Decline to adopt the ordinance and pursue strategies that expand supply.

For the reasons set forth above, BIA|Bay Area respectfully urges the Vallejo City Council to decline to adopt the proposed inclusionary ordinance.

The city's own consultant has documented that the Vallejo market cannot support the ordinance. The empirical literature consistently shows that, in markets like Vallejo, the policy will reduce supply, raise prices and produce few units. The 2024 Terner analysis — the most rigorous parcel-level modeling of inclusionary tradeoffs to date — concludes that public subsidies, not land use mandates, are the appropriate tool for producing below-market housing.

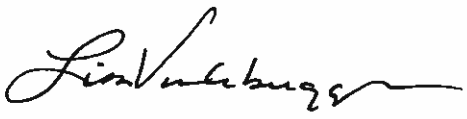
Instead, we encourage the city to direct its limited staff and policy bandwidth toward measures that the evidence shows will actually expand housing access:

- **Reduce the cost and time of building.** Streamline entitlements, lower impact fees (EPS's appendix shows $48,000–$70,000 per unit), reduce parking requirements and expand by-right multifamily zoning.
- **Allow low-cost housing typologies.** Small multifamily, courtyard apartments and missing-middle housing in more residential zones. Phillips notes such reforms "would lower per-unit land and construction costs and expand the number of parcels where redevelopment is feasible."
- **Use targeted public subsidies.** LIHTC, HCD programs and Housing Choice Vouchers — which Terner cites as roughly 40 percent less expensive per household than IZ — to produce and preserve deed-restricted affordable housing.
- **Partner with nonprofit affordable developers** on city-owned or city-assembled sites, where public subsidy can be deployed efficiently and at the depths of affordability the ordinance contemplates.

If, notwithstanding the evidence, the council elects to proceed with some form of inclusionary policy, we urge — at minimum — every safeguard EPS identified and Terner validates: a voluntary, incentive-based structure with meaningful local density, FAR and parking incentives layered on top of the State Density Bonus and modeled on the L.A. TOC framework; market-based triggers tied to verified improvement in feasibility; phasing over multiple years; in-lieu fees set materially below the economically equivalent subsidy gap; geographic and product-type differentiation; and a sunset and mandatory re-study provision. None are present in the current draft.

BIA|Bay Area and our member companies stand ready to work constructively with city staff, the Planning Commission and the City Council to develop a housing strategy that delivers measurable results for Vallejo residents. We thank you for your consideration of these comments and would welcome the opportunity to meet to discuss them further.

Sincerely,



Lisa Vorderbrueggen
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Fair Housing Advocates of Northern California

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SENT VIA EMAIL ONLY: hector.rojas@cityofvallejo.net

May 27, 2026

Hector Rojas
Long-Range Planning Manager
City of Vallejo
555 Santa Clara Street
Vallejo CA 94590

RE: Vallejo's Draft Inclusionary Housing Ordinance

Dear Mr. Rojas:

We are writing regarding Vallejo's Draft Inclusionary Housing Ordinance.

Fair Housing Advocates of Northern California (FHANC) is a private nonprofit organization dedicated to assisting individuals experiencing housing discrimination and educating the community, including tenants, housing providers, and government employees, as to their rights and responsibilities under federal and state fair housing laws. The mission of FHANC is to ensure equal housing opportunity and to educate the community on the value of diversity in housing.

FHANC provides free comprehensive fair housing counseling services to individuals alleging housing discrimination in Sonoma County (except the incorporated city of Petaluma), Marin County, Solano County, and Napa County. FHANC also provides other services, such as prepurchase and foreclosure prevention services and trainings to housing providers in other neighboring counties.

In addition to counseling and education services, FHANC recruits, trains, and employs fair housing testers in order to investigate claims of housing discrimination and to assist in conducting systemic investigations.

We appreciate the City taking steps to enact an inclusionary housing ordinance to create more affordable housing in the City. Such a policy is key to meeting the City's duty to affirmatively further fair housing, as enacting an inclusionary policy constitutes a meaningful action that can contribute to replacing segregated living patterns with integrated and balanced living patterns.[1] Inclusionary policies are likely to benefit members of protected classes.

However, we would urge the City to enact a stronger inclusionary ordinance, following the lead of other Bay Area cities, by requiring at least 15-20% of units in residential projects to be affordable.[2] In California, the affordable unit requirements in inclusionary policies are typically between 10-20%, with

[1] *See* https://www.hcd.ca.gov/community-development/affh/docs/AFFH_Document_Final_4-27-2021.pdf
[2] *See* https://www.urbandisplacement.org/wp-content/uploads/2021/08/urbandisplacementproject_inclusionaryhousingbrief_feb2016_revised.pdf

15% being a common standard.[3] As Vallejo's ordinance falls significantly below this requirement, we would strongly urge the City to consider increasing the required percentage of affordable units. A strong inclusionary policy is essential step to furthering fair housing.

Thank you for your consideration and the opportunity to comment on the proposed ordinance.

Sincerely,

Caroline Peattie

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Savannah Wheeler

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[3] *See* https://welp.org/wp-content/uploads/2018/12/inclusionary-factsheet_v2.pdf; https://siliconvalleyathome.org/resources/inclusionary-housing/

From: theresa_karr@comcast.net
To: Hector Rojas
Subject: City of Vallejo Inclusionary Zoning Ordinance
Date: Wednesday, September 9, 2026 1:36:01 PM

This Message Is From an External Sender
This message came from outside your organization.

Hector and Planning Commissioners,

Apologies for late comment regarding the proposed inclusionary zoning ordinance. I will make my comment short focusing on one area of concern. I doubt my comments will make a difference because I know this is an off-ramp for the city council members regarding "affordable housing". I am not sure, like other cities, that the planning commission and city council clearly understand one of biggest unintended consequences. Cities that have inclusionary ordinances have often experienced an overall reduction of housing of all types. The cost of generating an affordable unit with inclusionary zoning costs more paid by the market rate buyers and/or renters. It is a constraint on housing supply. Since there are several housing projects that are working their way through final approval the city may not totally lose those projects but it may see a reduction in the number of housing units built. New housing developments may be at risk. The city gains a few affordable housing units while reducing the total number of projected housing units. Does that work? Plus, the ordinance will demand additional city staff oversight and management a cost that I could not determine if it was mentioned in the ordinance or if that is another issue outside of the ordinance.

My biggest question has always been how much "affordable housing" has actually been produced through inclusionary zoning ordinances and how much housing is lost?

Thank you for allowing to comment a little late.

Theresa M. Karr
Theresa_Karr@comcast.net
707-694-0775 (cell)



January 30 – 31 2027

"We can only be ethical in relation to something we can see, understand, feel, love,or otherwise have faith in." Aldo Leopold

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CITY OF VALLEJO PLANNING COMMISSION

PC26-17

A RESOLUTION OF THE PLANNING COMMISSION RECOMMENDING THAT THE CITY COUNCIL AMEND THE VALLEJO MUNICIPAL CODE BY ADDING CHAPTER 16.216 RELATING TO AFFORDABLE HOUSING REQUIREMENTS AND RECOMMENDING THAT THE CITY COUNCIL DETERMINE THAT THE PROPOSED AMENDMENT IS EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO CEQA GUIDELINES SECTION 15061(b)(3)

* *

WHEREAS, the City of Vallejo's 2023-2031 Housing Element includes Program B 2.1.1, which directs the City to seek housing developer input, conduct the necessary economic analysis, and consider an Inclusionary Housing Ordinance addressing project thresholds, affordability levels, compliance options, incentives, construction timing, and administration; and

WHEREAS, to implement Housing Element Program B 2.1.1, the City retained Economic & Planning Systems, Inc. (EPS) to conduct developer outreach and prepare an economic feasibility analysis of potential inclusionary housing requirements and in-lieu fees; and

WHEREAS, on July 7, 2025, the City Council and Planning Commission held a joint study session to receive and discuss EPS's preliminary market and feasibility findings and potential approaches to an inclusionary housing program; and

WHEREAS, on November 24, 2025, the City Council and Planning Commission reconvened for a continuation of the joint study session, after which staff received direction to proceed with developing a modest Inclusionary Housing Ordinance that reflected Vallejo's current market conditions and provided flexibility in how covered projects could comply; and

WHEREAS, the City published a draft Inclusionary Housing Ordinance for a 20-day public review and comment period beginning May 7, 2026 and ending May 27, 2026, and received ten substantive written submissions expressing a range of views regarding the proposed requirements; and

WHEREAS, EPS completed a Feasibility Analysis of Inclusionary Housing Requirements that evaluated representative residential development prototypes, alternative affordability requirements, and economically equivalent in-lieu fees under then-current market conditions; and

WHEREAS, the proposed Ordinance would add Chapter 16.216 to the Vallejo Municipal Code (VMC), apply to residential projects containing 20 or more units, establish affordable housing requirements, and provide alternative means of compliance including payment of an in-lieu fee and off-site construction; and

WHEREAS, Government Code Section 65850(g) authorizes cities to require, as a condition of residential rental development, that a percentage of units be affordable to specified income groups and requires the ordinance to provide alternative means of compliance; and

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WHEREAS, in accordance with VMC Chapter 16.611, proposed amendments to the Zoning Code must first be reviewed and recommended by the Planning Commission at a duly noticed public hearing before consideration by the City Council; and

WHEREAS, notice of the Planning Commission's public hearing on the proposed Inclusionary Housing Ordinance and its accompanying CEQA determination were mailed to all persons requesting notice pursuant to Section 16.602.08 of the Vallejo Municipal Code, emailed to the members of the Planning Commission, and published in a 1/8th page advertisement in the Times-Herald, a newspaper of general circulation, on August 19, 2026, which date was not less than 10 days prior to the September 9, 2026 hearing, as required by Government Code Section 65090(a); and

WHEREAS, after giving all public notices required by State law and the VMC, the Planning Commission conducted a duly noticed public hearing on September 9, 2026, to consider and receive public testimony on the proposed Ordinance and related CEQA determination.

NOW, THEREFORE, LET IT BE RESOLVED that the Planning Commission hereby finds, determines, and resolves as follows:

Section 1. Recitals.

The foregoing recitals are true and correct, and the same are incorporated herein by reference.

Section 2. Record.

The Record of Proceedings ("Record") upon which the Planning Commission bases its recommendation includes but is not limited to: (1) the staff reports, City files and records, the EPS Feasibility Analysis of Inclusionary Housing Requirements, written public comments, and other documents prepared for the proposed Inclusionary Housing Ordinance; (2) the evidence, facts, findings, and other recommendations set forth in this Resolution; (3) the Vallejo General Plan 2040 and its Final Environmental Impact Report; (4) the Addendum to the General Plan 2040 Final Environmental Impact Report adopted for the 2023-2031 Housing Element; (5) the VMC and its related environmental documents; (6) all documentary and oral evidence received at public meetings and hearings, or otherwise submitted to the City, relating to the proposed Inclusionary Housing Ordinance; and (7) all other matters of common knowledge to the Planning Commission including, but not limited to, City, State, and federal laws, policies, rules, regulations, reports, records, and projections related to development within the City of Vallejo and its surrounding areas.

The location and custodian of the records is the Planning and Development Services Department of the City of Vallejo, 555 Santa Clara Street, Vallejo, California 94590.

Section 3. California Environmental Quality Act Findings.

Based on the Record described above, and all matters deemed material and relevant before adoption of this Resolution, the Planning Commission hereby recommends that the City Council find and determine that adoption of the proposed Ordinance is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines Section 15061(b)(3), the common-sense exemption. The proposed ordinance establishes affordability requirements and alternative means of compliance for residential development otherwise authorized under the

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City's General Plan, specific plans, and Zoning Code. It does not change any land-use designation or zoning district, increase allowable residential density or development intensity, modify the physical development envelope, authorize construction, or approve any particular development project. The requirements affect the affordability and occupancy of units within future residential development but do not alter the amount, location, or physical form of development otherwise permitted by applicable land-use regulations. The authorization and collection of an in-lieu fee would not commit the City to construct, fund, or approve any particular housing project. Future residential developments and any future projects funded with in-lieu fee revenue will remain subject to CEQA as applicable. For these reasons, there is no reasonable possibility that adoption of the proposed Ordinance will have a significant effect on the environment, and the Planning Commission therefore recommends that the City Council determine that the proposed Ordinance is exempt from CEQA pursuant to Guidelines Section 15061(b)(3).

Section 4. Findings.

In accordance with Vallejo Municipal Code Section 16.611.03.A.1 and A.2 (Required Findings, Zoning Code Text Amendments), the Planning Commission hereby makes the following findings regarding the proposed Inclusionary Housing Ordinance, as detailed in Exhibit A attached hereto and incorporated herein by reference.

A.1 The ordinance amendment is consistent in principle with the general plan and any applicable specific plan;

Facts in support: *The proposed ordinance is consistent in principle with the General Plan because it directly implements Housing Element Program B 2.1.1, which directs the City to evaluate and consider adoption of an inclusionary housing ordinance to increase the production of housing to lower- and moderate-income households. The proposed ordinance is also intended to contribute to the Housing Element's quantified objective of producing 150 lower- and moderate-income units, including at least 50 units in mixed-income developments, during the Housing Element planning period. Because future development activity and the compliance options selected by developers cannot be predicted, the ordinance's contribution toward that objective cannot be quantified at this time.*

The proposed ordinance is consistent in principle with General Plan policies that support expanding housing opportunities and increasing access to affordable housing. Policy A.1 calls for the City to provide opportunities for new housing sufficient to meet its share of regional housing demand at all income levels. Policy A.4 supports a variety of housing types, including rental and ownership opportunities for moderate- and above-moderate-income households. Policy B.1 calls for continued efforts to expand housing opportunities for all residents, including households unable to afford market-rate housing, and Policy B.2 supports the provision of financial or other assistance for the development of affordable housing units. Policy F.1 calls for equal access to housing opportunities and housing options for households across a range of income levels, densities, and housing types to meet the diverse needs and preferences of the community. And Policy H.4 supports promoting a healthy balance of housing within neighborhoods by encouraging a mix of affordable and market-rate housing. The proposed ordinance advances these policies by establishing affordable housing requirements for covered residential development, providing alternative means of compliance, and generating in-lieu fee revenue to support affordable housing

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activities. The ordinance does not amend any General Plan land use or density designation, or otherwise modify the location, intensity, or physical development standards applicable to residential development. Rather, it establishes affordable housing requirements and alternative means of compliance for residential development otherwise permitted under the General Plan. No conflict with any applicable specific plan has been identified.

A.2. The zoning text amendments are consistent with the purpose of the Zoning Code to promote the growth of the city in an orderly manner and to promote and protect the public health, safety, and general welfare.

Facts in support: *The proposed Inclusionary Housing Ordinance is consistent with the purpose of the Zoning Code because it establishes uniform and predictable requirements governing the affordable housing contribution of covered residential development. The 20-unit threshold, modest affordability percentages, alternative compliance options, pipeline exemption, and waiver or adjustment process are intended to balance the City's affordable housing objectives with current development feasibility. The ordinance promotes orderly growth by integrating affordable housing into planned residential development without changing the amount or location of development allowed by the General Plan, specific plans, or Zoning Code. It promotes and protects the public health and general welfare by expanding access to stable housing, supporting mixed-income development, and establishing clear standards for affordability, construction timing, equal access to amenities, and long-term monitoring. The ordinance preserves all applicable building, fire, health, and safety requirements governing future residential development.*

Section 5. Decision.

BE IT FURTHER RESOLVED that, based on the findings set forth herein and the Record as a whole, the Planning Commission hereby recommends that the City Council amend the Vallejo Municipal Code by adding Chapter 16.216, relating to Affordable Housing Requirements, as set forth in Exhibit A, attached hereto and incorporated herein by reference.

BE IT FURTHER RESOLVED that the Planning Commission recommends that the City Council consider and adopt the following revisions to the proposed Ordinance, as set forth in Exhibit B, in redline, attached hereto and incorporated herein by reference.

BE IT FURTHER RESOLVED that the Planning Commission hereby directs staff to provide annual reporting to the Planning Commission on the effects of the enacted Ordinance.

BE IT FURTHER RESOLVED that the Planning Commission hereby recommends that the City Council direct staff to undertake, approximately two years after enactment of the Ordinance, a Feasibility Analysis to evaluate affordability requirements, and economically equivalent in-lieu fees under then-current market conditions to facilitate any necessary adjustments to the Ordinance.

PASSED AND ADOPTED at a regular meeting of the Planning Commission of the City of Vallejo, State of California, on the 9th day of September 2026 by the following vote, to-wit:

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AYES:	Taylor, White, Ali, Ennis, Madeiros, Beasley-Stansberry, and Blind
NOES:	None
ABSENT:	None
ABSTAIN:	None

Signed by:
Anthony Taylor
112D2AAC51AA4FE...

ANTHONY TAYLOR, CHAIRPERSON
City of Vallejo Planning Commission

Attest:

DocuSigned by:
Kristin Pollot
466B18D647F3420...

KRISTIN POLLOT, AICP – SECRETARY
City of Vallejo Planning Commission

Exhibits:

A. Proposed Ordinance Amending the Vallejo Municipal Code by Adding Chapter 16.216 Relating to Affordable Housing Requirements

B. Planning Commission Recommended Revisions to Ordinance Amending the Vallejo Municipal Code by Adding Chapter 16.216 Relating to Affordable Housing Requirements

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Exhibit A
Proposed Ordinance Amending the Vallejo Municipal Code by Adding Chapter 16.216 Relating to Affordable Housing Requirements

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF VALLEJO ADDING CHAPTER 16.216 TO THE VALLEJO MUNICIPAL CODE RELATING TO AFFORDABLE HOUSING REQUIREMENTS

THE COUNCIL OF THE CITY OF VALLEJO DOES ORDAIN AS FOLLOWS:

SECTION 1. A new Chapter 16.216 is hereby enacted to read as follows:

Chapter 16.216
AFFORDABLE HOUSING REQUIREMENTS

Section 16.216.01 Purpose.

A. *Purpose.* The purpose of this chapter is to promote the public welfare and ensure that new residential development contributes to the achievement of the city's housing goals by increasing the production of units affordable to households of moderate-, low-, and very low-income; and generating funds for the development of moderate-, low-, and very-low income housing.

B. *Findings.* The City Council finds that the citizens of the city are experiencing a housing shortage for moderate-, low-, and very-low income households. A goal of the city is to achieve a balanced community with housing available for households over a range of income levels. Increasingly, persons with moderate-, low-, and very-low incomes who work and/or live within the city are unable to locate housing at prices they can afford and are increasingly excluded from living in the city. Federal and state housing subsidy programs are not sufficient by themselves to satisfy the housing needs of moderate-, low-, and very-low income households. The city finds that the high cost of newly constructed housing does not, to any appreciable extent, provide housing affordable by moderate-, low-, and very-low income households while at the same time generates increased demand for lower wage service jobs to maintain public and/or common infrastructure, and that continued new development which does not include lower cost housing will serve to further aggravate the current housing shortage by reducing the supply of developable land. The city further finds that the housing shortage for persons of moderate-, low-, and very-low incomes is detrimental to the public health, safety and welfare, and further, that it is a public policy of the state of California as mandated by the requirements for a housing element of the General Plan, to make available an adequate supply of housing for persons of all economic segments of the community.

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Section 16.216.02 Definitions.

For purposes of this chapter, the following terms shall have the meanings set forth below. Where a defined term is also defined by state statute, the state statutory definition shall control in the event of any conflict, and this chapter shall be interpreted consistently with the most current income limits published by the California Department of Housing and Community Development ("HCD").

A. **"Affordable Housing Agreement"** means the agreement described in Section 16.216.09.

B. **"Affordable Unit"** means a dwelling unit within a residential project, or an off-site unit approved pursuant to Section 16.216.06(A)(1), that is reserved for occupancy by, and priced or rented to be affordable to, a Very Low Income, Low Income, or Moderate Income household, as applicable, pursuant to this chapter.

C. **"Area Median Income" or "AMI"** means the median family income for Solano County, adjusted for household size, as published annually by HCD pursuant to Health and Safety Code Section 50093(c).

D. **"Moderate Income" or "Moderate Income Household"** means a household whose gross income does not exceed the moderate-income limits established for Solano County, adjusted for household size, as defined in Health and Safety Code Section 50093 and as published annually by HCD.

E. **"Low Income" or "Low Income Household"** means a household whose gross income exceeds the qualifying limit for Very Low Income but does not exceed the qualifying limit for lower income households, adjusted for household size, as defined in Health and Safety Code Section 50079.5 and as published annually by HCD.

F. **"Very Low Income" or "Very Low Income Household"** means a household whose gross income does not exceed the qualifying limits for very low income households, adjusted for household size, as defined in Health and Safety Code Section 50105 and as published annually by HCD.

G. **"HCD Income Limits"** means the state income limits published annually by the California Department of Housing and Community Development pursuant to Health and Safety Code Section 50093(c), as may be revised from time to time. The most recently published HCD income limits for Solano County in effect at the time of application for an affordable unit shall govern eligibility and pricing determinations under this chapter.

Section 16.216.03 Affordable Units or Fee Required.

A. *Requirement.* All residential projects of twenty (20) or more residential units shall be designed and constructed to include the number of affordable units required by Section 16.216.04, subject to the alternative means of compliance authorized by Sections 16.216.05 and 16.216.06. No application for a general plan amendment, specific plan amendment, rezoning, tentative map, use permit, variance, design review, development review, or

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building permit for a residential project shall be approved without compliance with this chapter.

B. *Exemptions.* This chapter shall not apply to:

1. The reconstruction of any dwelling units that were destroyed by fire, flood, earthquake or other act of nature.
2. Accessory Dwelling Units and Junior Accessory Dwelling Units.
3. Residential care facilities where otherwise regulated by this title.
4. A land use/development application that has been accepted as complete prior to the effective date of this chapter.

Section 16.216.04 Number of Affordable Units.

A. The number of affordable units required in a residential project are as follows:

1. *Rental Projects of 20 or More Units.* A rental project consisting of twenty (20) or more dwelling units shall include one (1) percent of the total number of dwelling units for rent to households earning not more than Very Low Income; and four (4) percent of the total number of dwelling units for rent to households earning not more than Low Income. Monthly rents shall not exceed one-twelfth (1/12) of thirty percent (30%) of the applicable maximum annual household income, less a monthly utility allowance, as determined by the City.

2. *Ownership Projects of 20-100 Units.* An ownership project consisting of twenty (20) to one hundred (100) dwelling units shall include affordable units for sale to households earning not more than Low Income in an amount equal to three (3) percent of the total number of dwelling units, and affordable units for sale to households earning not more than Moderate Income in an amount equal to two (2) percent of the total number of dwelling units.

3. *Ownership Projects of Over 100 Units.* An ownership project consisting of more than one hundred (100) dwelling units shall include affordable units for sale to households earning not more than Low Income in an amount equal to five (5) percent of the total number of dwelling units, and affordable units for sale to households earning not more than Moderate Income in an amount equal to three (3) percent of the total number of dwelling units.

B. *Fractional Units.* The required number of affordable units shall be calculated separately for each income category specified in this section. When application of the percentages set forth above results in a fractional affordable unit, a fraction of one-half (0.50) or greater shall be rounded up to the next whole affordable unit. For a fraction of less than one-half (0.50), the developer may either (1) round up to the next whole affordable unit and provide the additional affordable unit, or (2) pay an in-lieu fee for the fractional unit. The fractional-unit fee shall be calculated by multiplying the fractional unit by the applicable in-lieu fee established by resolution pursuant to Section 16.216.05(B).

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C. *Replacement Units.* If a residential project subject to the affordable housing requirements of Section 16.216.03(A) would result in the elimination of existing deed-restricted affordable dwelling units, such units must be replaced on a one-for-one basis with equally affordable or more affordable deed-restricted units.

Section 16.216.05 In-Lieu Fees.

A. A developer proposing to construct a residential project may pay a fee in lieu of providing some or all of the affordable units required by Section 16.216.04. The option to pay in-lieu fees shall be made in writing at the time the developer submits the application for the residential project.

B. In-lieu fees shall be paid prior to issuance of building permits and shall be deposited into a separate City fund designated for the development of affordable housing. Fees may also be used for administration of City affordable housing programs. The City Council shall establish the amount of such fees by resolution.

Section 16.216.06 Alternatives.

A. The developer may request an alternative means of compliance with this chapter as part of a development application in accordance with the following provisions:

1. *Off-Site Construction.* Affordable units may be constructed on a site or sites not contiguous to the residential project, provided that such site or sites are located within the same census tract as the residential project, at the discretion of the body with review authority over the residential project upon a finding that off-site construction equally or better serves city interests because of factors involving the residential project including, but not limited to, overall project size, density, character and location, accessibility to public transportation, and proximity to retail and service establishments. The approval of off-site construction of affordable units shall be subject to Section 16.216.07(D), and such terms and conditions as may be imposed by the body with review authority.

2. *On-Site Rental Units.* When on-site inclusionary for-sale units are required by this chapter, a developer may instead construct on-site inclusionary rental units. If a developer chooses to construct on-site inclusionary rental units in lieu of on-site inclusionary for-sale units, the requirements for such on-site rental inclusionary units shall be the same as if the residential development were a rental residential development project.

Section 16.216.07 Affordable Unit Standards.

A. *Mix, Size, and Number of Bedrooms.*

1. Affordable units in an ownership project shall be proportional in unit mix including but not limited to the number of bedrooms and unit size as the market rate units. The

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affordable ownership units need not exceed 1,400 square feet and three bedrooms when included in a development of market rate units for ownership that exceed 1,400 square feet and three bedrooms.

2. Affordable units in rental projects shall be proportional in unit mix including but not limited to the number of bedrooms and unit size as the market rate units. The affordable rental units need not exceed 1,000 square feet and three bedrooms when included in a development of market rate rental units that exceed 1,000 square feet and three bedrooms.

B. *Location and Design.* Affordable units shall be dispersed throughout a residential project to the extent feasible and be comparable in construction quality and exterior design to the market rate units. However, interior materials and appliances may differ in quality.

C. *Equal Access.* The affordable units shall have equal access to all on-site amenities available to market rate units.

D. *Timing of Construction.* All affordable units must be constructed and occupied prior to or concurrently with the construction and occupancy of market rate units unless an alternative construction timing schedule has been approved by the body with review authority. Off-site affordable units shall be constructed and occupied in accordance with the timing schedule approved pursuant to Section 16.216.06(A)(1).

E. *Duration of Affordability Requirement.* Affordable units shall be legally restricted to occupancy by households of the income levels for which the units were designated, for a minimum period of 55 years from the date of first occupancy for rental units, and 55 years from the date of first sale for owner-occupied units, unless the requirements of a California law require a shorter period of duration.

Section 16.216.08 Eligibility for Occupancy of Affordable Units.

A. *General Eligibility.* No household may occupy an affordable unit unless the city or its designee has approved the household's eligibility or has failed to make a determination of eligibility in accordance with the applicable affordable ownership and resale restrictions. If the city or its designee maintains a list or identifies eligible households, initial and subsequent occupants shall be selected first from the list of identified households, in compliance with any rules approved by the city.

B. *Occupancy as Principal Residence.* A household who occupies a rental affordable unit or who purchases an affordable unit in an ownership project shall at all times occupy the unit as the household’s principal residence.

Section 16.216.09 Affordable Housing Agreement Requirement.

A. *Affordable Housing Agreement.* Each developer of a residential project providing affordable units pursuant to this chapter, as a condition of approval, shall execute an Affordable Housing Agreement in the form provided by the city. Each Affordable Housing Agreement shall include the following:

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1. A description of the residential project, including whether the affordable units will be rented or owner-occupied;

2. The number, size and location of the affordable units;

3. Provisions and/or documents for resale restrictions, deeds of trust, right of first refusal or rental restrictions;

4. Provisions for monitoring the ongoing affordability of the affordable units, and the process for qualifying prospective resident households for income eligibility;

5. Any additional obligations relevant to the compliance with this chapter; and

6. Provision for the city to recoup costs for implementation and monitoring of the Agreement.

B. *Recording of Agreement.* Each Affordable Housing Agreement shall be recorded against owner-occupied affordable units and the residential projects containing rental affordable units. Additional rental or resale restrictions, deeds of trust, rights of first refusal and/or other documents acceptable to the city shall also be recorded against owner-occupied affordable units. In cases where the requirements of this chapter are satisfied through the development of off-site affordable units, the Affordable Housing Agreement shall simultaneously be recorded against the property where the off-site units are to be developed.

C. *Time of Recordation.* For residential projects for which a parcel or tentative map has been approved, the Affordable Housing Agreement shall be recorded concurrently with the recording of the final map for the residential project. For residential projects not subject to parcel or tentative maps, the Affordable Housing Agreement shall be recorded prior to the issuance of a building permit.

D. *Purchasers of Affordable Units.* Each purchaser of an affordable unit in an ownership project, whether that purchaser bought the affordable unit from the developer or from a previous owner of the affordable unit, shall be required to execute an agreement in the form provided by the city which contains resale restrictions including, but not limited to, restrictions on who may purchase the affordable unit and restrictions on the maximum sales price permitted on resale. The resale restrictions may also allow the city a right of first refusal to purchase the affordable unit. This agreement shall be recorded against the affordable unit as part of the closing documents for the sales transaction.

Section 16.216.10 Affordable Housing Plan Application.

A. *Applications.* Applications for residential projects subject to this chapter shall include an Affordable Housing Plan. The Affordable Housing Plan shall identify the method or combination of methods proposed to satisfy the affordable housing requirements of Section 16.216.04, including the provision of on-site affordable units, payment of in-lieu fees pursuant to Section 16.216.05, off-site construction pursuant to Section 16.216.06(A)(1), or

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another alternative means of compliance authorized by this chapter. The Affordable Housing Plan shall include the following information, as applicable, in addition to information otherwise required under this title.

B. *Required Affordable Housing Plan Information:*

1. The location, structure, proposed occupancy (rental or ownership) and size of the proposed market rate and affordable units, if affordable units are proposed to be provided;

2. The calculations used to determine the number of required affordable units, including the calculations for each applicable income category;

3. A floor plan or site plan depicting the location of the affordable units, if affordable units are proposed to be provided on-site;

4. The income level targets for each affordable unit, if affordable units are proposed to be provided;

5. For phased developments, a phasing plan identifying the timing and method of compliance with the affordable housing requirements;

6. A marketing plan stating how qualified households will be reviewed and selected to either purchase or rent the affordable units, if affordable units are proposed to be provided;

7. If the developer proposes to satisfy any portion of the affordable housing requirements through payment of an in-lieu fee, documentation identifying the number of affordable units for which the fee will be paid and the applicable fee calculation pursuant to Section 16.216.05; and

8. Any other information requested by the Planning and Development Services Director that is reasonably necessary to assist in the evaluation of the Affordable Housing Plan for compliance with the standards of this chapter.

Section 16.216.11 Waiver or Adjustment.

Notwithstanding any other provision in this chapter, the requirements of this chapter shall be waived or adjusted if the developer demonstrates that there is no reasonable relationship between the impact of a proposed residential project and the requirements of this chapter, or that applying the requirements of this chapter would take property in violation of the United States or California Constitutions. To receive a waiver or an adjustment, the developer must include all relevant information in support of the waiver or adjustment at the time the developer submits its application for the residential project. The developer shall also present all arguments in support of the waiver or adjustment before the city body with review authority over the residential project.

SECTION 2. CEQA.

Based on the Record described above, and all matters deemed material and relevant before adoption of this Ordinance, the City Council hereby finds and determines that adoption of the

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proposed Inclusionary Housing Ordinance is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines Section 15061(b)(3), the common-sense exemption. The proposed Ordinance establishes affordability requirements and alternative means of compliance for residential development otherwise authorized under the City's General Plan, specific plans, and Zoning Code. It does not change any land-use designation or zoning district, increase allowable residential density or development intensity, modify the physical development envelope, authorize construction, or approve any particular development project. The requirements affect the affordability and occupancy of units within future residential development but do not alter the amount, location, or physical form of development otherwise permitted by applicable land-use regulations. The authorization and collection of an in-lieu fee would not commit the City to construct, fund, or approve any particular housing project. Future residential developments and any future projects funded with in-lieu fee revenue will remain subject to CEQA as applicable. For these reasons, there is no reasonable possibility that adoption of the proposed Ordinance will have a significant effect on the environment. This determination reflects the City's independent judgment and analysis.

SECTION 3. Severability.

If any section, subsection, sentence, clause, phrase or word of this Ordinance is for any reason held to be invalid by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed and adopted this Ordinance, and each and all provisions hereof, irrespective of the fact one or more provisions may be declared invalid.

SECTION 4. Effective Date.

This Ordinance shall take effect and be in full force and effect from and after one hundred and eighty (180) days after its final passage.

PASSED and ADOPTED by the City Council of the City of Vallejo at a regular meeting held on the ___day of _____, 2026.

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Exhibit B
Planning Commission Recommended Revisions to Proposed Ordinance Amending the Vallejo Municipal Code by Adding Chapter 16.216 Relating to Affordable Housing Requirements

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF VALLEJO ADDING CHAPTER 16.216 TO THE VALLEJO MUNICIPAL CODE RELATING TO AFFORDABLE HOUSING REQUIREMENTS

THE COUNCIL OF THE CITY OF VALLEJO DOES ORDAIN AS FOLLOWS:

SECTION 1. A new Chapter 16.216 is hereby enacted to read as follows:

Chapter 16.216
AFFORDABLE HOUSING REQUIREMENTS

Section 16.216.01 Purpose.

A. *Purpose.* The purpose of this chapter is to promote the public welfare and ensure that new residential development contributes to the achievement of the city's housing goals by increasing the production of units affordable to households of moderate-, low-, and very low-income; and generating funds for the development of moderate-, low-, and very-low income housing.

B. *Findings.* The City Council finds that the citizens of the city are experiencing a housing shortage for moderate-, low-, and very-low income households. A goal of the city is to achieve a balanced community with housing available for households over a range of income levels. Increasingly, persons with moderate-, low-, and very-low incomes who work and/or live within the city are unable to locate housing at prices they can afford and are increasingly excluded from living in the city. Federal and state housing subsidy programs are not sufficient by themselves to satisfy the housing needs of moderate-, low-, and very-low income households. The city finds that the high cost of newly constructed housing does not, to any appreciable extent, provide housing affordable by moderate-, low-, and very-low income households while at the same time generates increased demand for lower wage service jobs to maintain public and/or common infrastructure, and that continued new development which does not include lower cost housing will serve to further aggravate the current housing shortage by reducing the supply of developable land. The city further finds that the housing shortage for persons of moderate-, low-, and very-low incomes is detrimental to the public health, safety and welfare, and further, that it is a public policy of the state of California as mandated by the requirements for a housing element of the General Plan, to make available an adequate supply of housing for persons of all economic segments of the community.

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Section 16.216.02 Definitions.

For purposes of this chapter, the following terms shall have the meanings set forth below. Where a defined term is also defined by state statute, the state statutory definition shall control in the event of any conflict, and this chapter shall be interpreted consistently with the most current income limits published by the California Department of Housing and Community Development ("HCD").

A. **"Affordable Housing Agreement"** means the agreement described in Section 16.216.09.

B. **"Affordable Unit"** means a dwelling unit within a residential project, or an off-site unit approved pursuant to Section 16.216.06(A)(1), that is reserved for occupancy by, and priced or rented to be affordable to, a Very Low Income, Low Income, or Moderate Income household, as applicable, pursuant to this chapter.

C. **"Area Median Income" or "AMI"** means the median family income for Solano County, adjusted for household size, as published annually by HCD pursuant to Health and Safety Code Section 50093(c).

D. **"Moderate Income" or "Moderate Income Household"** means a household whose gross income does not exceed the moderate-income limits established for Solano County, adjusted for household size, as defined in Health and Safety Code Section 50093 and as published annually by HCD.

E. **"Low Income" or "Low Income Household"** means a household whose gross income exceeds the qualifying limit for Very Low Income but does not exceed the qualifying limit for lower income households, adjusted for household size, as defined in Health and Safety Code Section 50079.5 and as published annually by HCD.

F. **"Very Low Income" or "Very Low Income Household"** means a household whose gross income does not exceed the qualifying limits for very low income households, adjusted for household size, as defined in Health and Safety Code Section 50105 and as published annually by HCD.

G. **"HCD Income Limits"** means the state income limits published annually by the California Department of Housing and Community Development pursuant to Health and Safety Code Section 50093(c), as may be revised from time to time. The most recently published HCD income limits for Solano County in effect at the time of application for an affordable unit shall govern eligibility and pricing determinations under this chapter.

Section 16.216.03 Affordable Units or Fee Required.

A. *Requirement.* All residential projects of ten (10) ~~twenty (20)~~ or more residential units shall be designed and constructed to include the number of affordable units required by Section 16.216.04, subject to the alternative means of compliance authorized by Sections 16.216.05 and 16.216.06. No application for a general plan amendment, specific plan amendment, rezoning, tentative map, use permit, variance, design review, development review, or

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building permit for a residential project shall be approved without compliance with this chapter.

B. *Exemptions.* This chapter shall not apply to:

1. The reconstruction of any dwelling units that were destroyed by fire, flood, earthquake or other act of nature.
2. Accessory Dwelling Units and Junior Accessory Dwelling Units.
3. Residential care facilities where otherwise regulated by this title.
4. A land use/development application that has been accepted as complete prior to the effective date of this chapter.

Section 16.216.04 Number of Affordable Units.

A. The number of affordable units required in a residential project are as follows:

1. *Rental Projects of ~~20~~10 or More Units.* A rental project consisting of ~~twenty (20)~~ ten (10) or more dwelling units shall include ~~one (1)~~ two (2) percent of the total number of dwelling units for rent to households earning not more than Very Low Income; and ~~four (4)~~ two (2) percent of the total number of dwelling units for rent to households earning not more than Low Income. Monthly rents shall not exceed one-twelfth (1/12) of thirty percent (30%) of the applicable maximum annual household income, less a monthly utility allowance, as determined by the City.

2. *Ownership Projects of ~~20~~10-100 Units.* An ownership project consisting of ~~twenty (20)~~ten (10) to one hundred (100) dwelling units shall include affordable units for sale to households earning not more than Low Income in an amount equal to ~~three (3)~~ four (4) percent of the total number of dwelling units, and affordable units for sale to households earning not more than Moderate Income in an amount equal to ~~two (2)~~ three (3) percent of the total number of dwelling units.

3. *Ownership Projects of Over 100 Units.* An ownership project consisting of more than one hundred (100) dwelling units shall include affordable units for sale to households earning not more than Low Income in an amount equal to ~~five (5)~~ six (6) percent of the total number of dwelling units, and affordable units for sale to households earning not more than Moderate Income in an amount equal to ~~three (3)~~ four (4) percent of the total number of dwelling units.

B. *Fractional Units.* The required number of affordable units shall be calculated separately for each income category specified in this section. When application of the percentages set forth above results in a fractional affordable unit, a fraction of one-half (0.50) or greater shall be rounded up to the next whole affordable unit. For a fraction of less than one-half (0.50), the developer may either (1) round up to the next whole affordable unit and provide the additional affordable unit, or (2) pay an in-lieu fee for the fractional unit. The fractional-unit fee shall be calculated by multiplying the fractional unit by the applicable in-lieu fee established by resolution pursuant to Section 16.216.05(B).

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C. *Replacement Units.* If a residential project subject to the affordable housing requirements of Section 16.216.03(A) would result in the elimination of existing deed-restricted affordable dwelling units, such units must be replaced on a one-for-one basis with equally affordable or more affordable deed-restricted units.

Section 16.216.05 In-Lieu Fees.

A. A developer proposing to construct a residential project may pay a fee in lieu of providing some or all of the affordable units required by Section 16.216.04. The option to pay in-lieu fees shall be made in writing at the time the developer submits the application for the residential project.

B. In-lieu fees shall be paid prior to issuance of building permits and shall be deposited into a separate City fund designated for the development of affordable housing. Fees may also be used for administration of City affordable housing programs. The City Council shall establish the amount of such fees by resolution.

Section 16.216.06 Alternatives.

A. The developer may request an alternative means of compliance with this chapter as part of a development application in accordance with the following provisions:

1. *Off-Site Construction.* Affordable units may be constructed on a site or sites not contiguous to the residential project, provided that such site or sites are located within the same census tract as the residential project, at the discretion of the body with review authority over the residential project upon a finding that off-site construction equally or better serves city interests because of factors involving the residential project including, but not limited to, overall project size, density, character and location, accessibility to public transportation, and proximity to retail and service establishments. The approval of off-site construction of affordable units shall be subject to Section 16.216.07(D), and such terms and conditions as may be imposed by the body with review authority.

2. *On-Site Rental Units.* When on-site inclusionary for-sale units are required by this chapter, a developer may instead construct on-site inclusionary rental units. If a developer chooses to construct on-site inclusionary rental units in lieu of on-site inclusionary for-sale units, the requirements for such on-site rental inclusionary units shall be the same as if the residential development were a rental residential development project.

Section 16.216.07 Affordable Unit Standards.

A. *Mix, Size, and Number of Bedrooms.*

1. Affordable units in an ownership project shall be proportional in unit mix including but not limited to the number of bedrooms and unit size as the market rate units. The

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affordable ownership units need not exceed 1,400 square feet and three bedrooms when included in a development of market rate units for ownership that exceed 1,400 square feet and three bedrooms.

2. Affordable units in rental projects shall be proportional in unit mix including but not limited to the number of bedrooms and unit size as the market rate units. The affordable rental units need not exceed 1,000 square feet and three bedrooms when included in a development of market rate rental units that exceed 1,000 square feet and three bedrooms.

B. *Location and Design.* Affordable units shall be dispersed throughout a residential project to the extent feasible and be comparable in construction quality and exterior design to the market rate units. However, interior materials and appliances may differ in quality.

C. *Equal Access.* The affordable units shall have equal access to all on-site amenities available to market rate units.

D. *Timing of Construction.* All affordable units must be constructed and occupied prior to or concurrently with the construction and occupancy of market rate units unless an alternative construction timing schedule has been approved by the body with review authority. Off-site affordable units shall be constructed and occupied in accordance with the timing schedule approved pursuant to Section 16.216.06(A)(1).

E. *Duration of Affordability Requirement.* Affordable units shall be legally restricted to occupancy by households of the income levels for which the units were designated, for a minimum period of 55 years from the date of first occupancy for rental units, and 55 years from the date of first sale for owner-occupied units, unless the requirements of a California law require a shorter period of duration.

Section 16.216.08 Eligibility for Occupancy of Affordable Units.

A. *General Eligibility.* No household may occupy an affordable unit unless the city or its designee has approved the household's eligibility or has failed to make a determination of eligibility in accordance with the applicable affordable ownership and resale restrictions. If the city or its designee maintains a list or identifies eligible households, initial and subsequent occupants shall be selected first from the list of identified households, in compliance with any rules approved by the city.

B. *Occupancy as Principal Residence.* A household who occupies a rental affordable unit or who purchases an affordable unit in an ownership project shall at all times occupy the unit as the household’s principal residence.

Section 16.216.09 Affordable Housing Agreement Requirement.

A. *Affordable Housing Agreement.* Each developer of a residential project providing affordable units pursuant to this chapter, as a condition of approval, shall execute an Affordable Housing Agreement in the form provided by the city. Each Affordable Housing Agreement shall include the following:

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1. A description of the residential project, including whether the affordable units will be rented or owner-occupied;

2. The number, size and location of the affordable units;

3. Provisions and/or documents for resale restrictions, deeds of trust, right of first refusal or rental restrictions;

4. Provisions for monitoring the ongoing affordability of the affordable units, and the process for qualifying prospective resident households for income eligibility;

5. Any additional obligations relevant to the compliance with this chapter; and

6. Provision for the city to recoup costs for implementation and monitoring of the Agreement.

B. *Recording of Agreement.* Each Affordable Housing Agreement shall be recorded against owner-occupied affordable units and the residential projects containing rental affordable units. Additional rental or resale restrictions, deeds of trust, rights of first refusal and/or other documents acceptable to the city shall also be recorded against owner-occupied affordable units. In cases where the requirements of this chapter are satisfied through the development of off-site affordable units, the Affordable Housing Agreement shall simultaneously be recorded against the property where the off-site units are to be developed.

C. *Time of Recordation.* For residential projects for which a parcel or tentative map has been approved, the Affordable Housing Agreement shall be recorded concurrently with the recording of the final map for the residential project. For residential projects not subject to parcel or tentative maps, the Affordable Housing Agreement shall be recorded prior to the issuance of a building permit.

D. *Purchasers of Affordable Units.* Each purchaser of an affordable unit in an ownership project, whether that purchaser bought the affordable unit from the developer or from a previous owner of the affordable unit, shall be required to execute an agreement in the form provided by the city which contains resale restrictions including, but not limited to, restrictions on who may purchase the affordable unit and restrictions on the maximum sales price permitted on resale. The resale restrictions may also allow the city a right of first refusal to purchase the affordable unit. This agreement shall be recorded against the affordable unit as part of the closing documents for the sales transaction.

Section 16.216.10 Affordable Housing Plan Application.

A. *Applications.* Applications for residential projects subject to this chapter shall include an Affordable Housing Plan. The Affordable Housing Plan shall identify the method or combination of methods proposed to satisfy the affordable housing requirements of Section 16.216.04, including the provision of on-site affordable units, payment of in-lieu fees pursuant to Section 16.216.05, off-site construction pursuant to Section 16.216.06(A)(1), or

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another alternative means of compliance authorized by this chapter. The Affordable Housing Plan shall include the following information, as applicable, in addition to information otherwise required under this title.

B. *Required Affordable Housing Plan Information:*

1. The location, structure, proposed occupancy (rental or ownership) and size of the proposed market rate and affordable units, if affordable units are proposed to be provided;

2. The calculations used to determine the number of required affordable units, including the calculations for each applicable income category;

3. A floor plan or site plan depicting the location of the affordable units, if affordable units are proposed to be provided on-site;

4. The income level targets for each affordable unit, if affordable units are proposed to be provided;

5. For phased developments, a phasing plan identifying the timing and method of compliance with the affordable housing requirements;

6. A marketing plan stating how qualified households will be reviewed and selected to either purchase or rent the affordable units, if affordable units are proposed to be provided;

7. If the developer proposes to satisfy any portion of the affordable housing requirements through payment of an in-lieu fee, documentation identifying the number of affordable units for which the fee will be paid and the applicable fee calculation pursuant to Section 16.216.05; and

8. Any other information requested by the Planning and Development Services Director that is reasonably necessary to assist in the evaluation of the Affordable Housing Plan for compliance with the standards of this chapter.

Section 16.216.11 Waiver or Adjustment.

Notwithstanding any other provision in this chapter, the requirements of this chapter shall be waived or adjusted if the developer demonstrates that there is no reasonable relationship between the impact of a proposed residential project and the requirements of this chapter, or that applying the requirements of this chapter would take property in violation of the United States or California Constitutions. To receive a waiver or an adjustment, the developer must include all relevant information in support of the waiver or adjustment at the time the developer submits its application for the residential project. The developer shall also present all arguments in support of the waiver or adjustment before the city body with review authority over the residential project.

SECTION 2. CEQA.

Based on the Record described above, and all matters deemed material and relevant before adoption of this Ordinance, the City Council hereby finds and determines that adoption of the

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proposed Inclusionary Housing Ordinance is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines Section 15061(b)(3), the common-sense exemption. The proposed Ordinance establishes affordability requirements and alternative means of compliance for residential development otherwise authorized under the City's General Plan, specific plans, and Zoning Code. It does not change any land-use designation or zoning district, increase allowable residential density or development intensity, modify the physical development envelope, authorize construction, or approve any particular development project. The requirements affect the affordability and occupancy of units within future residential development but do not alter the amount, location, or physical form of development otherwise permitted by applicable land-use regulations. The authorization and collection of an in-lieu fee would not commit the City to construct, fund, or approve any particular housing project. Future residential developments and any future projects funded with in-lieu fee revenue will remain subject to CEQA as applicable. For these reasons, there is no reasonable possibility that adoption of the proposed Ordinance will have a significant effect on the environment. This determination reflects the City's independent judgment and analysis.

SECTION 3. Severability.

If any section, subsection, sentence, clause, phrase or word of this Ordinance is for any reason held to be invalid by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed and adopted this Ordinance, and each and all provisions hereof, irrespective of the fact one or more provisions may be declared invalid.

SECTION 4. Effective Date.

This Ordinance shall take effect and be in full force and effect from and after one hundred and eighty (180) days after its final passage.

PASSED and ADOPTED by the City Council of the City of Vallejo at a regular meeting held on the ___day of _____, 2026.

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