INCLUSIONARY HOUSING ORDINANCE UPDATE

CITY COUNCIL WORKSHOP

DECEMBER 2, 2025

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BACKGROUND

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.

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STATE AND REGIONAL REQUIREMENTS

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

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PROCESS AND ENGAGEMENT

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

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KEY FINDINGS - Market Realities & Feasibility

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.

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KEY FINDINGS – HOUSING NEED

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

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.

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OTHER KEY FINDINGS

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.

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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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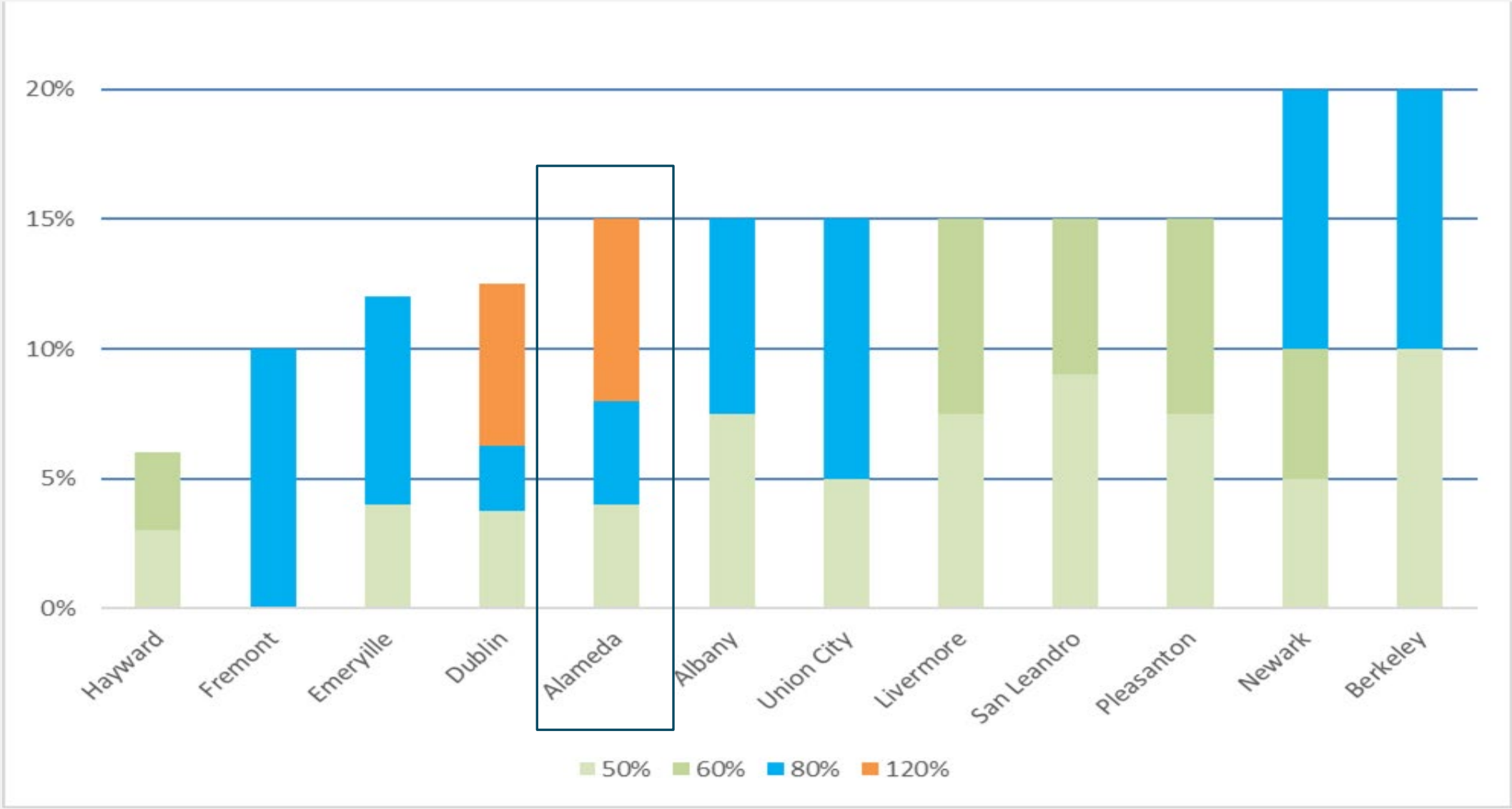
RENTAL INCLUSIONARY REQUIREMENT



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%**	$17.50
Option 1 *	--	15%	--	**15%**	$20.00
Option 2	5%	5%	--	**10%**	$19.00
Option 3	8%	--	--	**8%**	$19.50

*Primary staff recommendation

NOTE: Costs are relative using baseline assumptions – per month

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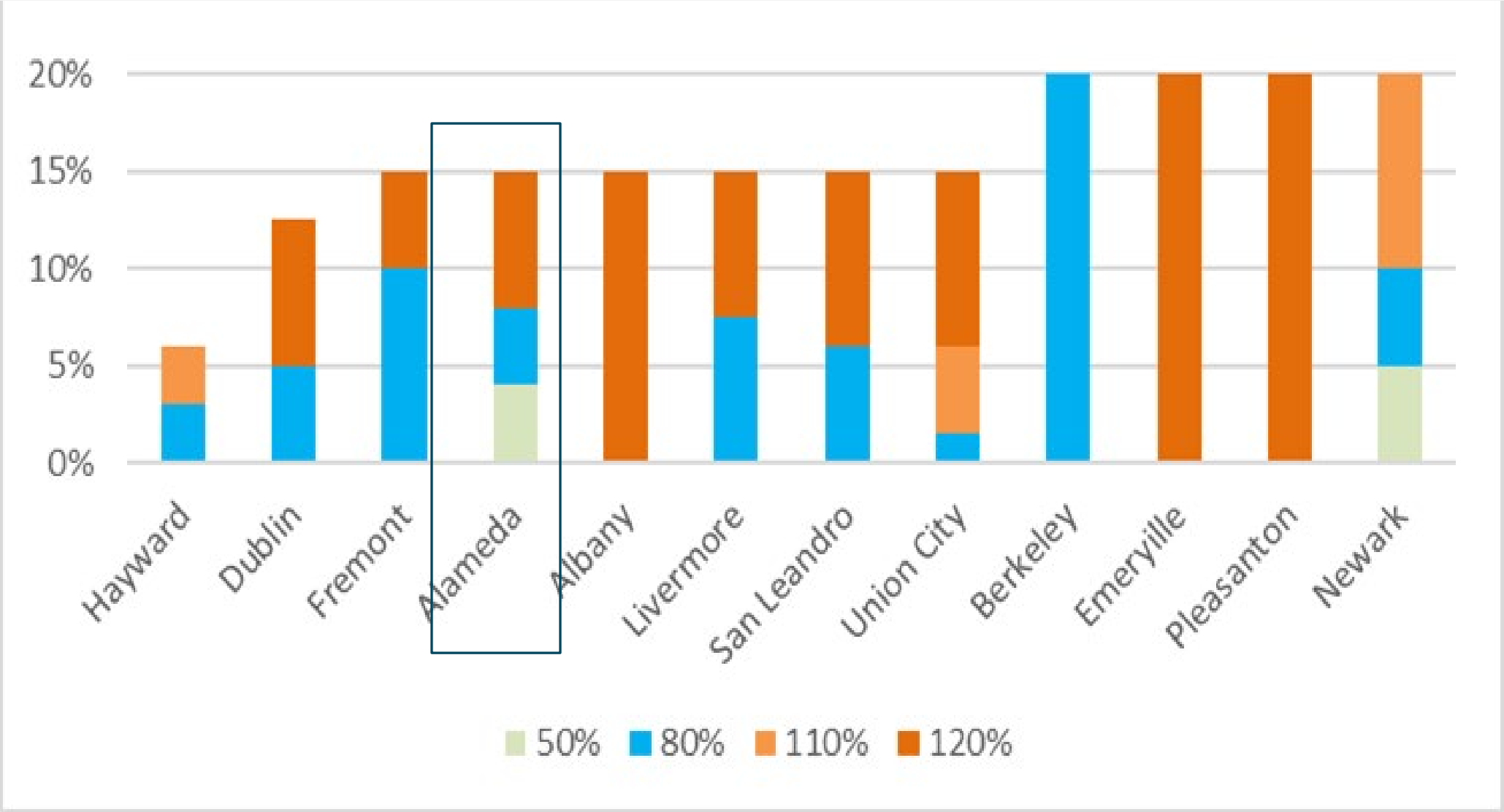
OWNERSHIP INCLUSIONARY REQUIREMENT



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

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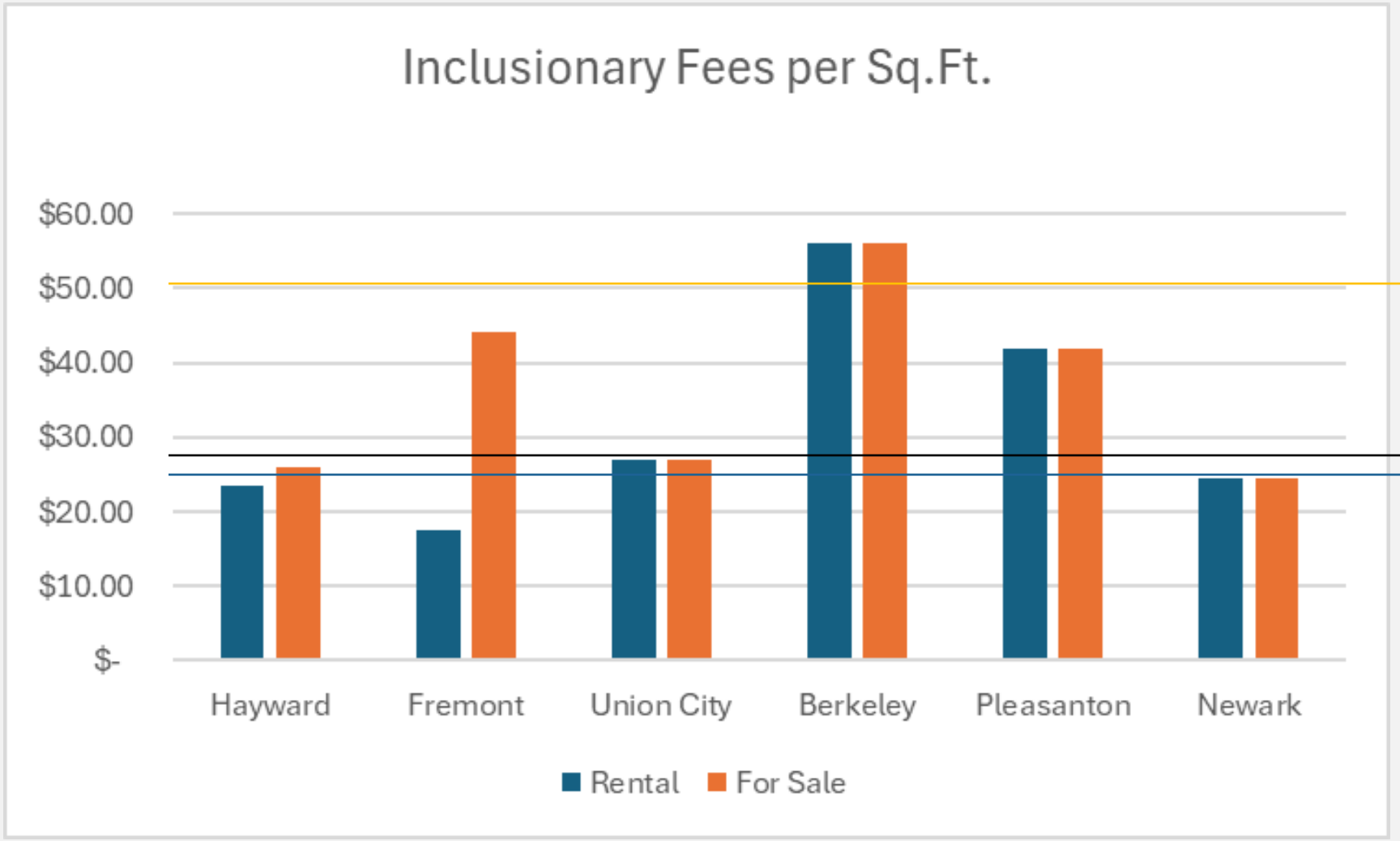
LOCAL IN-LIEU FEES



$50 - Recommended For-Sale In-lieu Fee

$27.50 Existing Fee Equivalent

$25 - Recommended Rental In-lieu Fee

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

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

Planning Board/Developer Feedback

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.

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RECOMMENDATION SUMMARY

Compliance Option	Existing Requirements	Proposed Rental	Proposed Ownership
Inclusionary Units	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
In-Lieu Fee (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
Clustered Option	Subject to Planning Board approval	• Establish standard procedures • Require City Manager approval • Ensure competitiveness for leveraged funding. • Require land + cash equal to the in-lieu fee value.	Same as Rental
Period of Affordability	59 years	99 years	99 years

NEXT STEPS

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.

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