The Inclusionary Ordinance & Housing Trust Fund Charter Reform

What's in the package

Mayor Lurie and Supervisor Melgar announced a coordinated housing package on May 19, 2026. Two pieces have been formally introduced:

01 The inclusionary and impact fee ordinance

Lowers the on-site affordable housing requirement to 5% for all rental and condominium projects with 25 units or more. Developers can alternatively pay an in-lieu fee, dedicate land, or provide off-site affordable units equivalent to 10% of the project's total units. The legislation deepens the existing impact fee discount from 33% to 67%.

Co-sponsors: Lurie; Melgar, Dorsey, Sherrill, Sauter.

02 A Charter amendment for the Housing Trust Fund

Raises the annual cap on appropriations to the Fund up to $125 million and extends the Fund's sunset date to July 1, 2058. Funded by allocating a portion of future property tax growth. Goes to voters on November 3, 2026.

Co-sponsors: Melgar; Walton, Sauter, Sherrill, Dorsey, Wong, Mahmood.

Where the numbers came from

5%

The 5% rate comes from the Inclusionary Housing Technical Advisory Committee (TAC) — an 8-member city body that analyzes housing project finances and advises the Controller on inclusionary rate effects.

What is the inclusionary requirement?

Under San Francisco Planning Code, every market-rate housing project must either include a percentage of below-market affordable units on-site, or pay an equivalent in-lieu fee the city uses to fund affordable housing elsewhere. San Francisco's baseline rate today is 15%. The new ordinance would lower it to 5% on-site (with a 10%-15% equivalent for the alternatives).

The Controller's April 2026 report was direct:

No level of inclusionary requirement for rental housing is financially feasible under current economic conditions. To maintain affordable-housing policy goals, the TAC recommended setting the rate at 5% only if paired with new sources of sustainable affordable-housing funding. If no long-term affordable housing funding measure qualified for the November 2026 ballot, the TAC recommended 10%. The Charter amendment is the "alternative funding source" the TAC called for.

Why it matters

Feasibility gap of $80K to $308K per unit

The Budget and Legislative Analyst's May 2026 prototype analysis estimates that San Francisco's typical residential project faces a feasibility gap of **$80,000 to $308,000 per unit**, depending on project type and location.

15% rate accounts for $40K to $92K per unit

Across the modeled prototypes, the inclusionary requirement at its current 15% rate accounts for **$40,000 to $92,000 per unit** of that gap.

Construction costs have risen 53.5%

Construction costs have risen 53.5% since January 2019 while rents have stayed flat.

SF has the lowest building permits rate

The result: in 2024, San Francisco issued **127 housing units per 100,000 residents** in building permits — the lowest rate among California's 10 largest cities.

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