

# INCLUSIONARY HOUSING ORDINANCE UPDATE

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CITY COUNCIL WORKSHOP  
NOVEMBER 18, 2025



# BACKGROUND: HOUSING ELEMENT PROGRAM 7

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## Housing Element Program 7

- Current ordinance: 15% affordable units for projects of 5+ units.
- Housing Element calls for shifting from Moderate toward Low and Very Low Income units to meet greater need.
- Program 7 directs an update to the ordinance to:
  - Maintain feasibility for development
  - Align with state and regional funding that prioritize deeper affordability.
- Quantified Objective: At least 803 affordable units over 8 years (~100/year)
- Total RHNA: 5,353 units





# CONTEXT: STATE AND REGIONAL REQUIREMENTS

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## AB 1505 (“Palmer Fix”)

- Allows cities to require 15% affordable rental units at 80% AMI.
- Requires alternative compliance options such as in-lieu fees or off-site construction.
- Allows HCD to review local ordinances that appear more burdensome and may require a feasibility analysis.

## OBAG 4 / Transit Oriented Communities (TOC)

- Default expectations for eligibility:
  - **Rental:** 15% units affordable at 80% AMI
  - **Ownership:** 15% units at 120% AMI
  - **In-lieu fee:** \$100,000 per affordable unit not provided
- Waivers are available where a feasibility study shows the default standard is not feasible





# PROCESS AND ENGAGEMENT

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**Technical analysis:** Feasibility study prepared by StreetLevel Advisors.

**Internal stakeholders:**

- Housing and Human Services Division
- Alameda Housing Authority
- Planning Board subcommittee members

**External stakeholders:**

- Real estate development professionals
- Affordable housing partners

**Planning Board workshops:**

- January 17, 2025
- May 27, 2025
- November 10, 2025





# KEY FINDINGS

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## Targeting Alameda's Housing Need

- Moderate Income rentals often mirror market rents and offer limited added benefit.
- Low Income units best match unmet housing needs in Alameda.
- Very Low Income units are typically produced through larger nonprofit or publicly funded projects w/ the Alameda Housing Authority.

## Market Realities & Feasibility

- Rental and ownership projects operate under different financial conditions, so separate ratios help maintain feasibility across both.
- Updated inclusionary ratios should keep the overall cost of compliance comparable to the existing ordinance.
- Small adjustments can encourage either onsite unit production or in lieu fees depending on City priorities.





# KEY FINDINGS – IN LIEU FEES

## Purpose & Structure

- Expand to all project types to strengthen funding for affordable housing.
- Set fees **comparable to on-site unit costs** consistent with regional practice.
- Converting fees to a per-square-foot rate ensures the fee scales with unit size and income level.

## Legal Requirements & Policy Considerations

- Expanding fees to larger developments will require a nexus study, per direction from the City Attorney.
- Once established, fees can be calibrated to influence outcomes:
  - Higher fees can encourage on-site unit production.
  - Lower fees can encourage payment of fees that fund City-led or nonprofit affordable projects.
- This structure allows the City to adapt to changing housing needs and funding opportunities.





# KEY FINDINGS

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## **Criteria for Clustered Option**

- Allows larger projects to meet requirements by mixing income levels, where Moderate units remain on-site and deeper-affordability units are built separately.
- Off-site units may be delivered by a nonprofit partner such as the Housing Authority.
- The City should establish clear criteria and a formal review process to evaluate these proposals case by case.

## **Term of Affordability**

- Refers to how long units must remain deed-restricted affordable.
- Best practice is shifting from a 55-year term to 99 years.



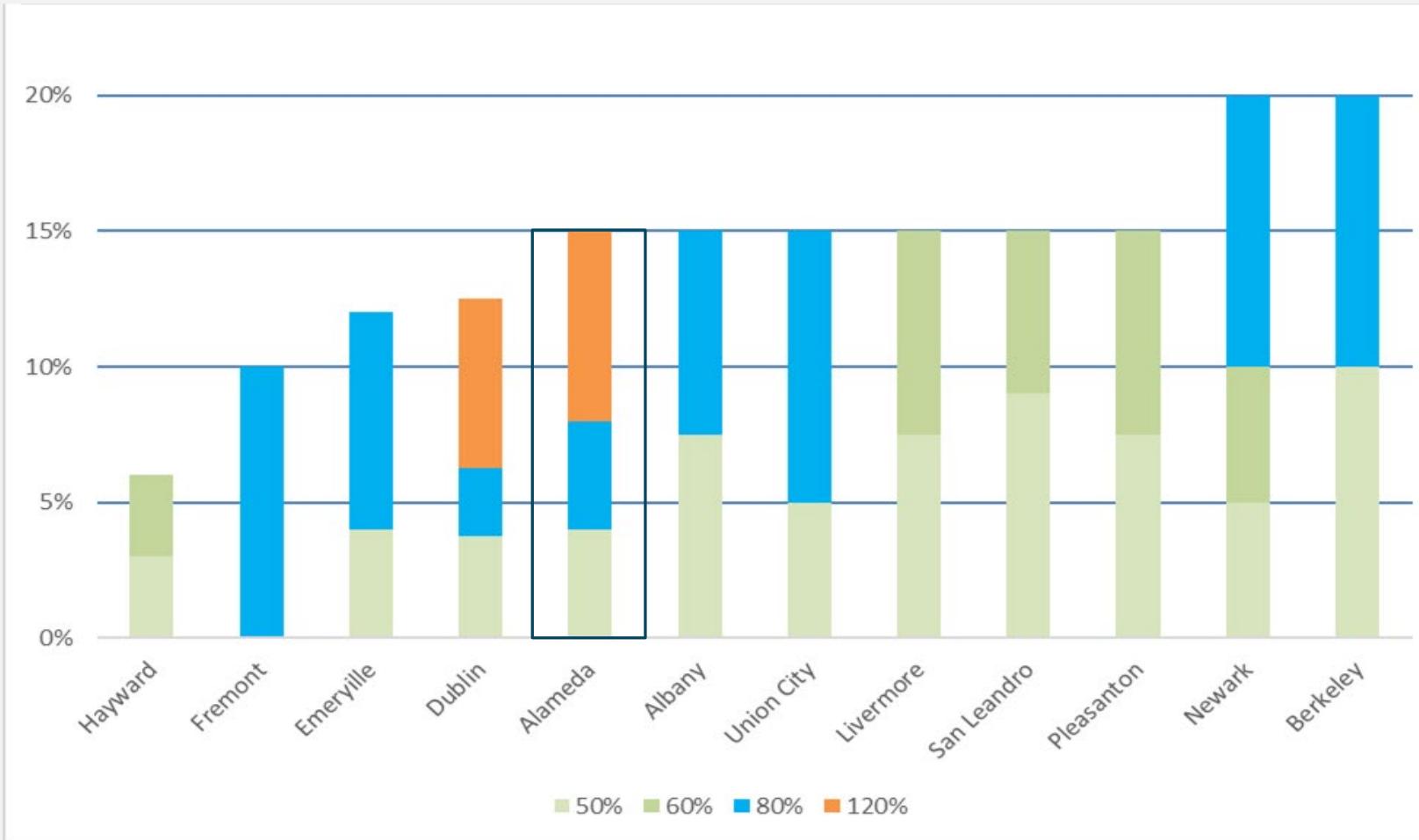
# INCOME LIMITS & RENT / SALES PRICES

Affordability Category	Area Median Income Level	Income Limit (4-person HH)	Maximum Rent	Maximum Sale Price
<b>Very Low (VLI)</b>	50% AMI	\$79,900	\$2,000	\$108,000
<b>Low (LI)</b>	80% AMI	\$125,050	\$3,250	\$279,000
<b>Median (MED)</b>	100% AMI	\$159,800	\$3,650	\$364,000
<b>Moderate (MOD)</b>	120% AMI	\$191,750	\$4,050	\$449,000

- Alameda County AMI (2024): \$159,800 for 4-person household
- All values are approximate / rounded



# RENTAL INCLUSIONARY



# Recommended Rental Requirement

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## **Require Rental Units at 15% Low Income (or equivalent)**

- Maintains the overall inclusionary requirement at 15%.
- Aligns with AB 1505 and TOC eligibility for 15% of rental units to be provided at Low Income (or equivalent).
- Targets households not already served by market-rate or nonprofit development.
- Avoids reserving units at rent levels already attainable without subsidy.



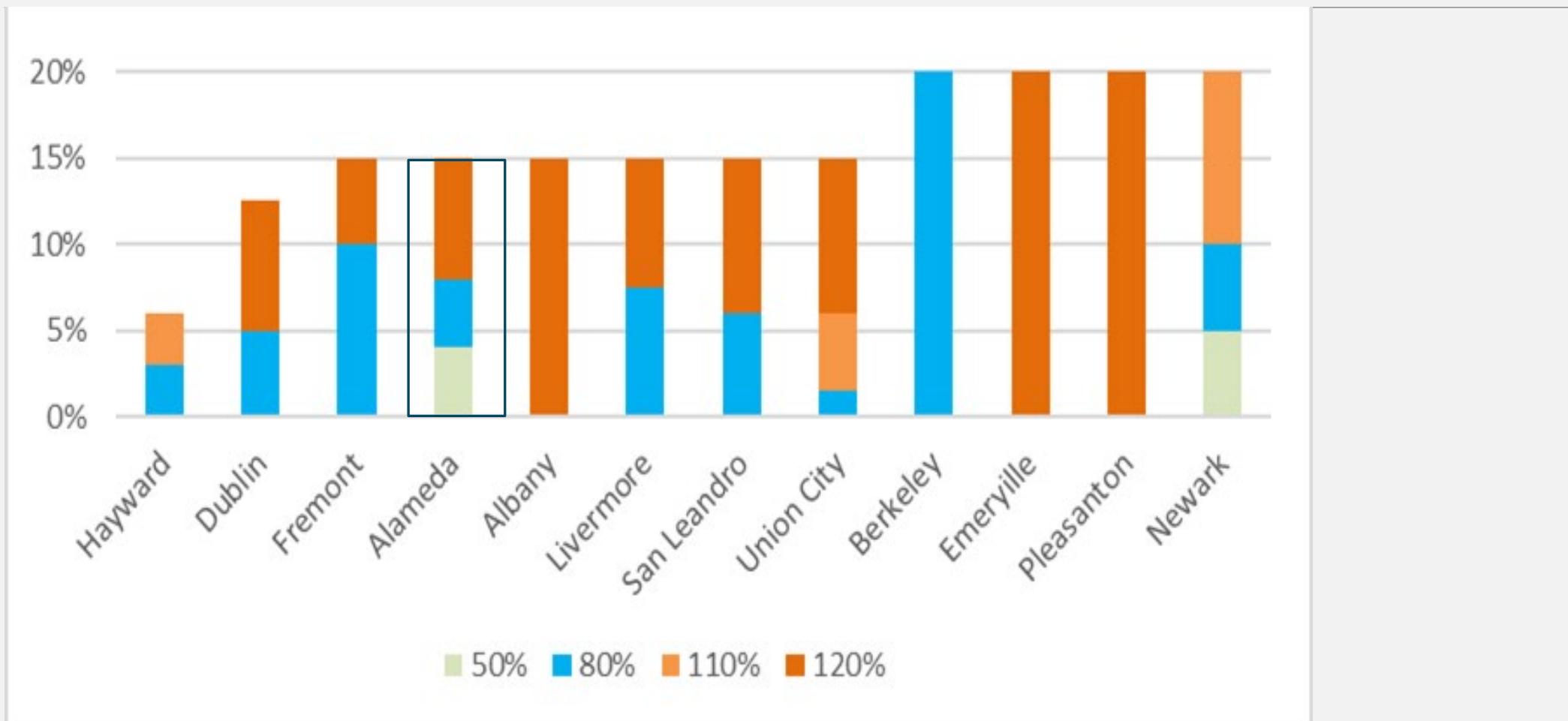
# Recommended Rental Requirement

	<b>Very Low Income</b>	<b>Low Income</b>	<b>Moderate Income</b>	<b>TOTAL</b>	<b>COST / SF</b>
<b>Existing</b>	4%	4%	7%	15%	\$18.25
<b>Option 1 *</b>	--	15%	--	15%	\$20.00
<b>Option 2</b>	5%	5%	--	10%	\$18.90
<b>Option 3</b>	8%	--	--	8%	\$19.50

- Primary staff recommendation
- NOTE: Costs are relative using baseline assumptions – per month



# OWNERSHIP INCLUSIONARY



# Recommended Ownership Requirement

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## **Require Ownership Units at 5% Low and 10% Moderate Income (or equivalent)**

- Maintains the current overall share of 15% deed-restricted units.
- Expands ownership opportunities for lower income households.
- Meets TOC criteria requiring 15% of ownership units at Moderate Income or equivalent.
- Better reflects local ownership demand while reducing required per-unit subsidy.
- Provides eligibility for a 5% density bonus and incentives.



# Recommended Ownership Requirement

	<b>Very Low Income</b>	<b>Low Income</b>	<b>Moderate Income</b>	<b>TOTAL</b>	<b>COST / UNIT</b>
<b>Existing</b>	4%	4%	7%	15%	\$10,350
<b>Option 1</b>	--	--	15%	15%	\$8,250
<b>Option 2</b>	--	6%	6%	12%	\$7,650
<b>Option 3</b>	--	10%	--	10%	\$7,250
<b>Option 4 *</b>	--	5%	10%	15%	\$9,125

- Primary staff recommendation
- NOTE: Costs are relative using baseline assumptions – at time of sale



# Recommended In-Lieu Fee Framework

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## **Expand the In-Lieu Fee to Apply to All Housing Projects**

- Creates a consistent and flexible local funding source for affordable housing.
- Supports grants that require local match contributions.
- Helps serve very low, extremely low, and special-needs households.
- Enables programs such as acquisition/rehab, seismic/flood upgrades, and nonprofit pre-development.
  
- Note: Expanding fees to larger projects will require a nexus study, per City Attorney guidance.



# Recommended In-Lieu Fee Framework

	<b>Small Projects (5-9 units)</b>	<b>All Projects (5+ units)</b>	<b>Rental</b>	<b>For Sale</b>
<b>Existing Fee (small projects)</b>	\$28,149 / unit			
<b>Equivalent to Existing Fee</b>		\$27.50		
<b>Equivalent to Existing Unit Requirements</b>			\$17.50	\$62.00
<b>Staff Recommendation</b>			\$25.00	\$50.00

- Fees are per net square foot of floor area in the project
- Allow partial fee for partial units



# Recommended Clustered Development Approach

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## **Clustered Development Should be Encouraged**

- Establish clear criteria for evaluating clustered proposals.
- Designate the City Manager as the decision-maker.
- Require review by Housing & Human Services and the Housing Authority.
- Consider competitiveness for external funding sources.
- Ensure clustered proposals are equivalent to other compliance options.



# Recommended Affordability Term

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## Extend Term of Affordability

- Existing requirement: 59 years
- Proposed requirement: 99 years
- Aligns with best practice and preserves long-term affordability



# RECOMMENDATION SUMMARY

Compliance Option	Rental	Ownership
<b>On-Site Inclusionary Units</b>	15% Low Income or options presented in Table 2	5% Low Income and 10% Moderate Income or options presented in Table 3
<b>In-Lieu Fee</b>	\$25 per net square foot.	\$50 per net square foot.
<b>Clustered Option</b>	<p>Establish standard procedures.</p> <p>Require approval by the City Manager with input from HHS and AHA.</p> <p>Consider competitiveness for leveraged dollars.</p> <p>Require equivalency (land plus cash or equivalent, as necessary, to match in-lieu fee amount).</p>	
<b>Period of Affordability</b>	99 years.	

