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26 *pro hac vice application forthcoming

27 **UNITED STATES DISTRICT COURT**
28 **CENTRAL DISTRICT OF CALIFORNIA**
WESTERN DIVISION

29 JOHN RUDA, SHAHRIAR
30 ZARNEGAR, JORDAN KNAUER,
31 and 3160 JOHNSON, LLC,

32 Plaintiffs,

33 v.

34 CITY OF SAN LUIS OBISPO,

35 Defendant.

No. 2:26-cv-02283

COMPLAINT

INTRODUCTION

1
2 1. Plaintiffs John Ruda, Shahriar “Rami” Zarnegar, and Jordan
3 Knauer are three family friends who have known each other for decades.
4 John is a chiropractor by trade, Rami an ophthalmologist, and Jordan a
5 real estate agent. Despite their disparate professional interests, the three
6 friends recently discovered an opportunity to work together to do well for
7 themselves by doing good for their community.

8 2. The three formed an LLC to purchase property at 3160
9 Johnson Avenue, which contained a run-down uninhabitable home. They
10 proceeded to subdivide the lot and create four new single-family
11 dwellings, each with an attached accessory dwelling unit (ADU). Thanks
12 to these efforts, San Luis Obispo will now have eight new habitable
13 housing units where before there had been none.

14 3. California faces a severe housing crisis, “falling far short of
15 meeting current and future housing demand.” Cal. Gov’t Code § 66310(e)–
16 (f). Yet rather than embrace the efforts and can-do attitude of Plaintiffs,
17 the City of San Luis Obispo (City) makes their work more difficult—and
18 much more costly—by inverting a fundamental law of economics: more
19 supply means lower prices. Turning that axiom on its head, the City
20 reached the remarkable conclusion that its housing shortage is caused by
21 building more homes.

22 4. Thus, it refuses to issue development permits until
23 homebuilders like Plaintiffs—the very people working to resolve housing
24 affordability issues by adding much-needed supply—either pay a fee into
25 the City’s affordable housing fund or set aside a certain percentage of
26 units to be offered at economically infeasible rates. Under the City’s
27 Inclusionary Housing Policy (IH Policy), the City demanded that
28 Plaintiffs pay nearly \$100,000 into the City’s housing fund or sell one of

1 the units at a little over half the cost of construction to the City's chosen
2 buyers. It conditioned the Plaintiffs' building permits on these exactions.

3 5. As a matter of logic, the City cannot make housing more
4 affordable by making it more expensive. As a matter of law, it cannot
5 abuse its land-use permitting authority to take money or property from
6 applicants in order to address problems that those applicants do not
7 create. Under Supreme Court precedents in *Nollan v. California Coastal*
8 *Commission*, 483 U.S. 825 (1987), *Dolan v. City of Tigard*, 512 U.S. 374
9 (1994), *Koontz v. St. Johns River Water Management District*, 570 U.S.
10 595 (2013), and *Sheetz v. County of El Dorado*, 601 U.S. 267 (2024), the
11 City cannot force land-use permit applicants to give up money or other
12 property as a condition of granting a permit unless the money or property
13 demanded is designed to mitigate some public problem that the applied-
14 for development would create.

15 6. This Complaint challenges the City's IH Policy, codified at San
16 Luis Obispo Municipal Code (SLO Mun. Code) tit. 17, art. 8, ch. 17.138.
17 Plaintiffs seek a declaration that the requirements of the IH Policy
18 represent unconstitutional conditions both facially and as applied. They
19 further seek a refund of the \$98,900 in fees that they were forced to pay
20 under the policy; an injunction prohibiting the City from imposing
21 exactions under the Policy on developments done by Plaintiffs in the
22 future; and an award of attorney fees and costs incurred in this action.
23 Accordingly, Plaintiffs allege as follows:

24 **JURISDICTION**

25 7. This suit is filed pursuant to 42 U.S.C. § 1331 (federal
26 questions) as it arises under the Constitution and laws of the United
27 States, and pursuant to 28 U.S.C. § 1343(a)(4) (civil rights) as it seeks
28 redress of civil rights violations under 42 U.S.C. § 1983.

1 8. This suit also seeks a declaration of rights under the
2 Declaratory Judgment Act, 28 U.S.C. § 2201.

3 9. Property owners may bring a Fifth Amendment claim in
4 federal court under 42 U.S.C. § 1983 as soon as the government takes
5 property without compensation. *Knick v. Twp. of Scott*, 588 U.S. 180, 202
6 (2019).

7 **VENUE**

8 10. The property that is the subject of this action is located—and
9 the civil rights violations alleged herein took place—in San Luis Obispo,
10 California. Therefore, venue is proper in this judicial district.

11 **PARTIES**

12 11. Plaintiffs John Ruda, Shahriar “Rami” Zarnegar, and Jordan
13 Knauer are all individual citizens of the United States who are domiciled
14 and reside in California. As the owners of 3160 Johnson, LLC, they are
15 subject to the City’s IH Policy.

16 12. Plaintiff 3160 Johnson, LLC is a Limited Liability Company
17 incorporated in the State of California. Its principal address is 1317
18 Chorro Street, San Luis Obispo, CA 93401, and its principal agent is
19 Jordan Knauer.

20 13. Defendant City of San Luis Obispo is a political subdivision of
21 the State of California, the local governing authority in San Luis Obispo,
22 and the party who promulgates and enforces the unconstitutional policies,
23 customs, and practices alleged herein.

24 **LEGAL BACKGROUND**

25 **The Takings Clause and Land Use Permit Exactions**

26 14. Under the Takings Clause of the Fifth Amendment to the
27 United States Constitution, no government agency may take private
28 property for a public use without paying just compensation. U.S. Const.

1 amends. V (Takings Clause), XIV (applying Takings Clause to state and
2 local governments). As a corollary to this rule, a government agency
3 imposing a land-use permit condition that requires the dedication of
4 private property, including money, “must make some sort of
5 individualized determination that the required dedication is related both
6 in nature and extent to the impact of the proposed development.” *Dolan*,
7 512 U.S. at 391; see *Koontz*, 570 U.S. at 595 (holding that monetary
8 exactions are subject to the same requirement). Specifically, the agency
9 must carry the burden of showing that the exaction bears an “essential
10 nexus” and “rough proportionality” to the public impacts of the proposed
11 project, lest the exaction be nothing more than an “out-and-out plan of
12 extortion.” *Nollan*, 483 U.S. at 837; *Dolan*, 512 U.S. at 387.

13 **San Luis Obispo’s Inclusionary Housing Policy**

14 15. The City’s IH Policy sets out a program of development fees,
15 exactions, and other regulations imposed on new development. A true and
16 correct copy of Chapter 17.138 of the San Luis Obispo Municipal Code is
17 attached hereto as **Exhibit A**. This copy was downloaded on January 6,
18 2026, from <https://tinyurl.com/2hs7ce73>, which is linked to the City’s
19 official website at <https://tinyurl.com/ybjbnedh> (last accessed Feb. 17,
20 2026).

21 16. The policy applies to all residential development with limited
22 exception. SLO Mun. Code §§ 17.138.040(A), .030(O). Each such project
23 must either construct a certain number of “inclusionary units” (IUs) in
24 proportion to the total number of units in the development, or else pay an
25 in-lieu fee. *Id.* § 17.138.040(A).

26 17. An inclusionary unit is a unit which is set aside to be offered
27 at below-market rates, either for rent or for sale, and which may only be
28

1 rented, purchased, or occupied by qualifying households as determined by
2 the City. *Id.* § 17.138.090(A)–(B).

3 18. The IH Policy’s requirements differ slightly depending on
4 whether units are “ownership dwelling Units” or “rental dwelling units.”
5 Neither term is defined. On information and belief, they refer to whether
6 the developer intends to sell the units or to maintain ownership and rent
7 them to tenants.

8 19. For example, development projects proposing ownership units
9 must set a larger portion of total units as IUs than projects proposing only
10 rental units. *Id.* § 17.138.040(B)(1)–(2).

11 20. IUs are subject to several standards. For example, they must
12 be: dispersed throughout the development; consistent with design of
13 market rate units in the development; no less than seventy-five percent
14 of the floor area of the average size of market rate units in the
15 development; and constructed concurrently with market rate units. *Id.*
16 § 17.138.050(A).

17 21. In lieu of providing IUs, developers may instead elect to pay a
18 fee to the City. The fee rate is established by city council resolution, and
19 fees are deposited into an “affordable housing fund” used to subsidize
20 affordable housing “at the discretion of the [City] council.” *Id.*
21 § 17.138.060.

22 22. Project applicants are required to submit an “inclusionary
23 housing plan” prior to approval describing the measures which the
24 applicant will take to satisfy the IH Policy. *Id.* § 17.138.070.

25 23. Applicants who satisfy the ordinance by providing IUs must
26 also complete and sign an “affordable housing agreement.” The
27 “agreement” must be in the form provided by the City, and must be
28 recorded as a deed restriction on the lots subject to affordability

1 requirements. The deed restriction runs with the land and is binding on
2 all future owners and successors in interest. Per the IH Policy, the
3 agreement lasts for the “longest period allowed or required by state law,
4 but not less than forty-five years for ownership and fifty-five years for
5 rental.” *Id.* § 17.138.080(B).

6 24. IUs may only be rented, purchased, or occupied by households
7 who meet the income level associated with the IU. For-sale IUs must be
8 owner-occupied for the entire term of the affordable housing agreement.
9 *Id.* § 17.138.090.

10 25. If the purchaser of an IU later experiences an increase in
11 income and rises above the extremely low, very low, low, or moderate
12 income categories, that purchaser would no longer be eligible to occupy
13 the home. SLO Mun. Code § 17.138.090(A).

14 26. The City must screen prospective renters or buyers of
15 affordable units. Occupants are selected by a public process; private
16 selection of individuals by project owners is not permitted. *Id.*
17 § 17.138.090.

18 **The Commercial Linkage Fee and the Fee Schedules**

19 27. A separate policy, codified at Chapter 4.60 of the SLO Mun.
20 Code, sets out a program of “commercial linkage fees.”

21 28. The commercial linkage fee policy is not challenged here.
22 However, it is useful as context in understanding the City’s inclusionary
23 housing program generally.

24 29. For example, both policies are referenced and described on the
25 “Inclusionary Housing Requirements” page hosted on the City’s official
26 website, at <https://tinyurl.com/ysafhzed> (last accessed Feb. 17, 2026).

27 30. By necessity, commercial development cannot satisfy
28 inclusionary housing requirements by the dedication of IUs. Rather, all

1 new construction commercial development projects—with limited
2 exceptions including the City’s own construction projects—must pay a
3 “linkage fee” at rates to be set by City Council resolution.

4 31. For the 2025–2026 fiscal year, the City Council has set the
5 current in-lieu fee rates for residential development under the IH Policy
6 at \$26.73 per square foot of habitable space on for-sale projects and \$21.42
7 per square foot of habitable space on for-rent projects. The 2025–2026 fee
8 schedule is available from the City’s official website at
9 <https://tinyurl.com/b9dr4sme> (last accessed Feb. 17, 2026). Inclusionary
10 Housing In-Lieu Fees are listed at items 43–46 of the schedule.

11 32. For the same period, the City Council has set the commercial
12 linkage fee at \$6.42 per square foot for office, service, hotel, and retail
13 uses, and \$5.35 per square foot for industrial and institutional uses.

14 33. These fees are updated annually on July 1st.

15 **Justifications for the IH Policy**

16 34. By its own terms, the IH Policy’s purpose is threefold. First, it
17 seeks “to promote the public welfare by increasing the production and
18 availability of affordable housing units.” Second, it seeks to “establish an
19 inclusionary housing requirement which implements general plan
20 policies guiding land use and housing development.” Third, it seeks “to
21 ensure that affordable housing units established pursuant to the [IH
22 Policy] are located in a manner that provides for their integration with
23 market rate units.” SLO Mun. Code § 17.138.010.

24 35. The “Inclusionary Housing Requirements” page on the City’s
25 official website notes that inclusionary housing requirements are “[o]ne
26 of the tools to increase the supply of affordable housing in SLO!” The page
27 is available at <https://tinyurl.com/bdfbpacj> (last accessed Feb. 17, 2026).

28

1 36. According to a City Council Agenda Report dated August 16,
2 2022, and relating to the adoption of the most recent version of the IH
3 Policy, Ordinance No. 1719, the IH Policy is necessary to “help achieve
4 quantified objectives related to affordable housing.” The report is linked
5 to the City’s official website and is available at
6 <https://tinyurl.com/29rvhw67> (last accessed Feb. 17, 2026).

7 37. According to a 2020 Nexus Study commissioned by the City
8 and performed by the consulting firm David Paul Rosen & Associates, “the
9 basis for the [in-lieu] fee is that [new residential and non-residential]
10 development has a deleterious impact by increasing employment, which
11 also increases the demand for housing for the added employees. Since the
12 private for-profit housing market, with no public assistance, has not
13 demonstrated the ability to meet the housing needs of lower-earning
14 employees, a nexus fee is justified to help create that housing.” City of
15 San Luis Obispo, *Affordable Housing Nexus Study*, 1 (Feb. 12, 2020)
16 (prepared by David Paul Rosen & Associates),
17 <https://tinyurl.com/4b222ptp>.

18 38. The Nexus Study notes that non-residential development,
19 “such as retail/services, office and industrial uses,” have a “direct
20 employment impact,” while residential development has only “an indirect
21 impact on employment, as household expenditures on goods and services
22 are linked to the employment necessary to produce those goods and
23 services.” *Id.*

24 39. The Nexus Study’s nexus analysis begins by estimating the
25 sale or rental price of a “prototypical residential subdivision or apartment
26 complex and moves through a series of linkages to the incomes of the
27 households that purchase or rent the units, the annual expenditures of
28 those households on goods and services, the jobs associated with the

1 delivery of these goods and services, the income of the workers performing
2 those jobs, the household income of those worker households, and finally
3 to the affordability level of the housing needed by those worker
4 households.” *Id.* at 5. It thereby purports to determine the extent to which
5 new development creates unmet demand for affordable housing.

6 40. The City also commissioned a Feasibility Analysis, completed
7 in February 2022, which considered that the maximum “allowable” fees
8 calculated by the Nexus Study would render most, if not all, development
9 financially infeasible. City of San Luis Obispo, *Recommendations for San*
10 *Luis Obispo’s Proposed Affordable Housing Fees Inclusionary*
11 *Requirements, In-lieu Fees and Commercial Linkage Fees; EPS #191142,*
12 1 (Feb. 2, 2022) (prepared by Economic & Planning Systems, Inc.),
13 <https://tinyurl.com/2jenja3j>.

14 41. The Feasibility Analysis assumes that a fifteen percent profit
15 margin is required for a development project to be financially feasible. It
16 recommends that the IH Policy impose requirements that are less onerous
17 than the Nexus Study purports to justify in order to ensure that
18 development does not become infeasible. In particular, it recommended
19 that ten percent of for-sale and six percent of for-rent units be set aside
20 as IUs, or else that developers pay an in-lieu fee of \$25 per square foot on
21 for-sale residential projects or \$20 per square foot on for-rent residential
22 projects.

23 **FACTUAL ALLEGATIONS**

24 42. John Ruda and Rami Zarnegar have been close friends for
25 decades. Jordan Knauer is the son of another of their longtime friends.

26 43. In 2023, Mr. Knauer, who works as a real estate agent,
27 approached Mr. Ruda and Mr. Zarnegar with an exciting opportunity.
28

1 44. The lot at 3160 Johnson Avenue in San Luis Obispo contained
2 a decrepit house in uninhabitable condition.

3 45. The three friends would form an LLC and purchase the lot.
4 Then, utilizing local policies which comport with statewide initiatives
5 such as SB9's lot split mechanism and the state's ADU law, they would
6 subdivide the property into four separate lots and construct a single-
7 family residence plus an ADU on each lot.

8 46. In doing so, they would create eight new, habitable residences
9 where none previously existed.

10 47. At first, the process went smoothly. They formed 3160
11 Johnson, LLC, acquired a deed to the lot, and proceeded with their
12 subdivision plans with little trouble.

13 48. When it came time to apply for permits to construct the new
14 residences, however, they faced a troubling obstacle: the City's IH Policy.

15 49. Under the IH Policy, the City informed them that they would
16 either have to set aside one of the four primary units as an IU to be deed-
17 restricted at below-market prices, or else pay in-lieu fees totaling \$98,900.

18 50. To satisfy the IU route, the restricted unit would have to be
19 limited to a sale price of \$450,000.

20 51. Each unit, including its corresponding ADU, cost
21 approximately \$1,325,000 to construct.

22 52. It is not clear how the price restriction component of the IU
23 option would be implemented on a primary unit that includes an attached
24 ADU, given that ADUs may not ordinarily be sold separately from
25 primary units. *See* Cal. Gov't Code § 66314(d)(1); SLO Mun. Code
26 § 17.86.020(B)(2)(b) (prohibiting subdivision to separate primary unit
27 from ADU).
28

1 53. On information and belief, the \$450,000 price restriction
2 would apply to the entire parcel consisting of both a primary unit and an
3 attached ADU.

4 54. In short, the IU route would require Plaintiffs to take a loss of
5 nearly a million dollars, in addition to eliminating their ability to freely
6 alienate the property by choosing their own sale price and selecting their
7 own buyers.

8 55. Plaintiffs protested the imposition of both conditions verbally
9 to City staff, who did not relent.

10 56. In September of 2024, Plaintiffs opted to pay the in-lieu fees
11 and proceed with construction. A true and correct copy of the receipt
12 reflecting payment of the fees is attached hereto as **Exhibit B**.

13 57. In August 2025, Plaintiffs heard of new developments in the
14 law, such as *Sheetz v. County of El Dorado*, 601 U.S. 267 (2024). They also
15 heard that the City of Healdsburg, California, had recently settled a case
16 alleging that a policy similar to the IH Policy violated the Constitution.

17 58. Plaintiffs therefore contacted City officials seeking a refund,
18 pointing out that their project—which adds to the City’s housing supply—
19 does not negatively impact affordable housing.

20 59. On August 21, 2025, Director of Community Development
21 Timothea Tway responded that “[t]he City has reviewed the project and
22 the authority [Plaintiffs] have cited and finds that the fee was properly
23 administered in accordance with our codes and policies and declines to
24 issue a refund.” A true and correct copy of this email correspondence is
25 attached hereto as **Exhibit C**.

26 60. The City presented Plaintiffs with two bad choices: give up
27 their property rights by acquiescing to a deed-restricted IU, or pay nearly
28 \$100,000. Of course, there was an unspoken third option: don’t build at

1 all. But the government may not constitutionally force a person to choose
2 between a building permit and the Fifth Amendment right to just
3 compensation for property taken.

4 **CLAIMS FOR RELIEF**

5 **Unconstitutional Exaction**

6 **42 U.S.C. § 1983, 28 U.S.C. § 2201**

7 **Facial and As-Applied**

8 61. All preceding allegations of this Complaint are incorporated
9 by reference in this section as though fully set forth herein.

10 62. The Civil Rights Act of 1871, 42 U.S.C. § 1983, provides that a
11 person “shall be liable to the party injured” when, acting under the
12 authority of a statute or ordinance, he or she deprives an individual of a
13 right secured by the U.S. Constitution.

14 63. The City is a “person” within the meaning of that term in 42
15 U.S.C. § 1983.

16 64. The City acted under color of the IH Policy when it conditioned
17 permit approval for Plaintiffs’ project on a requirement that they either
18 set aside one of the units as an IU or else pay an in-lieu fee.

19 65. The City has an established policy or custom of applying the
20 IH Policy to exact property interests for the purpose of promoting
21 affordable housing from permit applicants seeking to create housing
22 units.

23 66. Plaintiffs are all citizens of the United States and/or persons
24 within the jurisdiction thereof within the meaning of those terms in 42
25 U.S.C. § 1983.

26 67. Plaintiffs all possess rights, privileges, and immunities
27 secured by the Constitution and laws of the United States, including, but
28 not limited to:

1 a. The right, privilege, or immunity to build on their own
2 property, even if subject to the City's legitimate permitting
3 requirements. *Nollan*, 483 U.S. at 834 n.3.

4 b. The right, privilege, or immunity to sell one's property to
5 the person of one's choosing and at a price of one's choosing. *See*
6 *Buchanan v. Warley*, 245 U.S. 60, 80–82 (1917); *Old Dearborn*
7 *Distrib. Co. v. Seagram Distillers Corp.*, 299 U.S. 183, 191–92
8 (1936).

9 c. The right, privilege, or immunity not to have their
10 private property taken by the City for public use without just
11 compensation. U.S. Const. amends. V, XIV.

12 d. The right, privilege, or immunity to be free of
13 deprivations of their property by the City without due process of law.
14 U.S. Const. amend. XIV.

15 e. The right, privilege, or immunity not to be forced by the
16 City to forgo one constitutional right in order to enjoy another.

17 f. The right, privilege, or immunity not to comply with the
18 IH Policy unless and until the City makes some sort of
19 individualized determination that the required dedication is related
20 both in nature and extent to the impact of their proposed
21 development. *Dolan*, 512 U.S. at 391.

22 68. The doctrine of unconstitutional conditions, as set out by
23 *Nollan*, *Dolan*, *Koontz*, and *Sheetz*, is a federal doctrine designed to
24 enforce the primacy of the Fifth and Fourteenth Amendments to the U.S.
25 Constitution against state and local governments in the land-use
26 permitting context. As such, a violation of the doctrine of unconstitutional
27 conditions is actionable under 42 U.S.C. § 1983.
28

1 69. The City imposed unconstitutional conditions on Plaintiffs’
2 development project, and it routinely imposes unconstitutional conditions
3 on residential development by others under the IH Policy.

4 70. The IH Policy’s in-lieu fee option demands property in the form
5 of money linked to a specific, identifiable property interest—*i.e.*, the
6 specific parcel(s) of real property for which development permits are
7 sought.

8 71. The IH Policy’s IU option demands property in the form of
9 dedications of several protected property interests, including (1) a
10 financial interest in the affected unit; (2) the right of free alienation;
11 (3) the right to exclude; (4) the right to sell or rent property at a fair
12 market price; and (5) a servitude in the form of a perpetual deed
13 restriction or restrictive covenant.

14 72. Moreover, the demand that a unit which cost \$1,325,000 to
15 construct be restricted to a sale price of only \$450,000 denies Plaintiffs a
16 fair and reasonable return on their property and is confiscatory.

17 73. Under the Doctrine of Unconstitutional Conditions, the
18 government may demand property or money as a condition of approving
19 a land-use permit only if:

20 a. The property is needed to directly mitigate a public
21 impact that would be directly caused by the development (the
22 “essential nexus” test); and

23 b. The amount of property is roughly proportionate in
24 magnitude to the public impact(s) of the development (the “rough
25 proportionality” test).

26 74. Both the essential nexus test and the rough proportionality
27 test require heightened constitutional scrutiny.
28

1 75. To meet its burden under these tests, the government must
2 make “some sort of individualized determination that the required
3 dedication is related both in nature and extent to the impact of the
4 proposed development.” *Dolan*, 512 U.S. at 391.

5 76. The IH Policy fails these constitutional standards with respect
6 to residential development, both facially and as applied, because new
7 residential development, including Plaintiffs’ project at issue in this suit:

8 a. Neither creates nor contributes to the need for affordable
9 housing;

10 b. Does not cause anybody to be unable to afford housing;
11 and

12 c. Alleviates housing affordability problems by creating
13 new housing.

14 77. Because new residential development categorically does not
15 have a negative public impact on housing affordability, there is no set of
16 circumstances in which the IH Policy could satisfy *Nolan* and *Dolan*.

17 78. Although the IH Policy is supported by a Nexus Study, that
18 Nexus Study is insufficient to justify the policy for several reasons.

19 a. It fails to account for the downward pressure that new
20 supply puts on pricing;

21 b. It fails to account for the “filtering” effect of new housing
22 supply, by which existing units are freed up by new units, and by
23 which new units become more affordable over time;

24 c. It fails to establish the causal relationship between new
25 residential development and increased workforce housing demands
26 on which it relies; and

27 d. It cannot explain why new commercial and industrial
28 development is subject to lower fees than new residential

1 development, despite the fact that commercial and industrial
2 development is more directly related to increased workforce housing
3 demands.

4 79. Plaintiffs did not have, and the City did not provide, any other
5 lawful alternative to the conditions imposed by the IH Policy.

6 80. Legal remedies, such as monetary damages, are inadequate
7 and insufficient to restore Plaintiffs' constitutional right to be free from
8 the challenged conditions.

9 81. Plaintiffs are entitled to equitable relief as allowed by 42
10 U.S.C. § 1983, and they are additionally entitled to declaratory relief
11 under 28 U.S.C. § 2201.

12 **RELIEF SOUGHT**

13 WHEREFORE, Plaintiffs respectfully request that this Court grant
14 the following relief:

15 A. A judgment that the Inclusionary Housing Policy violates the
16 doctrine of unconstitutional conditions both facially and as applied to
17 Plaintiffs; and that Plaintiffs suffered a violation of their civil rights when
18 the City conditioned approval of their projects on forfeiture of their right
19 to just compensation for property taken;

20 B. Equitable relief in the form of an injunction prohibiting the
21 City from enforcing the Inclusionary Housing Policy against Plaintiffs,
22 and an Order directing the City to refund the fees paid under the Policy
23 with interest;

24 C. An award of reasonable attorneys' fees for bringing and
25 maintaining this action under 42 U.S.C. § 1988;

26 D. An award of costs of suit pursuant to Fed. R. Civ. P. 54(d); and

27 E. Any other relief that the Court deems just and proper under
28 the circumstances.

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DATED: March 4, 2026.

Respectfully submitted,

DAVID DEERSON
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By: /s/ DAVID DEERSON
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*pro hac vice application forthcoming

Exhibit A

Chapter 17.138

INCLUSIONARY HOUSING REQUIREMENTS

Sections:

- 17.138.010 Purpose.**
- 17.138.020 Applicability and exclusions.**
- 17.138.030 Definitions.**
- 17.138.040 Inclusionary housing requirements.**
- 17.138.050 Standards for inclusionary units.**
- 17.138.060 In-lieu housing fee.**
- 17.138.070 Inclusionary housing plan.**
- 17.138.080 Procedures.**
- 17.138.090 Eligibility requirements.**
- 17.138.100 Shared equity purchase program.**
- 17.138.110 Administration, management, and monitoring.**
- 17.138.120 Enforcement.**

17.138.010 Purpose.

The purpose and intent of this chapter are: (A) to promote the public welfare by increasing the production and availability of affordable housing units; (B) to establish an inclusionary housing requirement which implements general plan policies guiding land use and housing development; and (C) to ensure that affordable housing units established pursuant to the provisions of this chapter are located in a manner that provides for their integration with market rate units. (Ord. 1719 § 3, 2022)

17.138.020 Applicability and exclusions.

A. This chapter shall apply to all residential development projects. Residential projects that have been deemed complete in the planning entitlement process or have submitted a complete building permit application the time the replacement ordinance goes into effect, are subject to the prior inclusionary housing ordinance. The following types of residential projects are exempt:

1. Residential additions, repairs, or remodels; provided, that such work does not increase the number of existing dwellings;
2. The addition or inclusion of accessory dwelling units (ADUs) or junior accessory dwelling units (JADUs) associated with an existing or proposed residential or mixed-use development;

3. Affordable housing projects in which one hundred percent of the dwellings to be built will be sold or rented in conformance with the city's affordable housing standards (excluding any on-site manager unit);
4. Housing projects that include a density bonus;
5. Emergency projects or projects which the council determines are necessary to protect public health and safety;
6. Development projects which the director determines are essentially noncommercial or nonresidential in nature, which provide educational, social, or related services to the community and which are proposed by public agencies, nonprofit agencies, foundations, and other similar organizations;
7. Projects which replace or restore a structure damaged or destroyed by fire, flood, earthquake, or other disaster within three years prior to the application for the new structure(s) (see Chapter [17.92](#), Nonconforming Structures);
8. Residential units that qualify under the downtown flexible density program (see Chapter [17.141](#)). (Ord. 1726 § 6, 2023; Ord. 1719 § 3, 2022)

17.138.030 Definitions.

For the purposes of this chapter, the following words and phrases shall have the meaning set forth below. For all other definitions, the provisions of Article [9](#) (Definitions) of this title shall apply.

- A. "Administrator" means below market rate program administrator which may either be the city itself or a third-party administrator acting as an agent for the city in connection with all aspects of the operation of the city's below market rate program pursuant to an agreement entered into between the city and the administrator, as such agreement may be amended or replaced from time to time.
- B. "Affordable" means housing which can be purchased or rented by a household with very low-, low-, or moderate-income, as described in the city's affordable housing standards.
- C. "Below market rate (BMR)" means that the affordability level of an inclusionary unit is below the cost of what a current market rate unit would be and is affordable to extremely low-, very low-, low-, or moderate-income households.
- D. "Borrower" shall be defined as one who meets the eligibility requirements for purchasing an inclusionary affordable unit.
- E. "Commercial linkage fee" means the fee paid by the applicant of commercial development projects to mitigate the impacts that such developments have on the demand for affordable housing in the city (see Chapter [4.60](#)).

- F. "Density bonus" means a density increase over the maximum density otherwise allowable under the zoning regulations, Chapter [17.140](#).
- G. "Early resale" shall mean the sale, lease, or transfer of property within seven years of the initial close of escrow for equity share inclusionary units.
- H. "Equity share" shall mean the shared equity of appreciation between the city and the borrower on inclusionary units when agreements specifically allow for affordable units to be sold at market rate after a seven-year period.
- I. "Fee schedule" means fees that for-sale and for-rent units are subject to and are paid to either the city or the administrator for associated costs related to but not limited to eligibility screening, income verification, marketing of affordable units, and the close of escrow or completion of new lease agreements for affordable units.
- J. "Inclusionary housing unit" means a dwelling unit required under the provisions of this chapter, and which meets the city's affordable housing standards.
- K. "Low-" or "lower-income households" shall have the meaning set forth in Health and Safety Code Section [50079.5](#); provided the income of such persons and families shall not exceed eighty percent of the median income within the city as published and periodically updated by the State Department of Housing and Community Development.
- L. "Market rate" shall mean the highest price a willing buyer would pay and a willing seller would accept, both being fully informed and in an open market, as determined by an appraiser.
- M. "Moderate-income households" shall have the meaning set forth in Health and Safety Code Section [50079.5](#); provided the income of such persons and families exceed eighty percent but are less than or equal to one hundred twenty percent of the median income within the city as published and periodically updated by the State Department of Housing and Community Development.
- N. "Commercial development project" shall mean development projects which result in the construction or conversion of structures for the purpose of conducting business, including but not limited to retail sales, restaurants, offices, gas stations, manufacturing, etc.
- O. "Residential development project" shall mean development projects which result in the construction or conversion of structures, including, but not limited to, single-unit attached or detached homes, apartments, condominiums, live/work units, mixed-use, mobile homes, transitional housing or supportive housing, and group housing.
- P. "Very low-income" shall have the meaning set forth in Health and Safety Code Section [50079.5](#); provided the income of such persons and families shall not exceed fifty percent of the median income within the city as published and periodically updated by the State Department of Housing and Community Development. (Ord. 1719 § 3, 2022)

17.138.040 Inclusionary housing requirements.

A. *General Requirements.* All nonexempt residential development projects shall include inclusionary units as required by this chapter. If the calculated number of units results in a fraction, the number shall be rounded as described in Section [17.138.080\(A\)](#).

1. Construct the required number of inclusionary units for residential or mixed-use projects;
2. Pay an in-lieu fee for residential or mixed-use projects; or
3. Pay a commercial linkage fee (see Chapter [4.60](#)) for new nonresidential or nonresidential portions of mixed-use project(s).

B. *Residential Requirements.*

1. *Ownership Dwelling Units.* Ten percent of the dwelling units (see Section [17.138.080\(A\)](#)) shall be made available for sale to eligible households with five percent for low-income households (fractional units may be rounded down to the next whole number) and five percent for moderate-income households (fractional units may be rounded up to the next whole number). See Section [17.138.080\(A\)](#) for more information regarding fractional numbers.
2. *Rental Dwelling Units.* Six percent of the dwelling units (see Section [17.138.080\(A\)](#), Fractional Numbers) shall be made available for rent to eligible households with three percent for very low-income households (fractional units may be rounded down to the next whole number) and three percent for low-income households (fractional units may be rounded up to the next whole number).
3. *In-Lieu Housing Fees.* An applicant may pay in-lieu fees to the city rather than construct inclusionary units on site for residential projects (see Section [17.138.060](#), In-Lieu Housing Fee).

C. *Nonresidential Requirements.*

1. *Commercial, Office, Service, Hotel, Retail, Industrial, and Institutional Uses.* An applicant shall pay a commercial linkage fee based on the gross square footage of the nonresidential space in accordance with Chapter [4.60](#).

D. *Mixed-Use Development Requirements.*

1. *Dwelling Units and Commercial Space.* For mixed-use development, the inclusionary housing requirement is determined in accordance with subsection [B](#) of this section for all dwelling units in addition to subsection [C](#) of this section for all new commercial square footage within the development project. For example, a for-rent mixed-use project includes twenty residential units and five thousand square feet of commercial space: the inclusionary requirement would be two affordable units (twenty times six percent equals one and one-fifth rounded to two) and a commercial linkage fee would be applied to the five thousand square feet of commercial space. (Ord. 1719 § 3, 2022)

17.138.050 Standards for inclusionary units.

A. *Standards.* Inclusionary units must meet the following standards:

1. Inclusionary units shall be dispersed throughout the residential development projects to prevent a concentration of affordable units within the development project.
2. Inclusionary units shall be consistent with the design of market rate units in terms of exterior appearance, materials, and finished quality.
3. The applicant may reduce square footage of inclusionary units as compared to the market rate units as long as the minimum square footage of the affordable units is no less than seventy-five percent of the average size of all market rate units in the residential development project with the same bedroom count. For the purpose of this subsection, the "average size" of a unit with a certain bedroom count equals the total square footage of all market rate units with that bedroom count in the residential development project divided by the total number of market rate units with the same bedroom count in the residential development project.
4. For residential development projects with multiple market rate unit types containing differing numbers of bedrooms, inclusionary units shall be representative of the market rate unit mix. For example, a for-sale residential project includes fifty dwelling units; ten three-bedroom units, twenty two-bedroom units, and twenty one-bedroom units. To represent the units within the residential project, the five required inclusionary units would be one three-bedroom, two two-bedrooms and two one-bedrooms.
5. The required inclusionary units shall be constructed concurrently with market rate units, unless an alternative development schedule is otherwise stipulated by the applicable review authority of the residential development project.
6. Inclusionary units shall be subject to the city's and/or the administrator's fee schedule in accordance with Section [17.138.110](#). (Ord. 1719 § 3, 2022)

17.138.060 In-lieu housing fee.

- A. *Payment of In-Lieu Fee.* The developer may, at their discretion, choose to pay a fee, as established by a resolution of the city council, to the city in lieu of constructing affordable units to meet their inclusionary housing requirement.
- B. *In-Lieu Fee Calculation.* In-lieu fees shall be calculated using the new habitable square footage, as defined by California Building Code, included within the residential development project.
- C. *Affordable Housing Fund.* All in-lieu fees collected shall be deposited into the affordable housing fund. The fund shall be administered by the finance director and shall be used exclusively to provide funding for the

provision of affordable housing and for reasonable costs associated with the development of affordable housing, at the discretion of the council.

D. *Timing.* In-lieu fees shall be paid prior to building permit issuance. For projects constructed in phases, in-lieu fees shall be paid in the proportion that the phase bears to the overall project. (Ord. 1719 § 3, 2022)

17.138.070 Inclusionary housing plan.

A. *Application Requirements.* An applicant proposing a project for which inclusionary housing is required shall submit a statement with their planning application or building permit (whichever applies), describing the project's inclusionary housing plan. The statement shall include:

1. A project description that includes details regarding the proposed residential development project such as, but not limited to, total number of dwelling units, number of bedrooms per dwelling unit, square footage of all units (both residential and commercial), type of project (rental or ownership), etc.;
2. A description of the inclusionary housing plan for each construction phase, including the method chosen to meet the inclusionary housing requirement and including all of the following information including but not limited to:
 - a. Whether the unit is for sale or rental;
 - b. The number, location, unit type, tenure, number of bedrooms and baths, floor plan, construction schedule of all inclusionary units;
 - c. Preliminary calculation of in-lieu fees or commercial linkage fee as applicable;
 - d. Other information which the director determines necessary to adequately evaluate the proposal. (Ord. 1719 § 3, 2022)

17.138.080 Procedures.

A. *Fractional Numbers.* In determining the number of dwellings that are required to be built pursuant to Section [17.138.040\(B\)](#), if the number of required inclusionary dwellings results in a fractional unit, an applicant may pay the in-lieu fee for the fractional unit or provide an additional affordable unit in the project (based on the unit affordability for the type of project). The in-lieu fee for fractional units shall be calculated as described in Table 8-1 (Fractional Inclusionary Requirement Scenarios):

Table 8-1: Fractional Inclusionary Requirement Scenarios				
Example Project: 25 Units (i.e., 1,000 sq. ft. per unit)	Inclusionary Housing Requirement	Option 1	Option 2	Option 3
For-Sale (10%)¹	2.5 units ¹	2 Moderate 1 Low	Pay in-lieu fee ³	1 Moderate 1 Low Pay fractional in-lieu fee 4
For-Rent (6%)²	1.5 units ²	1 Low 1 Very-low	Pay in-lieu fee ³	1 Low Pay fractional in-lieu fee ⁴

Notes:

1 Five percent for low-income households (rounded down to the next whole number) and five percent for moderate-income households (rounded up).

2 Three percent for very low-income households (rounded down) and three percent for low-income households (rounded up).

3 In-lieu fee is calculated by the habitable area of the project multiplied by the in-lieu fee as established by the city's comprehensive fee schedule.

4 Fractional in-lieu fee amount is calculated by the remaining fractional inclusionary requirement (i.e., 0.5) multiplied by the in-lieu fee cost per square foot, and then multiplied by the habitable area of the project (excluding the area of any inclusionary units that are provided in the project).

(For-Sale Example: (0.5 x in-lieu fee) x 23,000 sq. ft. = Fractional in-lieu fee amount)

B. *Affordable Housing Agreement.* The applicant shall complete and sign an affordable housing agreement.

1. *Submittal of an Affordable Housing Agreement.* Applicants of residential development projects subject to this chapter shall submit an affordable housing agreement on forms provided by the city and pay a processing and recordation fee.

2. *Timing.* All building permits for inclusionary units in a residential development project shall be issued concurrently with, or prior to, issuance of building permits for the market rate units.

3. *Construction Schedule.* The inclusionary units shall be constructed concurrently with, or prior to, construction of the market rate units, unless otherwise stipulated by the applicable review authority of the residential development project. Occupancy permits and final inspections for inclusionary units in a residential development shall be approved concurrently with, or prior to, approval of occupancy permits and final inspections for the market rate units.

4. *Review and Approval.* The draft agreement shall be reviewed by the director and city attorney for compliance with project approvals, city policies and standards, and applicable codes. Following approval and signing of the agreement by the parties, the final agreement shall be recorded, and relevant terms and conditions shall be recorded as a deed restriction on those lots or affordable units subject to affordability requirements. The affordable housing agreement shall be binding to all future owners and successors in interest.
5. *Term.* The affordable housing agreement shall ensure that affordability is maintained for the longest period allowed or required by state law, but not less than forty-five years for ownership and fifty-five years for rental.
6. *Exemption for In-Lieu Fee Payment.* An affordable housing agreement shall not be required for projects which meet their inclusionary housing requirement through the payment of in-lieu fees. (Ord. 1719 § 3, 2022)

17.138.090 Eligibility requirements.

- A. *Program Requirement.* Only households qualifying as extremely low, very low, low, or moderate income, pursuant to the affordable housing standards, shall be eligible to rent, purchase, or occupy inclusionary units developed or funded in compliance with this chapter. For-sale inclusionary housing units shall be owner-occupied for the term of the affordable housing agreement.
- B. *Eligibility Screening.* The city or an administrator designated by the city shall screen prospective renters or buyers of affordable units. Buyers of affordable units shall enter into an agreement with the city. Occupants must be selected by means of an open, public process which ensures that individuals of a group of interested participants are selected in accordance with the city's BMR ownership and rental housing guidelines. Private selection of individuals by project owners is not permitted for any affordable units. (Ord. 1719 § 3, 2022)

17.138.100 Shared equity purchase program.

When a residential development project includes affordable housing units for sale in excess of the inclusionary housing requirement for the project, the additional units may be offered under the shared equity purchase program.

- A. Under this program, the qualified buyer of a designated affordable dwelling unit shall enter into a shared equity agreement with the city. Said agreement shall be recorded as a lien against the purchased property, at no interest, securing and stating the city's equity share in the property. The city's equity share shall be calculated by the director, and shall be the decimal percentage of the property's value resulting from:
 1. The difference between the property's market value and the actual price paid by the homeowner, divided by the market value; and/or

2. When applicable, the amount of subsidy provided by the city to the homeowner to purchase the property, divided by the property’s market value.

B. Upon sale, the city’s equity share shall be repaid to the city from the proceeds of the sale, less the city’s percentage share of title insurance, escrow fees, and documentary transfer taxes, at the close of escrow. The proceeds from the sale shall be deposited into the city’s affordable housing fund and shall be used for the purposes set forth in Health and Safety Code Section [33334.2\(e\)](#).

C. In the event of “early resale,” owners of properties subject to the shared equity purchase program shall either: (1) pay an equity recapture fee to the city as described in the schedule below, in addition to the city’s equity share, or (2) sell the property to another eligible household.

If the owner chooses to pay the equity recapture fee, the recapture fee shall be paid to the city upon resale at close of escrow, based on the following schedule:

Table 8-2: Percent of Equity Build-up Recaptured	
Year	% of Equity Build-up Recaptured
0—3	100%
4	75% + City’s Equity Share
5	50% + City’s Equity Share
6	25% + City’s Equity Share
7 and after	0% + City’s Equity Share

The recapture amount shall be determined prior to the calculation of escrow closing costs. (Ord. 1719 § 3, 2022)

17.138.110 Administration, management, and monitoring.

Inclusionary rental and owner units shall be managed and operated by the property owner, or the owner’s agent, for the term of the affordable housing agreement. Sufficient documentation shall be submitted to ensure compliance with this chapter, to the satisfaction of the director.

A. *Duties of Program Administrator.* The city may either handle in-house or contract for administration of the BMR ownership housing program and monitoring compliance with the requirements of this chapter to a program administrator pursuant to an agreement executed between the city and the administrator in accordance with the approved fee schedule. At a minimum, the administrator shall perform the following services:

1. Maintain and administer the city’s BMR ownership and rental housing guidelines and affordable housing standards;

2. Screen and select qualified buyers and renters according to the city's ownership and rental housing guidelines and affordable housing standards and maintain qualified owner and renter eligibility list;
3. Maintain a list of eligible mortgage lenders for financing the purchase of inclusionary units in accordance with the BMR ownership housing guidelines;
4. Market new and vacant BMR for-sale and rental units within the city's affordable housing inventory;
5. Monitoring compliance with terms and conditions of the occupancy and sale restrictions. (Ord. 1719 § 3, 2022)

17.138.120 Enforcement.

A. *Enforcement.* No building permit shall be issued nor shall any other development entitlement be granted for a residential development project subject to this chapter that does not meet these requirements. No inclusionary unit shall be rented or sold except in accordance with these requirements and the affordable housing standards. (Ord. 1719 § 3, 2022)

The San Luis Obispo Municipal Code is current through Ordinance 1750, passed November 18, 2025.

Disclaimer: The City Clerk's Office has the official version of the San Luis Obispo Municipal Code. Users should contact the City Clerk's Office for ordinances passed subsequent to the ordinance cited above.

[City Website: www.slocity.org](http://www.slocity.org)

[City Telephone: \(805\) 781-7100](tel:(805)781-7100)

[Hosted by General Code.](#)

Exhibit B

**RECEIPT (TRC-044721-09-17-2024)
FOR CITY OF SAN LUIS OBISPO**

BILLING CONTACT

Jordan Knauer
1317 Chorro St
San Luis Obispo, CA 93401



Payment Date: 09/17/2024

Reference Number	Fee Name	Transaction Type	Payment Method	Amount Paid
BLDG-0068-2024	Administrative Fee	Fee Payment	Check #1029	\$454.50
	Affordable Housing In-Lieu (For Sale)	Fee Payment	Check #1029	\$24,160.00
	Balcony/Porch/Deck - BLDG	Fee Payment	Check #1029	\$1,300.56
	Building Permit Review - Planning	Fee Payment	Check #1029	\$143.25
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$47.75
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Consolidated Inspection Fees	Fee Payment	Check #1029	\$7,569.97
	Consolidated Plan Check Fees	Fee Payment	Check #1029	\$6,424.52
	Dwelling Unit Construction Tax	Fee Payment	Check #1029	\$368.00
	Final Inspection - SF Residential - PW	Fee Payment	Check #1029	\$289.15
	Fire Citywide Base fee (SF)	Fee Payment	Check #1029	\$854.46
	Green Building Fee	Fee Payment	Check #1029	\$22.00
	IT Surcharge	Fee Payment	Check #1029	\$706.57
	Meter Cost (1")	Fee Payment	Check #1029	\$216.00
	Meter Service: Install (.58"-1")	Fee Payment	Check #1029	\$153.44
	Park Improvement Impact Fee (SF)	Fee Payment	Check #1029	\$4,235.56
	Post Construction Req / Stormwater SF res - ENG	Fee Payment	Check #1029	\$700.66
	Retaining Wall Engineered - BLDG	Fee Payment	Check #1029	\$1,806.85
	Single Family Residential -ENG	Fee Payment	Check #1029	\$1,050.98
	SMIP (Residential)	Fee Payment	Check #1029	\$80.00
	Stormwater - Moderate Project - BLDG	Fee Payment	Check #1029	\$2,212.47
TIF Citywide Base fee (SF) >1400	Fee Payment	Check #1029	\$15,244.19	
W-Residential Unit > 1201 sqft	Fee Payment	Check #1029	\$17,379.27	
Water Service or Trash Enc or Landscape - UTIL	Fee Payment	Check #1029	\$637.12	
WW Residential Unit > 1201 sqft	Fee Payment	Check #1029	\$15,433.19	
			SUB TOTAL	\$101,872.46

3156 Johnson Ave San Luis Obispo, CA 93401



TOTAL \$101,872.46

**RECEIPT (TRC-044723-09-17-2024)
FOR CITY OF SAN LUIS OBISPO**

BILLING CONTACT
Jordan Knauer
1317 Chorro St
San Luis Obispo, CA 93401



Payment Date: 09/17/2024

Reference Number	Fee Name	Transaction Type	Payment Method	Amount Paid
BLDG-0066-2024	Administrative Fee	Fee Payment	Check #1029	\$454.50
	Affordable Housing In-Lieu (For Sale)	Fee Payment	Check #1029	\$25,290.00
	Balcony/Porch/Deck - BLDG	Fee Payment	Check #1029	\$1,300.56
	Building Permit Review - Planning	Fee Payment	Check #1029	\$47.75
	Building Permit Review - Planning	Fee Payment	Check #1029	\$143.25
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Consolidated Inspection Fees	Fee Payment	Check #1029	\$7,508.50
	Consolidated Plan Check Fees	Fee Payment	Check #1029	\$2,062.98
	Dwelling Unit Construction Tax	Fee Payment	Check #1029	\$368.00
	Final Inspection - SF Residential - PW	Fee Payment	Check #1029	\$289.15
	Fire Citywide Base fee (SF)	Fee Payment	Check #1029	\$854.46
	Green Building Fee	Fee Payment	Check #1029	\$22.00
	IT Surcharge	Fee Payment	Check #1029	\$516.56
	Meter Cost (1")	Fee Payment	Check #1029	\$216.00
	Meter Service: Install (.58"-1")	Fee Payment	Check #1029	\$153.44
	Park Improvement Impact Fee (SF)	Fee Payment	Check #1029	\$4,235.56
	Parkland Impact Fee (SF)	Fee Payment	Check #1029	\$2,650.78
	Police Citywide Base fee (SF)	Fee Payment	Check #1029	\$1,003.14
	Post Construction Req / Stormwater SF res - ENG	Fee Payment	Check #1029	\$700.66
	Single Family Residential -ENG	Fee Payment	Check #1029	\$1,050.98
	SMIP (Residential)	Fee Payment	Check #1029	\$80.00
	Stormwater - Moderate Project - BLDG	Fee Payment	Check #1029	\$2,212.47
	TIF Citywide Base fee (SF) >1400	Fee Payment	Check #1029	\$15,244.19
	W Residential Unit > 1201 sqft	Fee Payment	Check #1029	\$17,379.27
Water Service or Trash Enc or Landscape - UTIL	Fee Payment	Check #1029	\$637.12	
WW Residential Unit > 1201 sqft	Fee Payment	Check #1029	\$16,140.81	
			SUB TOTAL	\$100,944.13

3148 Johnson Ave San Luis Obispo, CA 93401

TOTAL \$100,944.13

**RECEIPT (TRC-044716-09-17-2024)
FOR CITY OF SAN LUIS OBISPO**

BILLING CONTACT

Jordan Knauer
1317 Chorro St
San Luis Obispo, CA 93401



Payment Date: 09/17/2024

Reference Number	Fee Name	Transaction Type	Payment Method	Amount Paid
BLDG-0065-2024	Administrative Fee	Fee Payment	Check #1028	\$187.73
	Affordable Housing In-Lieu (For Sale)	Fee Payment	Check #1028	\$25,290.00
	Building Permit Review - Planning	Fee Payment	Check #1028	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1028	\$143.25
	Building Permit Review - Planning	Fee Payment	Check #1028	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1028	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1028	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1028	\$47.75
	Consolidated Inspection Fees	Fee Payment	Check #1028	\$6,515.69
	IT Surcharge	Fee Payment	Check #1028	\$655.93
			SUB TOTAL	\$33,222.35

3160 Johnson Ave San Luis Obispo, CA 93401

TOTAL \$33,222.35

*check # 1028
9/17/24*

**RECEIPT (TRC-044719-09-17-2024)
FOR CITY OF SAN LUIS OBISPO**

BILLING CONTACT

Jordan Knauer
1317 Chorro St
San Luis Obispo, CA 93401



Payment Date: 09/17/2024

Reference Number	Fee Name	Transaction Type	Payment Method	Amount Paid
BLDG-0067-2024	Administrative Fee	Fee Payment	Check #1029	\$454.50
	Affordable Housing In-Lieu (For Sale)	Fee Payment	Check #1029	\$24,160.00
	Balcony/Porch/Deck - BLDG	Fee Payment	Check #1029	\$1,300.56
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$143.25
	Building Permit Review - Planning	Fee Payment	Check #1029	\$95.50
	Building Permit Review - Planning	Fee Payment	Check #1029	\$47.75
	Consolidated Inspection Fees	Fee Payment	Check #1029	\$7,411.33
	Consolidated Plan Check Fees	Fee Payment	Check #1029	\$2,051.62
	Dwelling Unit Construction Tax	Fee Payment	Check #1029	\$368.00
	Final Inspection - SF Residential - PW	Fee Payment	Check #1029	\$289.15
	Fire Citywide Base fee (SF)	Fee Payment	Check #1029	\$854.46
	Green Building Fee	Fee Payment	Check #1029	\$22.00
	IT Surcharge	Fee Payment	Check #1029	\$558.11
	Meter Cost (1")	Fee Payment	Check #1029	\$216.00
	Meter Service: Install (.58"-1")	Fee Payment	Check #1029	\$153.44
	Park Improvement Impact Fee (SF)	Fee Payment	Check #1029	\$4,235.56
	Post Construction Req / Stormwater SF res - ENG	Fee Payment	Check #1029	\$700.66
	Single Family Residential -ENG	Fee Payment	Check #1029	\$1,050.98
	SMIP (Residential)	Fee Payment	Check #1029	\$80.00
	Stormwater - Moderate Project - BLDG	Fee Payment	Check #1029	\$2,212.47
	Supplemental Plan Check (Building) - BLDG	Fee Payment	Check #1029	\$1,470.70
	TIF Citywide Base fee (SF) >1400	Fee Payment	Check #1029	\$7,909.47
	W/Residential Unit > 1201 sqft	Fee Payment	Check #1029	\$17,379.27
Water Service or Trash Enc or Landscape - UTIL	Fee Payment	Check #1029	\$637.12	
WW Residential Unit > 1201 sqft	Fee Payment	Check #1029	\$16,140.81	
			SUB TOTAL	\$90,229.21

3152 Johnson Ave San Luis Obispo, CA 93401

TOTAL \$90,229.21



Exhibit C

RE: 3160 Johnson, SLO - Inclusionary Housing Fee

From: Tway, Timothea (Timmi) (ttway@slocity.org)

To: rudadc@sbcglobal.net

Date: Thursday, August 21, 2025 at 02:42 PM PDT

Hi John,

Thank you for your patience as I looked into this matter further and discussed internally. The City has reviewed the project and the authority you have cited and finds that the fee was properly administered in accordance with our codes and policies and declines to issue a refund.

Thank you for reaching out,

Timmi Tway
Timothea (Timmi) Tway
Director of Community Development



Community Development
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From: John Ruda <rudadc@sbcglobal.net>
Sent: Sunday, August 10, 2025 9:44 PM
To: Tway, Timothea (Timmi) <TTway@slocity.org>
Subject: Re: 3160 Johnson, SLO - Inclusionary Housing Fee

Timmi,

With regards to our appeal, I thank you for your consideration and legal review.

We are submitting our appeal to you for a request of inclusionary in lieu of fees that had been paid under protest for my recent building project in San Luis Obispo.

In accordance with development laws, We have replaced one older uninhabitable three bedroom home with four new homes.

As a condition for our final permit, we are forced to pay in lieu of inclusionary fee for all four homes that I am seeking refund for.

Even prior to recent the reversals in Healdsburg California, courts affirmed that the inclusionary in lieu of fees were upheld as long as the ordinance provides Property Owners with at least one alternative means of satisfying the condition.

In San Luis Obispo the only alternative offered was be forced to reduce the sale price of a home to approximately 1/2 the cost to build it!! This does not constitute a viable alternative and viewed as extortion of home builders as no REASONABLE alternative to the in-leiw fee as provided. Especially when replacing existing uninhabitable homes.

Being forced to pay these additional inclusionary in lieu of fees is an unconstitutional taking and does not bear a relationship to the public welfare.

Being forced to pay the inclusionary in lieu of fees in San Luis Obispo for new or replacement housing makes our home building project less affordable and achievable,

I thank you for your consideration and response,

John Ruda.

On Thursday, August 7, 2025 at 03:34:26 PM PDT, Tway, Timothea (Timmi) <ttway@slocity.org> wrote:

Hello Jordan,

Thank you for the email, and I would also like to acknowledge receipt of the voicemail from John that I received earlier today as well.

I will look at your request and circulate it to relevant parties internally and get you an answer soon,

Thank you,

Timmi

From: Jordan Knauer <jcknauer6@gmail.com>
Sent: Thursday, August 7, 2025 1:41 PM
To: Tway, Timothea (Timmi) <TTway@slocity.org>
Subject: 3160 Johnson, SLO - Inclusionary Housing Fee

Hello Timmi,

I am reaching out in regards to the inclusionary fee we paid as a part of 3160 Johnson (BLDG-0665-2024, BLDG-0666-2024, BLDG-0667-2024, BLDG-0668-2024) project. We are requesting a refund for the inclusionary fees assessed on all four of the above residential home building permits totaling \$98,900. David Amini sent me an email in July suggesting that the fees applied to this project are correct. We disagree with his response and are bringing the matter to your attention. Let us know if you are the correct person to discuss this matter with or if we should be communicating with someone else.

As previously stated in my emails to Hannah and David, the California Superior Court ruling (Sept 2024 Piling vs City Healdsburg) determined that these inclusionary fees for new construction, such as ours, violates the law. Adding to the city's housing supply does not negatively impact affordable housing.

Thank you,

Jordan Knauer

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