



MEMO

To: Steve Buckley, City of Alameda
From: Rick Jacobus, Street Level Advisors
RE: Preliminary proposal for Inclusionary Housing Update
Date: March 30, 2024

Here is an outline for a cost limited approach to updating Alameda's Inclusionary Housing Policy. I think you can manage a fairly focused process without the time and expense of a full market analysis but still thoughtfully address the specific issues you mentioned on our call. There is some chance that, in the course of that exploration, you would discover that you needed to do more before you could bring something to Council, but I don't think that would be necessary if there is agreement on simple changes.

Proposed Scope of Work

Project Management

We would plan and lead a kick off call to review and refine the scope of work and set a schedule for completion. Then we would suggest coordination calls every two weeks for a period of 3 months.

Feasibility Memo

Oakland, Berkeley and Hayward have all recently completed in depth feasibility studies to support updates to their inclusionary housing policies. These studies show that rising interest rates have left many projects infeasible (with or without inclusionary requirements) under current conditions. There may be little advantage to conducting yet another study documenting this trend. While the economics of projects in Alameda will differ in important ways from any one of these other cities, the overall market conditions and trends are impacting the whole region. We will draft a memo suitable for distribution to the Council and public summarizing the results from these other jurisdictions and highlighting factors that would make Alameda's results similar or different (ie. Differing rent assumptions, planning and zoning requirements, etc).

Stakeholder Feedback Session

We will work with staff to identify local real estate developers, housing advocates, property managers, social service providers, architects, realtors and other stakeholders with direct experience with Alameda's Inclusionary housing ordinance. We will convene and facilitate one 90 minute feedback session (in person or on zoom) to collect issues and concerns

about the program which the city should address in the course of updating the ordinance. The budget below assumes that staff will manage invitations and logistics for this meeting. SLA can take that on at additional cost.

Alternatives Analysis

Building on the financial modeling completed in neighboring jurisdictions, we will construct two “example project” proformas (one rental and one ownership) for use in testing the impact of different compliance alternatives including alternative income targets and in lieu fee alternatives. The purpose of these models is not to prove feasibility but to illustrate how different requirements would compare to your current rules. For example, we could show how much more it would cost a developer to provide units at a lower income level and calculate how many fewer units you could require for the same net cost to projects as your current program.

Internal Working Group

You would convene an informal working group of Planning Department staff and other internal stakeholders to discuss the program and consider potential changes. You may decide to include representatives from City Council in this group or to limit it to Department staff. Ideally, we would get commitment from the same small group of people to participate in all 5 meetings.

Meeting 1: Program Evaluation – Review the current parameters of the IZ program and discuss challenges or problems that have arisen. The goal of this session is to highlight issues that we need to return to later. SLA will provide a questionnaire for participants to complete in advance with key questions for evaluating an IZ program.

Meeting 2: Income Targeting – Discuss how different Bay Area jurisdictions have structured their programs to serve households at different income levels. SLA will come in with 2-3 potential alternatives for Alameda to consider. The group will evaluate the pros and cons of each option and identify other approaches to consider.

Meeting 3: In lieu Fees – Discuss how different jurisdictions set their in lieu fees. SLA will come in with 3-4 alternative fee options with numerical examples and an analysis of the cost of each approach relative to the cost of onsite compliance with your current ordinance. The group will evaluate the alternatives and identify pros and cons of each approach.

Meeting 4: Other issues (if needed) – We will hold time for the group to have a more in-depth discussion of any other issue that arises in the prior meetings.

Meeting 5: Recommendations – We will return to the final meeting with a set of potential recommendations including recommendations related to income

targeting and setting the in lieu fee as well as any other issues that have arisen in the process. The group will discuss the recommendations and suggest revisions.

Final Report: Based on the feedback from the working group, we will draft a final memo which summarizes the analysis, recaps the range of alternatives we considered, provides comparisons with other jurisdictions and ultimately recommends a focused set of changes to Alameda's Inclusionary Housing ordinance.

Presentation: We will create a slide deck which more concisely presents the background and recommendations from our report and will present this material at one public meeting. We can do additional presentations as needed at additional cost.

Cost Estimate: We can lead a careful and thoughtful process following the outline above for a total budget of \$40,000. However I want to be clear about a few cautions.

First, this budget assumes that the internal and external stakeholder feedback will not reveal entirely new and complex issues that require more detailed analysis. I have experience responding to most of the most common concerns that stakeholders raise and many can be addressed with very simple modifications to the policy (within the limits of this budget). But there are some issues that would require additional budget to address. These could include: designing density bonus, streamlining or zoning policies, mechanisms for preserving affordability of ownership units, development of new compliance alternatives, designing a homeownership program and/or a program to support Land Trusts and Cooperatives, policies related to replacement units. The proposal also does not include time to support drafting an ordinance to implement the recommendations. It may make sense to budget \$10,000 - \$25,000 in addition to the proposed cost in order to be prepared for other needs that may arise in the course of this work.

Secondly, as we discussed, this proposal does not include a financial feasibility analysis. A complete feasibility study could add \$50,000 to \$100,000 to the total cost. Given the specific issues you mentioned on our call, I don't think that would be a good investment for the City. However, elected officials are becoming accustomed to seeing feasibility results when they consider inclusionary housing policies and it is possible that your Council or local developers will push for a complete study before adopting any changes. I tried to outline the scope above in a way that would allow you to develop a proposal for changes and then later complete a study only if its really necessary.

Detailed budget:

	Principal 300	Research Associate 175	
Project Management			\$ -
Coordinating Meetings every 2 weeks for 3 months	12		\$ 3,600
			\$ -
Feasibility Memo	20		\$ 6,000
Compile results from recent feasibility studies, compare their assumptions to conditions in Alameda		5	\$ 875
			\$ -
Stakeholder Feedback Session			\$ -
Work with staff to compile stakeholder list	2		\$ 600
Plan and facilitate feedback session	6		\$ 1,800
			\$ -
Alternatives Analysis			\$ -
Construct an example project for analysis	4	5	\$ 2,075
Develop and compare income targeting alternatives	5		\$ 1,500
Develop and compare in lieu fee alternatives	5		\$ 1,500
Create summary slides for working group	10	10	\$ 4,750
			\$ -
Internal working group			\$ -
Plan Agendas and prepare materials for 5 meetings	10	5	\$ 3,875
Facilitate 5 meetings (60 minutes each)	5		\$ 1,500
			\$ -
			\$ -
Final Report			\$ -
Draft report summarizing analysis and making recommendations	20	8	\$ 7,400
			\$ -
Presentation			\$ -
Create slide deck highlighting analysis and recommendations	10		\$ 3,000
Present recommendations and lead discussion at one public meeting	5		\$ 1,500
			\$ -
TOTAL	114	33	\$ 39,975