To: Honorable Mayor and Members of the City Council

From: Jennifer Ott, City Manager

Date: November 13, 2025

Supplemental Memo Regarding Item 7-C, Workshop to Discuss Updates to the Inclusionary Housing Ordinance on the November 18, 2025, City Council Agenda.

SUPPLEMENTAL INFORMATION

This memo is being provided to supplement the staff report already published for the November 18, 2025 City Council meeting.

Planning Board Feedback

The Planning Board held a third workshop on November 10, 2025, at which it discussed the refined staff recommendations that resulted from the direction of their prior meetings and consultations with the working group and development community.

During public comment, a representative of the Alameda Marina development project suggested that the existing inclusionary requirements were not feasible for housing developers and that amendments were warranted. They supported staff's recommendation to expand use of the in-lieu fee to larger projects, but that the fee should be set at $10 per square foot of residential area. In response to this comment, Planning Board members commented that it was difficult to isolate the cause for the current downturn in multi-family housing development and noted that it was likely due to a number of factors such as interest rates, tariffs, increased construction costs, extended condominium warranties, environmental clean-up, and seawall requirements.

Another public speaker proposed exemptions for ADUs and projects with two to ten units, but not for single-family homes. The current ordinance already exempts new housing developments with four or fewer units. To encourage ADUs, adaptive reuse, and backyard infill strategies identified in the Housing Element, staff is not recommending expanding the inclusionary housing requirement to smaller projects.

The Planning Board expressed broad support for the staff recommendations, particularly the strategy of offering developers a wide range of compliance options. This approach acknowledges both the community's need for affordable housing and the financial constraints of the current economic climate. The Board also noted that developers may pursue a Development Agreement with the City to address unique circumstances on a case-by-case basis. Additionally, the Board emphasized that while many projects are currently not financially feasible, the City Council should take a forward-looking approach. The Board suggested exploring the option to provide temporary, partial relief from the inclusionary requirements to induce housing construction in the near term, with a defined sunset date after which full program requirements would take effect.

The Planning Board also noted that many moderate-income units were currently vacant and recommended staff pursue a strategy to address this.

City Attorney Comments

Pursuant to the United States Supreme Court and California Court of Appeal's guidance in Sheetz v. County of El Dorado and United States Supreme Court guidance in Koontz v. St. Johns River Water Management District, a nexus study is likely required to support establishment of the

proposed in-lieu fee. Accordingly, any new or increased in lieu fee should be validated by a current nexus study before final Council adoption. As nexus studies can take several months to complete, the Council may want to consider directing staff to bring forward certain ordinance changes in advance of the nexus study. These changes could include a potential waiver/modification provision, tied to financial feasibility, to address the current market conditions and related impacts on individual projects, as well as a temporary program to address moderate income vacancies.

Respectfully submitted,
Allen Tai, Planning, Building and Transportation Director