LIVERMORE
CALIFORNIA

CITY COUNCIL STAFF REPORT **ITEM NO. 6.5**

DATE: November 24, 2025

TO: Honorable Mayor and City Council

FROM: Brent Smith, Community Development Director

SUBJECT: Resolution establishing the Annual Affordable For-Sale Prices, Rental Rates, and Maximum Income Limits for the City's Affordable Housing Programs.

RECOMMENDED ACTION

Staff recommends that the City Council adopt a resolution:

1. Establishing new maximum income limits for extremely low-, very low-, low-, median-, and moderate-income households, which shall apply to the City's first-time homebuyer and affordable rental programs; and
2. Establishing maximum for-sale housing prices for the Affordable Homeownership Program and establishing annual rent limits for City-restricted affordable units effective immediately upon adoption by City Council.

DECISION TYPE

Administrative

SUMMARY

The City's Inclusionary Housing Ordinance requires the City Council to annually adopt maximum income limits used to determine eligibility for the City's affordable housing programs. These limits are based on data published each year by the California Department of Housing and Community Development (HCD). The income limits are also factored into the City's Affordable Homeownership Program sales prices and rents for City-restricted units.

On April 23, 2025, HCD released updated income limits, reflecting an approximate 2.6 percent (2.6%) increase over 2024 figures. Although 30-year fixed mortgage rates are projected to decline somewhat in 2026, the combination of high interest rates, rising HOA dues, and other economic factors affecting housing affordability has made it difficult for many first-time homebuyers to purchase below-market-rate homes without additional down payment assistance. Housing affordability is also particularly challenging for below-market-rate unit renters. Therefore, staff recommends City Council adopt limits that maintain the current pricing structure. Staff recommends that the City Council adopt the proposed updated income

limits from HCD for the City's Affordable Housing Programs and retain the existing Affordable Homeownership Program sales prices and rent limits through 2026.

DISCUSSION

Each year, the California Department of Housing and Community Development (State HCD) publishes a schedule of income limits by household size, based on data from the U.S. Department of Housing and Urban Development (HUD), which is used to determine eligibility for most State and Federal housing programs. The City's Affordable Housing Ordinance references the State HCD's income limits as the basis for qualifying participant eligibility and calculating sales prices and rent limits for extremely low-, very low-, low-, median-, and moderate-income households applying to the City's Affordable Homeownership, Rental Programs (Inclusionary Housing), and the Density Bonus Program. Adoption of State HCD's limits ensures consistent requirements across all the City's programs and the requirements of other public lenders. State HCD establishes its income limits based on median income data calculated and provided by the U.S. Department of Housing and Urban Development (HUD), adjusted by household size.

In 2025, the HUD Area Median Income (AMI) for a four-person household in Alameda County is $159,800; approximately a 2.6 percent (2.6%) increase over the previous year. Maximum income categories are defined by HUD as percentages of median income as follows:

- "acutely low-income" households are defined as those with incomes up to fifteen percent (15%) of the AMI;
- "extremely low-income" households are defined as those with incomes up to thirty percent (30%) of the AMI;
- "very low-income" households are defined as those with incomes up to fifty percent (50%) of the AMI;
- "low-income" households are defined as those with incomes up to eighty percent (80%) of the AMI;
- "median-income" households defined as those with incomes up to one hundred percent (100%) of the AMI; and
- "moderate-income households" are defined as those with incomes up to one hundred and twenty percent (120%) of the AMI.

It's important to note that the calculation of maximum income as a percentage of the median is not exact and HUD adjusts each income category by high-cost factors and family size. In addition, the State has adopted a "hold-harmless" policy that prevents income levels in any category from decreasing from the prior year, should HUD's formula result in a decrease.

Through the City's Inclusionary Housing Ordinance, new residential developments are required to reserve a portion (ranging from ten to fifteen percent [10-15%] depending on the area of the City) for lease or sale to very low- to moderate-income households. Historically, most of the households benefiting from this program have either lived or worked in the City of Livermore. Developers of for-sale projects are required to offer the homes at affordable sales prices determined annually by the City and to participate in a marketing and application process guided by the City. The City's affordable home sale prices are calculated using a widely adopted standard, consistent with other jurisdictions and state housing agencies, that a household should spend no more than thirty (30%) of its gross income on housing costs. For homeownership, these costs include mortgage principal and interest payments, property taxes, homeowner's insurance, and homeowner association fees. Incomes have increased minimally across all categories.

Sales activity for below-market-rate (BMR) units from January through November 2025 indicates that many first-time homebuyers continue to experience challenges in purchasing BMR homes, primarily due to persistently high interest rates, increased homeowners' association (HOA) dues, and other associated costs. As of October 2025, CalHFA conventional loan interest rates remain at approximately six percent (6%), which is the same rate from the prior year used in calculating the affordable sales prices. Sales activity for below-market-rate (BMR) units throughout 2025 has shown that many first-time homebuyers continue to face challenges in purchasing without additional down payment assistance. To maintain affordability, the staff recommends that the new affordable sale prices remain unchanged from the currently adopted prices, which are provided in Attachment 1 for reference. If approved, these prices will continue to remain in effect for homes sold in the 2026 Affordable Homeownership Program.

The City's Affordable Rental Rates are based on the standard that tenants should pay no more than thirty percent (30%) of their household income toward rent and utilities. Developers with affordability restrictions are required to deduct applicable tenant-paid utility allowances based on unit size. The Livermore Housing Authority adopts a schedule of these allowances for its HUD-funded programs. Utility allowances do not include "optional" amenities in some new developments, such as parking, and are not deducted from tenant rent, which can affect affordability.

Recent market data from Zillow.com indicates that the average rent for a two-bedroom apartment in Livermore is approximately $2,600 per month, while 3-bedroom units average $3,600 per month, a slight decrease from the prior year. To maintain affordability for households in the very low to moderate income categories, staff recommends that the City's affordable rental rates also remain consistent with the currently adopted rates. If approved, these rates would apply to all affordable rental units, effective November 24, 2025, and remain in effect through 2026. If conditions in the for-sale or rental markets change significantly during 2026, staff can bring a mid-year adjustment to the pricing back to City Council for consideration.

FISCAL AND ADMINISTRATIVE IMPACTS

Maintaining the current Affordable For-Sale Prices and Rental Rates schedule from the previous year will have no fiscal impact on the City's General Fund revenues

COMMUNITY PILLAR

1: A Safe Community that Thrives

GOAL

7: Expand and preserve the supply of affordable housing opportunities

ATTACHMENTS

1. 2025 Affordable For-Sale Prices and Rental Rates
2. Resolution
3. Exhibit A - 2026 Affordable For-Sale Prices and Rental Rates

Prepared by: Natalia Gilina
Housing Administrative Technician

Approved by:

Marianna A. Burch
City Manager

Fiscal Review by:

Tina Olson
Administrative Services Director