LIVERMORE
CALIFORNIA

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

DATE: September 28, 2026

TO: Honorable Mayor and City Council

FROM: Brent Smith, Community Development Director

SUBJECT: Resolution authorizing the execution of a Second Amendment to the Affordable For Sale Housing Agreement with Shea Homes, Inc., for a subdivision located in the Isabel Neighborhood Specific Plan Area, northeast of the Portola Avenue / Collier Canyon Road intersection.

RECOMMENDED ACTION

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

1. Execute a Second Amendment to the Affordable For Sale Housing Agreement with Shea Homes, Inc., attached hereto as Exhibit A, which implements an alternative means of compliance with the City's inclusionary housing ordinance by requiring the Developer to pay an in-lieu fee, consistent with the requirements of Section 3.26.050(C) of the Livermore Municipal Code, for nine units that would have otherwise been reserved for "Moderate Income Purchasers"

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

SUMMARY

In July 2022, City Council approved the 89-unit residential subdivision, known as "Serenity", proposed by Shea Homes, Inc. (the "Developer"), including 18 Median (100% of Area Median-income) and Moderate-income (120% of Area Median-income) restricted affordable for-sale units. On September 25, 2023, the City Council approved an Affordable For Sale Housing Agreement with Shea Homes; however, recent market challenges have made it difficult to sell the Moderate-income units in the development. In response, on June 8, 2026, the City Council approved an amendment to the tentative map for the development, allowing a portion of the Moderate-income affordable units to be satisfied through an in-lieu fee.

Under the proposed amendment, the developer will provide nine (9) on-site affordable units (5 Median-income and 4 Moderate-income), meeting State Density Bonus requirements. The remaining nine (9)

Moderate-income units will be satisfied through an in-lieu fee calculated using base market prices from the Serenity "Plan 1" model. This results in a fee of $158,818 per affordable unit, totaling $1,429,362 for nine (9) units.

Staff recommends approval of the amendment because the proposal complies with state and local affordable housing requirements and generates 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 could help create new Very Low- to Low-income units, advancing the City's long-term housing goals.

DISCUSSION

On July 25, 2022, City Council approved the 89-unit for-sale, residential condominium subdivision proposed by the Developer, known as “Serenity”, located northeast of the Portola Avenue / Collier Canyon Road intersection (the “Development”) as part of the larger development under Tract Map 8613. The Development is subject to an affordability requirement of 17.8 units for sale to Median- and Moderate-income, (defined as 100-120% of Area Median-income) first-time homebuyers. The developer proposed to round up the 0.8 fractional unit and provide 18 total affordable units on-site, thus providing 20.2% of units as affordable on-site.

On September 25, 2023, City Council approved the execution of an Affordable For Sale Housing Agreement (the “Agreement”) between the City and the Developer. On June 8, 2026, the City Council approved a Subdivision Amendment and Site Plan Review Modification authorizing an alternative means of compliance for certain Moderate-income units due to increased difficulty selling these units under current market conditions. This approval allows 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 originally required Moderate-income units may instead be sold at market rate and replaced by an in-lieu fee payment. The City Council directed staff to work with the developer to thoroughly assess market values and ensure that the in-lieu payment received for these units is structured to provide the greatest benefit and can be effectively leveraged for future projects. On August 19, 2026, the City and Developer executed First Amendment to the affordable housing agreement to change the location and description of the affordable units, as authorized pursuant to Section 4(c) and Section 14 of the affordable housing agreement.

To meet the affordable housing requirement described in this second amendment, the Developer proposes to provide nine (9) on-site affordable units, consisting of five (5) units priced for Median-income buyers and four (4) units priced for Moderate-income buyers. These units meet the minimum 10% affordability threshold required to qualify for the State Density Bonus Program. For the remaining nine (9) Moderate-income units needed to meet the City’s inclusionary requirement, the Developer proposes to satisfy the obligation through the payment of an in-lieu fee pursuant to the City’s Municipal Code Ch. 3.26.

The Developer submitted current sales and marketing information for affordable unit plans at the 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 in the affordable plans 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.

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. Under this proposed amendment, the Developer will pay the City an in-lieu fee of $158,818 per affordable unit ($785,000 market price minus the 3-bedroom Moderate-income affordable sales price of $626,182), totaling $1,429,362 for nine (9) units, to be collected on a pro rata basis at final inspection for the remaining units to be constructed in the project.

Staff recommends approval of the amendment because it satisfies the on-site unit requirements of the State Density Bonus and complies with the City's Affordable Housing Ordinance through a partial in-lieu fee alternative. This approach will help advance the City's affordable housing goals and support progress toward meeting its Regional Housing Needs Allocation (RHNA) for lower income households, including phase two of the Pacific Avenue Senior Apartments.

Based on the level of City subsidy provided for Phase 1 of the Pacific Senior project (approximately $88,000 per unit), the in-lieu fee collected through this amendment could support the future development of approximately 16 Very Low- to Low-income affordable units (at or below 50-80% of Area Median-income). Collecting this in-lieu fee provides a strategic benefit to the City by creating a flexible funding source that can be directed toward upcoming Very Low-income housing initiatives already in the 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, this amendment will provide 9 affordable units for sale to Median- and Moderate-income homebuyers and allow the Developer to pay an in-lieu fee equivalent to 9 affordable units. According to the terms of the previously approved agreement, 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 constructing the nine (9) Moderate-income, for-sale units required under the project's affordability obligations, the Developer will instead pay the City an in-lieu fee totaling $1,429,362. This fee will be paid on a pro rata basis at the time of final inspection for each of the remaining units in the development. 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 - Second Amendment to Affordable For Sale Housing Agreement with Shea Homes, Inc. (Shea Portola Project/Shea Serenity)

Prepared by: Shelly Haynes
Management Analyst II

Approved by:	Fiscal Review by:
Marianna A. Burch City Manager	Dustin Claussen Administrative Services Director