INCLUSIONARY HOUSING ORDINANCE UPDATE

CITY COUNCIL WORKSHOP

NOVEMBER 18, 2025

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BACKGROUND: HOUSING ELEMENT PROGRAM 7

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

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CONTEXT: STATE AND REGIONAL REQUIREMENTS

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

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PROCESS AND ENGAGEMENT

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

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

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
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

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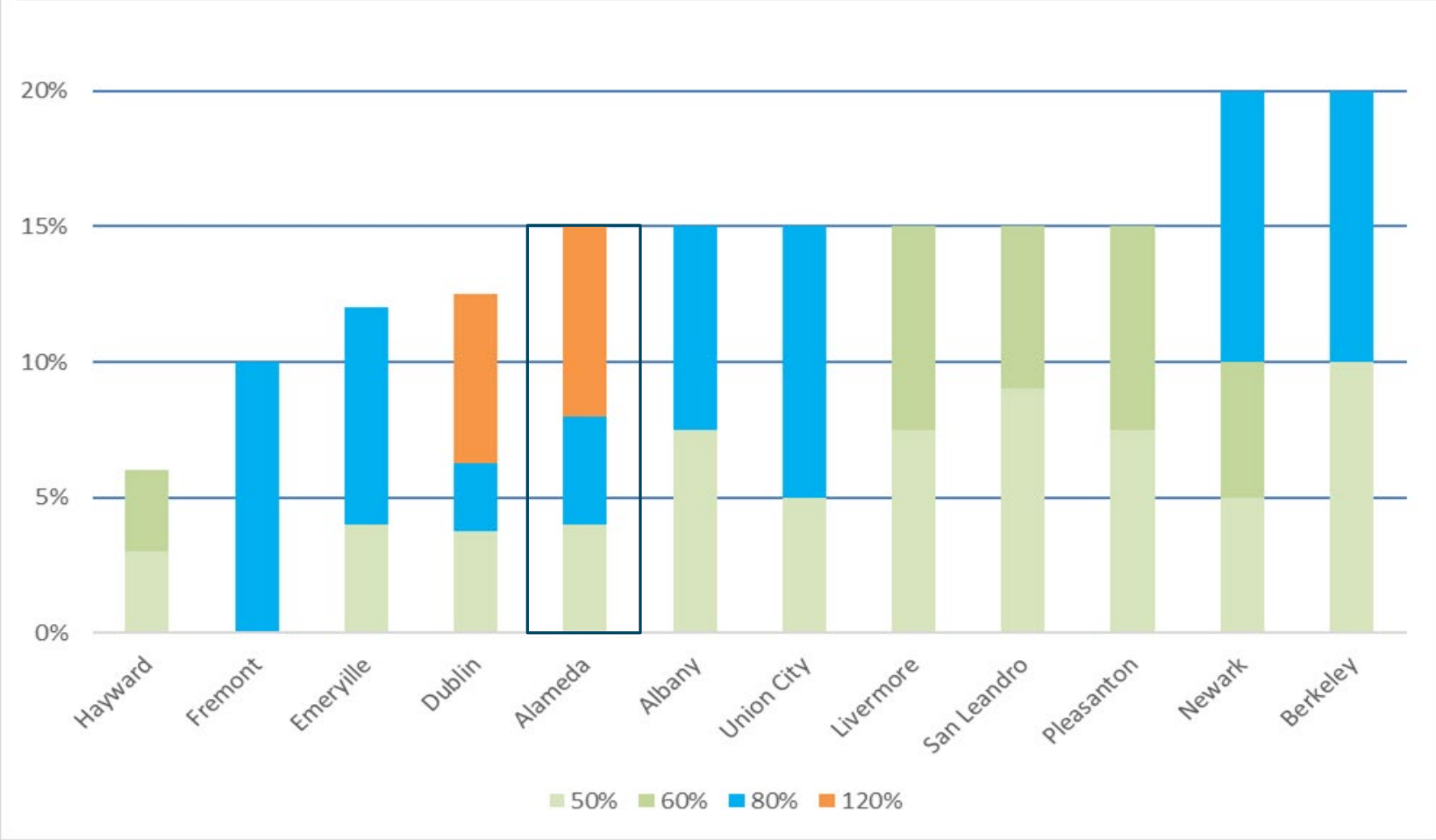
RENTAL INCLUSIONARY



Recommended Rental Requirement

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
Existing	4%	4%	7%	**15%**	$18.25
Option 1 *	--	15%	--	**15%**	$20.00
Option 2	5%	5%	--	**10%**	$18.90
Option 3	8%	--	--	**8%**	$19.50

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

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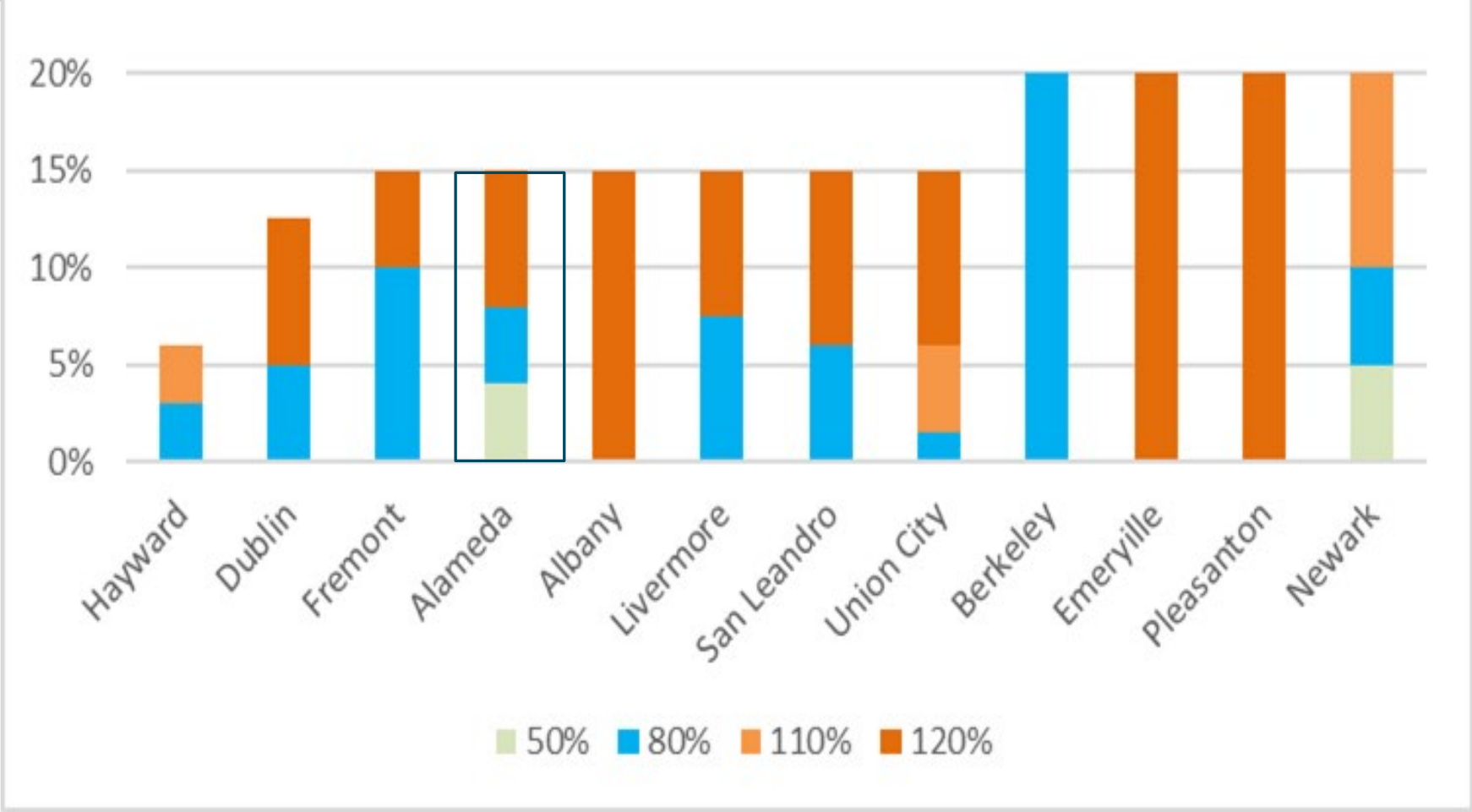
OWNERSHIP INCLUSIONARY



Recommended Ownership Requirement

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

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

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

Recommended In-Lieu Fee Framework

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.

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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

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

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