LIVERMORE
CALIFORNIA

CITY COUNCIL STAFF REPORT **ITEM NO. 6.4**

DATE: September 28, 2026

TO: Honorable Mayor and City Council

FROM: Brent Smith, Community Development Director

SUBJECT: Resolution authorizing the execution of an Affordable For-Sale Housing Agreement with Shea Homes, Inc., for a 164-unit subdivision located southwest of Portola Avenue and Tranquility Circle intersection.

RECOMMENDED ACTION

Staff recommends the City Council authorize the City Manager, or her designee, to:

1. Execute an Affordable For-Sale Housing Agreement with Shea Homes, Inc., attached hereto as Exhibit A, for a 164-unit subdivision located southwest of Portola Avenue and Tranquility Circle intersection (Vesting Tentative Tract Map 8612)

2. Take whatever actions are necessary and appropriate to carry out the purpose and intent of this resolution.

SUMMARY

On July 8, 2024, the City Council approved a 164-unit for-sale condominium project by Shea Homes located near Portola Avenue and Tranquility Circle. Under the inclusionary housing requirements in effect at the time, the project must provide 32.8 affordable units for Median- and Moderate-income households. On June 8, 2026, the City Council approved a Subdivision Amendment and Site Plan Review Modification allowing part of the Moderate-income requirement to be met through payment of in-lieu fees. Under the proposed Affordable Housing Agreement, the Developer will provide 17 affordable units on-site (nine Median-income and eight Moderate-income). This meets the minimum 10% on-site requirement for Density Bonus eligibility. The remaining 16 Moderate-income units may be satisfied through in-lieu fees.

As proposed, the Developer will pay an in-lieu fee of $158,818 per unit for eight (8) of the 16 fee-eligible Moderate-Income units, totaling $1,270,544. The remaining eight (8) units will be marketed for sale; however, if the City does not identify qualified Affordable Homeownership Program buyers within 90 days, the Developer may pay the in-lieu fee for those units. Staff recommends approval of the agreement because it complies with State Density Bonus Law and the City’s Affordable Housing Ordinance while

generating funding that the City can use to support deeper affordability in future projects, such as phase two of the Pacific Avenue Senior Apartments. The in-lieu fee will help to create Very Low- to Low-income units, advancing the City's long-term affordable housing production goals.

DISCUSSION

On July 8, 2024, the City Council approved the 164-unit for-sale residential condominium subdivision, known as “Aura”, proposed by Shea Homes, Inc. (“Developer”), located southwest of the Portola Avenue and Tranquility Circle intersection (the “Development”). The Development is subject to an affordability obligation of 32.8 units reserved for sale to Median- and Moderate-income (100% and 120% of Area Median Income) households, as it was approved under the previous Affordable (Inclusionary) Housing Ordinance requirements (Livermore Development Code Chapter 10.06.050) for residential projects within the Isabel Neighborhood Specific Plan Area (INSP). The developer proposed to round up the 0.8 fractional unit and provide 33 total affordable units on-site, thus providing 20.12% of units as affordable on-site. As part of the project’s approval, the Developer used a State Density Bonus Program incentive to waive the requirement that affordable units reflect the mix of plan types offered in the project. Under this waiver, all affordable units will be provided as “Plan One,” a three-bedroom, three-bathroom unit type.

On June 8, 2026, the City Council approved a Subdivision Amendment and Site Plan Review Modification authorizing an alternative means of compliance, allowing the Developer to satisfy a portion of the affordability requirement through an in-lieu fee rather than by constructing all required Moderate-income units on-site. The total number of units in the Development remains unchanged; however, a portion of the required Moderate-income units may instead be sold at market rate and replaced by an in-lieu fee payment. As a condition of approval, and in accordance with the City’s Affordable Housing Ordinance, the Developer must enter into an Affordable Housing Agreement to satisfy the Inclusionary Housing requirement.

To meet the affordable housing requirement, the Developer proposes to construct 17 on-site affordable units, consisting of nine (9) units priced for Median-income buyers and eight (8) units priced for Moderate-income buyers. These units meet the minimum 10% affordability threshold required to qualify for the Density Bonus incentive. The Developer proposes to satisfy the obligation for the remaining 16 Moderate-income units needed to meet the City’s inclusionary requirement through both an in-lieu fee payment, pursuant to the City’s Municipal Code Ch. 3.26, and an option for an in-lieu fee payment based on specified conditions. Under the proposed agreement, the Developer will pay the City an in-lieu fee of $158,818 per affordable unit, totaling $1,270,544 for eight (8) units, to be collected on a pro rata basis at final inspection. For the remaining eight (8) units, if the City does not identify eligible buyers in the Affordable Homeownership Program within 90 days, the Developer may also satisfy the requirement through the in-lieu fee of $158,818, payable upon close of escrow for each unit.

The City’s affordable housing in-lieu fee methodology applicable to this project requires comparing the estimated base market-rate sales price of the new residential unit subject to the requirement with the City's affordable sales price to determine the “affordability gap” that the fee must cover. The ordinance excludes price increases due to lot premiums or upgraded amenities. The Developer submitted current sales and marketing information for similar units at their Serenity development, as required by Livermore Municipal Code 3.26 to establish an estimated market sales price for calculating affordable housing in-lieu fees. Shea recently sold two units comparable to Aura's Moderate-income units with base prices of $785,000. The Developer reports that sales incentives averaging $36,306, such as rate buydowns and closing cost assistance, are needed in the current market and function as an additional price reduction. This has been observed in other developments to encourage sales; however, incentives are not listed in the Municipal Code as an exclusion from the calculation of base market price and have been excluded from consideration. Shea anticipates lower net sales prices in a slow market characterized by high interest rates and limited buyer demand.

Over the next two years, when Aura comes to market, conditions and buyer demand from Moderate-income households in the Affordable Homeownership Program are anticipated to remain similar. Based on this information, Staff recommends that Serenity's current base market sale price of $785,000 is a reasonable basis for the in-lieu fee calculation. Using the current base market price ensures that the in-lieu fee reflects true market dynamics and provides a reliable, equitable basis for determining the fee alternative to providing on-site affordable units.

Staff recommends approval of the agreement because it satisfies the on-site unit requirements of the State Density Bonus Law and complies with the City's Affordable Housing Ordinance through a partial in-lieu fee alternative. Allowing an in-lieu fee option for a portion of the units ensures that future increases in market demand for Moderate-income affordable units can be met, while also providing the Developer with a fee alternative if needed. This approach will advance the City's affordable housing goals and provide funds to support progress toward meeting its Regional Housing Needs Allocation (RHNA) for lower-income households, including future phases of projects like the Pacific Avenue Senior Apartments.

Based on the level of City subsidy provided for Phase 1 of the Pacific Avenue Senior Apartments project (approximately $88,000 per unit), the in-lieu fee collected through this amendment could support the future development of up to approximately 29 Very Low- to Low-income units (50-80% of Area Median Income). In-lieu fees provide a strategic benefit to the City by creating a flexible funding source that can be directed toward projects in the City's affordable housing development pipeline. This approach supports deeper affordability, leverages planned projects, and advances the City's long-term affordable housing objectives.

FISCAL AND ADMINISTRATIVE IMPACTS

If approved, the Affordable Housing Agreement will provide 17 affordable units for sale to Median- and Moderate-income homebuyers and provide an in-lieu fee equivalent for up to 16 affordable units. Upon the sale of each affordable unit, the City will hold a promissory note secured by a deed of trust for the difference between the home's market value and its affordable price. The note requires no payments and may transfer to a new eligible buyer; however, if the home is later sold at an unrestricted market-rate price to an ineligible buyer, the City will collect the full note amount plus interest. The agreement also authorizes the City to receive a 1.5% administrative fee at closing for services to market the unit, identify, and screen an eligible homebuyer.

As an alternative to providing 16 Moderate-income for-sale units required under the project's affordability obligations, the Developer may instead:

- Pay the City an in-lieu fee for eight (8) Moderate-income units at a rate of $158,818 per unit, totaling $1,270,544. This fee will be paid on a pro rata basis at the time of final inspection for the units in the development
- Provide eight (8) Moderate-income units for sale, and if an eligible buyer is not identified by the City within 90 days, the Developer may satisfy the requirement for that unit through an in-lieu fee

at a rate of $158,818 per unit, which would be paid upon close of escrow.

Funds will be deposited into the City's Affordable Housing Trust.

COMMUNITY PILLAR

1: A Safe Community that Thrives

ATTACHMENTS

1. Resolution
2. Exhibit A - Affordable For Sale Housing Agreement with Shea Homes, Inc. (Shea Aura)

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