

# INCLUSIONARY HOUSING ORDINANCE UPDATE

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CITY COUNCIL WORKSHOP

DECEMBER 2, 2025



# BACKGROUND

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## **Current ordinance:**

- 15% affordable units for projects of 5+ units.
- Existing income mix no longer reflects current housing needs.

## **Housing Element Direction (Program 7):**

- Calls for shifting toward deeper affordability.
- Ensure requirements remain feasible for housing development.

## **Why Update Now:**

- Total RHNA (2023-2031): 5,353 units; Progress to date: 447 units.
- Maintain eligibility for State/Regional funding tied to housing affordability.

# STATE AND REGIONAL REQUIREMENTS

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## Under State Law

- Cities may require 15% affordable rental units
- Must offer alternative compliance options
- State may review ordinances for feasibility

## Transit Oriented Communities Funding Eligibility

- **Rental:** 15% ≤ Low Income
- **Ownership:** 15% ≤ Moderate Income
- **In-lieu fee:** \$100,000 per unit
- Waivers allowed only if infeasibility is demonstrated

# PROCESS AND ENGAGEMENT

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## **Feasibility Study:**

Conducted by StreetLevel Advisors to model income mixes, feasibility, and cost impacts.

## **Internal stakeholders:**

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

## **External stakeholders:**

- Market-rate developers
- Nonprofit affordable housing developers

## **Planning Board workshops:**

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

# KEY FINDINGS - Market Realities & Feasibility

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## **What We Learned About Feasibility:**

- Rental and ownership projects have different economics
- Updated ratios can keep overall costs similar to today's ordinance
- Small adjustments can encourage either on-site units or in-lieu fees

## **Will this Make a Difference?**

Refining inclusionary requirements helps, but broader economic factors (materials, labor, financing) ultimately determine feasibility.

# KEY FINDINGS – HOUSING NEED

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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 rental housing needs in Alameda.
- Very Low-Income units are typically produced through larger nonprofit or publicly funded projects w/ the Alameda Housing Authority.

# KEY FINDINGS – IN LIEU FEES

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## **Fee Structure**

- Expand in-lieu fees to all project types
- Set fees comparable to on-site unit costs
- Use per-square-foot rates so fees scale with unit size

## **Policy & Legal Considerations**

- Expanding fees to larger projects will require a nexus study
- Fees can be calibrated to guide outcomes:
  - Higher fees to incentivize on-site units.
  - Lower fees to incentivize fee payment to fund affordable housing.
- Structure allows the City to adjust over time to changing housing needs.

# OTHER KEY FINDINGS

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## **Criteria for Clustered Option**

- Allows larger projects to separate affordability levels (MOD onsite; deeper-affordability off-site).
- Off-site units may be delivered by nonprofit partners (e.g., AHA).
- Requires establishing better, clearer criteria and a formal review process.

## **Term of Affordability**

- Defines how long units must remain deed-restricted affordable.
- Best practice is shifting from a 59-year term to 99 years.

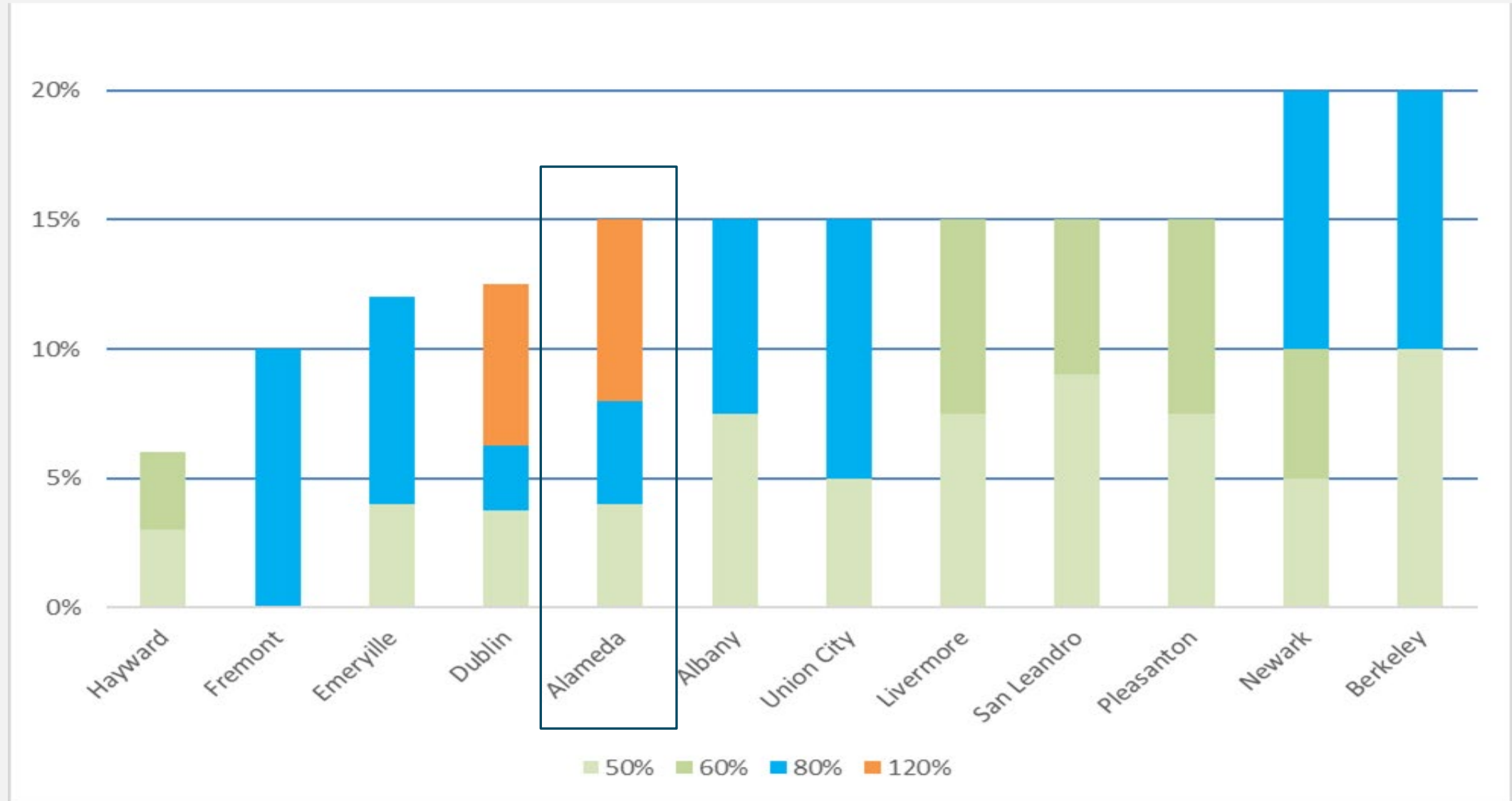


# INCOME LIMITS & RENT / SALES PRICES

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



# 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.

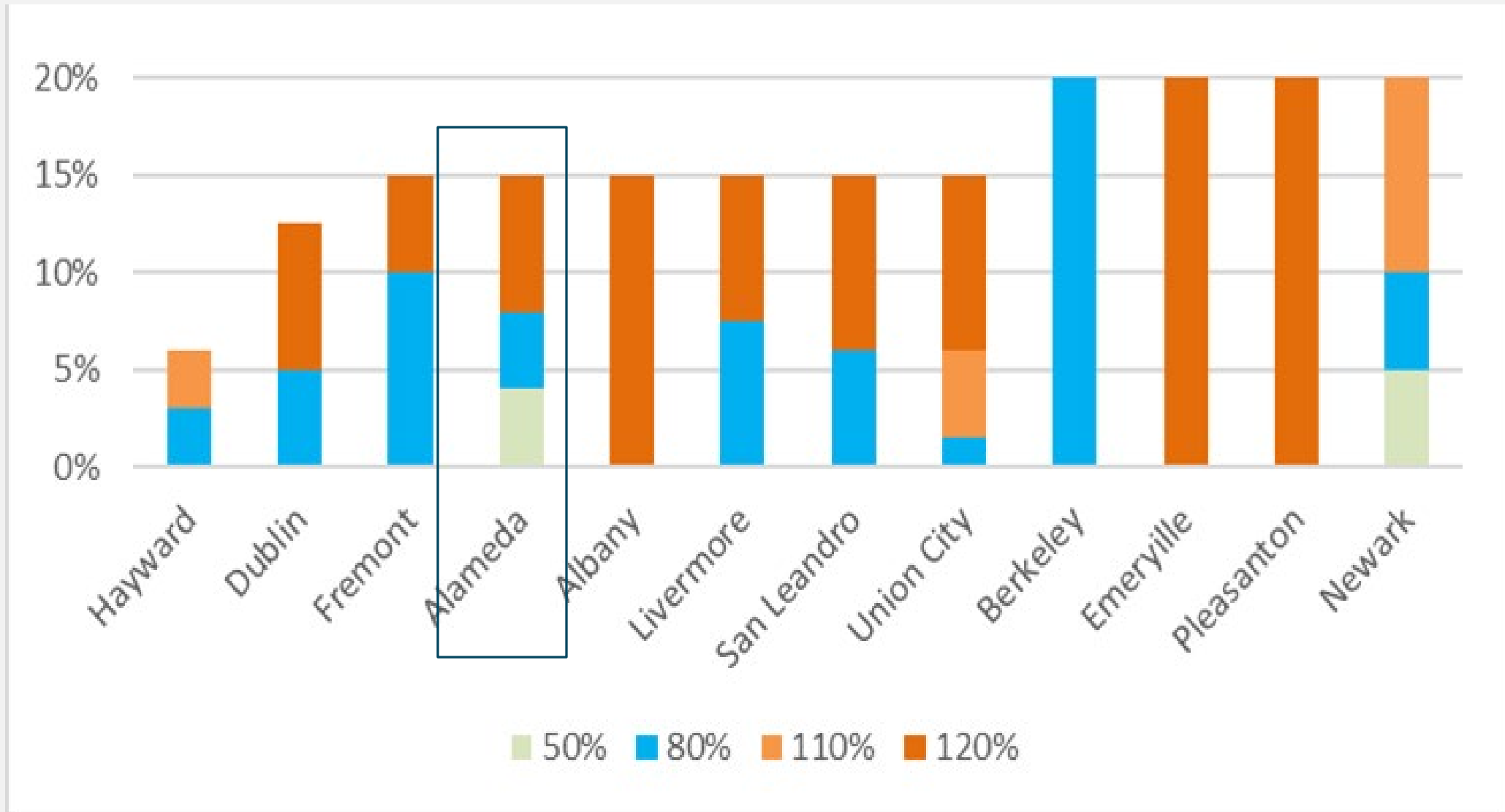
# Recommended Rental Requirement

	Very Low Income	Low Income	Moderate Income	TOTAL	COST / SF
<b>Existing</b>	4%	4%	7%	<b>15%</b>	\$17.50
<b>Option 1 *</b>	--	15%	--	<b>15%</b>	\$20.00
<b>Option 2</b>	5%	5%	--	<b>10%</b>	\$19.00
<b>Option 3</b>	8%	--	--	<b>8%</b>	\$19.50

\*Primary staff recommendation

NOTE: Costs are relative using baseline assumptions – per month

# OWNERSHIP INCLUSIONARY REQUIREMENT



# 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

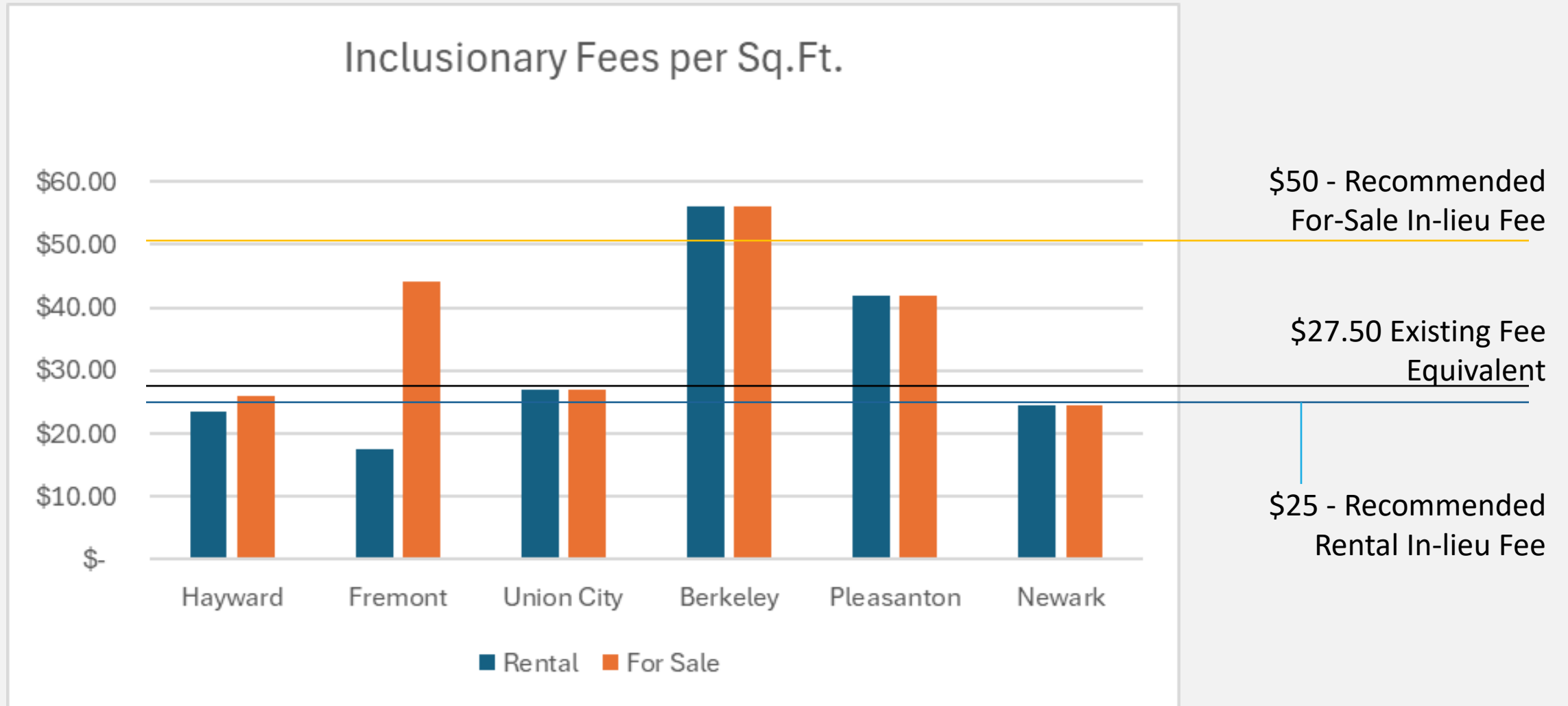
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## **Expand the In-Lieu Fee to Apply to All Housing Projects**

- 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.
- Expanding fees to larger projects will require a nexus study.



# LOCAL IN-LIEU FEES



Other cities collect fees per unit, based on valuation

# Recommended In-Lieu Fee Framework

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

# Planning Board/Developer Feedback

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## **Planning Board Feedback:**

- Supports staff's primary recommendation and expanding flexibility
- Supports temporary relief measures to support housing production

## **Developer Feedback:**

- Support allowing in-lieu fees for larger projects
- Request lower fee levels (as low as \$10/sq ft) to improve feasibility

## **Staff Response:**

- Support expanding compliance options; will prepare nexus study.
- Caution: Reducing inclusionary requirements alone may not guarantee new housing, as feasibility depends on broader market conditions.

# RECOMMENDATION SUMMARY

Compliance Option	Existing Requirements	Proposed Rental	Proposed Ownership
<b>Inclusionary Units</b>	15% = 7% MOD + 4% LI + 4% VLI	15% Low Income And other options in Table 2	5% Low Income & 10% Moderate And other options in Table 3
<b>In-Lieu Fee</b> (Subject to nexus study)	Projects with 5 to 9 units only: \$28,149 per unit	All projects > 5 units: \$25 per net sq ft	All projects > 5 units: \$50 per net sq ft
<b>Clustered Option</b>	Subject to Planning Board approval	<ul style="list-style-type: none"> <li>• Establish standard procedures</li> <li>• Require City Manager approval</li> <li>• Ensure competitiveness for leveraged funding.</li> <li>• Require land + cash equal to the in-lieu fee value.</li> </ul>	Same as Rental
<b>Period of Affordability</b>	59 years	99 years	99 years

# NEXT STEPS

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1. Prepare a draft ordinance for Planning Board and City Council review in Spring 2026.
2. Work with City Attorney on a Nexus Study for expanding in-lieu fees (separate track from the ordinance update).
3. Implement any additional direction from the City Council.