

# Memorandum

**To: The Honorable Mayor and Members of City Council**

**From: D. Todd Philips**  
**Director, Policy & and Public Affairs at the San Diego Housing Commission**

**Date: June 18, 2008**

**Subject: Determination of the Inclusionary In-Lieu Fee for 2008-2009**

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On May 20, 2003 the San Diego City Council adopted an inclusionary housing program for the City of San Diego which went into effect citywide on July 3, 2003. Two main tenets of the Inclusionary Housing Ordinance are:

- 10 % of all units in a residential development are to be set-aside at 65% AMI for rental units and at 100% AMI for for-sale units. At the developer's discretion, inclusionary units could be constructed on the original development site or off the site within the same community planning area as the original site.
- As an alternative to constructing the affordable housing units, a developer can choose to pay an in-lieu fee.

As part of the implementation of the ordinance, the in-lieu fee was to be phased in over a three year period to allow for the residential development market to adjust to the new fee/construction requirement. In year four, the fee shifted to the formulaic calculation. Below you will find the history of the phased in in-lieu fee.

Currently, the fee is \$6.31 per sq. ft. and is scheduled to be adjusted again on July 3, 2008 according to a formula that takes into consideration the median priced home in San Diego and the home price that a median-income family of four is able to afford.

The San Diego Housing Commission is charged with the task of adjusting the in-lieu fee each year and has determined what the fee rate will be for the year beginning on July 3, 2008. By following the formulaic calculation we have determined that the fee for 10 or more units will be **\$5.01/SF**. For projects of less than 10 units, the fee will be **\$3.16/SF**.

## HISTORY OF THE IN LIEU FEE AMOUNT

	For Developments of 10 or More Units
July 3, 2003 – July 2, 2004	\$1.00/SF
July 3, 2004 – July 2, 2005	\$1.75/SF
July 3, 2005 – July 2, 2006	\$2.50/SF
July 3, 2006 – July 2, 2007	\$7.31/SF
July 3, 2007 – July 2, 2008	\$6.31/SF
July 3, 2008 – July 2, 2009	\$5.01/SF
	For 10 Fewer Units
July 3, 2003 – July 2, 2004	\$0.50/SF
July 3, 2004 – July 2, 2005	\$0.875/SF
July 3, 2005 – July 2, 2006	\$1.25/SF
July 3, 2006 – July 2, 2007	\$3.66/SF
July 3, 2007 – July 2, 2008	\$3.16/SF
July 3, 2008 – July 2, 2009	\$2.50/SF