

**DRAFT Residential Inclusionary Housing Program
for the City of Newark
Feasibility Study & Recommendations**

TO: City of Newark
FROM: Community Planning Collaborative
SUBJECT: Residential Inclusionary Housing Program for the City of Newark
Feasibility Study & Recommendations
DATE: April 15, 2025

0. Executive Summary

Community Planning Collaborative (“CPC”) and Century Urban, LLC (“Century | Urban”) have been retained by the City of Newark (the “City”) to assist with evaluating a potential inclusionary housing requirement for new residential development, with the goals of maximizing production of new housing, with an emphasis on new affordable housing, and increasing access to affordable housing opportunities across the city and in high opportunity areas.

The City’s 2023-2031 Housing Element includes Policy H5.4 to amend the City’s existing ordinance to require residential developers to build affordable housing units rather than pay a fee. The City requested a residential feasibility analysis to evaluate the potential effect of implementing an inclusionary housing program to replace the City’s residential housing impact fee. No nexus study is associated with this analysis since the City specifically requested study of a “build first” inclusionary requirement rather than a fee. This report summarizes the approach to performing the feasibility analysis, the findings, and recommendations.

RECOMMENDATION:

The consultant team recommends the City consider adopting an inclusionary housing ordinance that requires 10% of new residential development to be affordable to lower income households (Very Low Income households in rental development and Moderate Income households in for-sale development).

1. Background: Inclusionary Housing & Housing Impact Fees

Inclusionary housing and housing impact fee policies connect the creation of affordable housing for low- and moderate income households to the construction of new market-rate residential or commercial development. Inclusionary housing policies were originally created to counteract exclusionary zoning policies that segregated communities, but today they serve many different purposes.

Inclusionary Housing is a policy that aims to increase the availability of affordable housing within a jurisdiction by requiring residential developers to include a certain percentage of affordable units within new residential developments alongside market-rate housing. “Affordable” in this context typically means units would be restricted to households with incomes at or below 120 percent of the Area Median Income (AMI), although jurisdictions may establish their own maximum and minimum AMI targets depending on their existing housing needs and market.

Housing Impact Fees are imposed on new residential or commercial real estate development to collect funds to build affordable housing. In the case of commercial development, fees are assessed based on the assumption that new commercial developments will employ or generate jobs for low- or moderate-income individuals. Because a jurisdiction does not currently have enough homes affordable to these employees, a commercial developer should pay a fee to support building affordable homes for the new workforce, thereby reducing the shortage of affordable homes.

Similarly, new market-rate residential developments create new households that generate demand for services. Those services create jobs for lower-wage employees who also need housing. Again, an impact fee imposed on these residential developments provides funds to build new affordable housing for this workforce.

There are pros and cons to each approach. Inclusionary housing policies tend to integrate affordable housing units with market-rate units, within the same neighborhood if not the same buildings. In addition, inclusionary affordable units are often delivered on the same schedule as the market-rate component.

On the other hand, while housing impact fees may take longer to deliver units since sufficient funding may need to accumulate over the course of multiple market-rate projects, they tend to support the development of 100% affordable housing projects that serve households with lower incomes and greater need. These 100% affordable housing projects may also leverage additional subsidy from other sources and may offer more comprehensive services targeted to their residents. Housing impact fees may also be preferable for small projects to make the long-term compliance and oversight responsibilities easier for the jurisdiction.

Both inclusionary housing requirements and housing impact fees need to be set carefully, to both enable as much affordable housing as possible and to ensure these requirements do not stymie overall development. Requirements set too low will leave affordable housing opportunities on

the table; set too high, and new development becomes infeasible and no market-rate or affordable housing will be produced.

1.1 Existing Conditions in Newark

The City of Newark has had various affordable housing requirements (either inclusionary build requirements or housing impact fees) in place continuously since adopting its first inclusionary policy in 2004. Since 2015, the City of Newark has charged new development residential and commercial linkage impact fees on a per square foot basis. These funds contribute to the City’s Affordable Housing Impact Fee Fund, which has also been supported by federal and regional funding initiatives such as Alameda County Measure A1 and the American Rescue Plan Act (ARPA). Residential developers can request an Alternative Means of Compliance to payment of housing impact fees by providing affordable units on-site through an inclusionary program. While Resolution No. 10,184 establishes minimum percentages of on-site inclusionary affordable housing to be eligible for Alternative Means of Compliance, approval is still subject to a discretionary recommendation by the Planning Commission and acceptance by City Council.

The City’s Affordable Housing Fund has financed 263 affordable homes in the last three years. This compares to 208 inclusionary affordable units approved over the last 11 years through Alternative Means of Compliance instead of payment of the Affordable Housing Impact Fee. Of these inclusionary affordable units, 166 have been entitled or constructed as stand-alone affordable housing communities in two separate projects. The remaining 42 affordable units are entitled as integrated units within the Lepakshi Homes and NewPark Place Phase A projects.

Table 1: Affordable Housing Production under Newark’s Existing Housing Policy

<u>Affordable Housing Fund</u>	<u>Units</u>
<ul style="list-style-type: none"> ● Cedar Community Apartments (Allied/Abode)* ● Timber Senior Housing (Eden Housing)* ● Thornton Avenue Apartments (SAHA) 	125 units 79 units <u>59 units</u>
TOTAL	263 units
<u>On-site Inclusionary (Alternative Means of Compliance)</u>	<u>Units</u>
<ul style="list-style-type: none"> ● Newark Station Senior (SHH, Torian and Atrium Projects)* ● Terracina (FMC Willow and Harbor Pointe Projects) ● Newpark Mall Phase A ● Lepakshi Homes 	75 units 91 units 29 units <u>13 units</u>
TOTAL	208 units

*Projects that have been built or which are under construction.

The Affordable Housing Impact Fee Fund has been very successful at generating funding for affordable housing in Newark, but there has been sustained City Council interest in implementing a “build-first” inclusionary requirement and streamlining approvals for on-site affordable housing. This analysis is intended to examine the feasibility of converting the existing residential impact fee into a requirement for developers to include affordable units within new developments.

1.2 Newark Stakeholder Engagement

Stakeholder Interviews

In August 2024 Community Planning Collaborative conducted interviews with affordable housing stakeholders, primarily affordable housing developers and advocates that operate in or near Newark. These included staff from Eden Housing, USA Housing, MidPen Housing, SAHA, and East Bay Housing Organizations (EBHO, a policy advocacy organization).

All affordable housing stakeholders emphasized the importance of offering flexibility to developers by providing multiple alternatives for meeting Inclusionary Housing requirements and separating the affordable component from the market-rate component as much as possible (e.g., separating entitlements and financing paths), recognizing that jurisdictions need to maintain some leverage. Several stakeholders also noted that stand-alone affordable projects are often the most effective way to maximize affordable housing production, since affordable developers can leverage additional (federal, state, regional) funding sources and then provide more affordable units and deeper affordability than would be provided if a market-rate developer were to build the affordable units within a market-rate development.

In addition, all stakeholders reported high development costs, especially for affordable projects. Total development costs for affordable projects in the Bay Area can range from \$500,000 - \$1,000,000 per unit with hard costs ranging from \$300,000 - \$600,000 per unit.

Overall, the affordable stakeholders interviewed believe that inclusionary housing policies should be structured to result in a range of choices by developers – with some affordable units integrated on-site, some built in a standalone project on-site or nearby, and other projects providing fees that fund 100% affordable projects to be developed by partners. They suggested that more flexibility and multiple alternatives allow projects to be more cost-effective while also streamlining the production of both market-rate and affordable units.

During a similar time frame, Century | Urban completed interviews with six additional members of the residential market-rate developer community, both rental and for-sale developers, that are or have recently been active in Newark. The purpose of these interviews was more technical in nature, to gather information regarding inputs for the feasibility analysis.

Development Community Outreach

The consultant team met twice with a set of developer stakeholders identified by City staff. At the initial meeting in November 2024, the team presented the methodology and discussed the development prototypes that would be studied. The developers offered feedback on the development prototypes, market conditions in Newark, data sources, potential additional interviewees, and approaches to the research.

The consultant team also presented the draft assumptions they were planning to use in the feasibility analysis models. The developers did not have many comments regarding specific assumptions, but offered general feedback that while the model outputs were not identical to their projections, directionally the model was on target.

The developer community also struck a cautionary note. They worried about the cumulative burden of all city requirements, including fees (see Appendix B for list of impact fees). They also felt strongly that it was important to provide as much flexibility as possible.

At the second convening of developer stakeholders in April 2025, the consultants presented draft results and recommendations. The developers who participated reiterated the importance of flexibility, including in design, product type, and parking standards. Other points included allowing for a reduction and/or deferral of fees, interest in the alternative means of compliance, and caution around implementation (standards for lease-up and marketing, compliance, etc.). The developers also warned that the City should not expect development anytime soon with the current development environment.

2. Feasibility Analysis

2.1 Data Analysis

The goal of the feasibility analysis is to evaluate how new affordable housing requirements might affect the financial feasibility of housing development. Based on the data gathered, the consultant team built pro-formas (projections of costs and revenue) and estimated the minimum profit threshold for projects to be viable. They then modeled how profitability changed based on new affordable housing requirements.

In addition to stakeholder interviews, the consultant team reviewed city records including pipeline reports, information about recent developments, and the impact fee schedule. They analyzed both public and private databases, which informed inputs like rental rates and sale prices, and reviewed financial reports from a variety of sources.

2.2 Development Prototypes

To prepare the feasibility analysis, Century | Urban worked with the City and CPC to establish six

residential development prototypes:

- **Multifamily Rental**

This prototype assumes a 7-story mid-rise Type III over Type I construction project with a parking ratio of 1.6 stalls per unit provided in a podium garage.



- **Multifamily Infill Rental**

This prototype assumes a 4-story Type V construction project with a parking ratio of 1.5 stalls per unit provided through surface parking.



- **Townhome Rental**

This prototype assumes 3-story Type V construction townhomes with a parking ratio of 2.5 stalls per unit provided through surface parking and in-unit garages.



- **Condominium For-Sale**

This prototype assumes a 5-story Type V over Type I construction project with a parking ratio of 1.6 stalls per unit provided in a podium garage.



- **Townhome For Sale**

This prototype assumes 3-story Type V construction townhomes with a parking ratio of 2.5 stalls per unit provided through surface parking and in-unit garages.



- **Single Family Home For Sale**

This prototype assumes 2-story Type V construction detached homes with a parking ratio of 2.7 stalls per unit provided through surface parking and in-unit garages.



The prototype parameters were informed by development pipeline activity in the City. The parameters of each prototype are summarized in the table below.

Table 2: Prototype Parameters

	Multifamily Rental	Multifamily Infill Rental	Townhome Rental	Condo For Sale	Townhome For Sale	Single Family For Sale
Units	320	75	160	88	160	203
Acres	4	1.5	7.6	1.3	7.6	29
Unit Mix	Studio – 13% 1BR – 56% 2BR – 29% 3BR – 2%	1BR – 60%, 2BR – 40%	2 BR – 30% 3 BR – 70%	1BR – 36% 2BR – 52% 3BR – 8% 4BR – 3%	2 BR – 30% 3 BR – 70%	4BR – 100%
Unit Size (sf)	Average: 825 sf	Average: 715 sf	Average: 1,650 sf	Average: 1,370 sf	1,650 sf	2,800 sf
Average Parking per unit	1.6	1.5	2.5	1.6	2.5	2.7

It is important to note that the prototype analysis is based on a snapshot in time, and in real estate economics, conditions can change quickly. Additionally, the prototypes may already assume waivers or incentives (such as reduced parking requirements because of a specific plan or use of the density bonus) that improve project feasibility.

Lastly, while the analysis studied typical developments based on a variety of data sources and stakeholder input, every real development is unique, and some will be more or less feasible than the prototype analysis indicates.

2.3 Feasibility Analysis Input Assumptions

Input assumptions to prepare the feasibility analysis such as development costs (e.g., hard costs, soft costs, and land costs), revenues, expenses, and target returns were developed via market research including interviews with developers who are currently developing or have previously developed projects in Newark.

Development Costs

Development costs were separated into hard costs, soft costs, land costs, sales/closing costs and impact fees. Soft costs were reflected as a percentage of hard costs. The hard costs ranged from \$150 per square foot for single family homes to \$405 per square foot for condominiums. Soft costs averaged ten to twelve percent of hard costs. Land costs varied dramatically from \$54,000 per multifamily rental unit to \$850,000 per single family home. Sales/closing costs averaged three percent for the for-sale products.

Newark has several impact fees for new development, including the aforementioned housing impact fee on both new residential and commercial development that funds affordable housing. One of the City’s goals is to shift this impact fee to an on-site inclusionary requirement. This shift would revise the City’s inclusionary housing requirement for residential development to prioritize the provision of units restricted to low- and moderate-income households on site, whereas at present the requirement for new residential development is payment of the housing impact fee. To assess the impact of a new on-site inclusionary requirement that would replace the current housing impact fee requirement, an adjustment is made to exclude the current fee (or any affordable housing requirement) from the baseline feasibility analysis of current conditions, as demonstrated in Table 3.

Table 3: Development Costs Assumptions

	Multifamily Rental	Multifamily Infill Rental	Townhome Rental	Condo For Sale	Townhome For Sale	Single Family For Sale
Hard Costs (per SF)	\$365	\$250	\$200	\$405	\$200	\$150
Soft Costs (% of Hard Costs)	10%	10%	12%	11%	12%	11%
Land Cost (per unit)	\$54,000	\$87,000	\$390,000	\$62,000	\$390,000	\$850,000

Land Cost (% of Total Devt Cost)	10.26%	20.79%	45.72%	7.28%	45.72%	59.1%
Sales Commissions and Closing Costs	NA	NA	NA	3%	3%	3%
Impact Fees (per unit)	\$79,000	\$76,000	\$106,000	\$94,000	\$106,000	\$133,000
Impact Fees (per unit) WITHOUT Existing HIF	\$58,000	\$58,000	\$75,000	\$65,000	\$75,000	\$91,000

Revenue

The below chart describes expected average revenue (not profit) to the developer/owner for each development prototype analyzed. For rental development, revenue includes rent (minus vacancy) plus other revenue (such as laundry). For for-sale developments, revenue is the gross proceeds from the sale of the units.

Table 4: Revenue Assumptions

	Multifamily Rental	Multifamily Infill Rental	Townhome Rental	Condo For Sale	Townhome For Sale	Single Family For Sale
Average Market Rents (per SF per month)	\$3.75	\$3.65	\$2.70	–	–	–
Vacancy Rate	5%	5%	5%	–	–	–
Average Market Prices (per SF)	–	–	–	\$725	\$710	\$690

Operating Costs

Operating costs for rental developments include such things as management cost, repairs, property taxes, insurance, etc. For the multifamily rental prototype, the operating cost is estimated at \$6,500 per unit per year, or 31.65% of gross residential revenue. For the multifamily infill rental prototype, the operating cost is estimated at \$6,000 per unit per year, or 32.92% of

gross residential revenue. For the rental townhome prototype, it is estimated at \$2,000 per unit per year, or 20.21% of gross residential revenue.

Profit

The target return metric is the minimum profit threshold needed for a development to go forward. The analysis to evaluate the feasibility of rental residential development is “yield on cost”, while the analysis for for-sale development calculates the profit as a percent of development cost. “Yield on cost” is calculated by dividing annual net operating income by total development costs.

The target return for the rental developments is a 7.75% yield on cost. The target for for-sale developments is a 20-25% return as a percent of development cost.

Typically, a development’s profitability meets the target return. If revenue is higher or costs are lower, land prices tend to absorb excess profits, and profitability hovers around targeted levels. There are rarely excess profits to support other expenses or policy priorities.

Feasibility can change quickly based on market conditions, in particular sales/rental price and construction cost. Small changes in rent dramatically affect the feasibility of projects. For that reason, what is feasible today may not be feasible in the past or in the future, and vice versa.

Only the Townhome For Sale and Single Family For Sale prototypes are feasible under today’s market and regulatory conditions.

Table 5: Baseline Feasibility under Current Conditions (including the Housing Impact Fee)

	Multifamily Rental	Multifamily Infill Rental	Townhome Rental	Condo For Sale	Townhome For Sale	Single Family For Sale
Metric	Yield on Cost	Yield on Cost	Yield on Cost	Profit as % of Cost	Profit as % of Cost	Profit as % of Cost
Target Return	7.75%	7.75%	7.75%	20.0%	25.0%	25.0%
Projected Return with HIF	4.6%	5.1%	4.6%	9.0%	28.3%	26.5%

2.4 Peer City Comparison

Inclusionary housing is already very common in Alameda County today.

Below is a list of inclusionary housing requirements from nearby cities or cities with similar development patterns to Newark. Affordability requirements in these cities ranged from 10 to 20 percent of new units, but details vary from community to community.

Table 6: Peer City Inclusionary Policies

City / Original Policy Adoption Date and Latest Update	% Inclusionary Rental	% Inclusionary For-Sale
Albany / 2005, 2024	Rental projects with 5+ units 15% requirement <ul style="list-style-type: none"> ● 5-6 units: In-lieu fee ● 7-9 units: 15% @ 80% AMI ● 10+ units: 7.5% at 50% AMI, 7.5% at 80% AMI 	For-sale projects with 5+ units 15% requirement <ul style="list-style-type: none"> ● 5-6 units: In-lieu fee ● 7-9 units: 15% @ 80% AMI ● 10+ units: 7.5% at 50% AMI, 7.5% at 80% AMI
Dublin / 2002, 2024	Projects with 10+ units for rental and condos (density of 30+ units/acre) 10% requirement <ul style="list-style-type: none"> ● 10% @ 50-80% AMI 	For-sale projects with 10+ units, including condos with density of <30 units/acre) 15% requirement <ul style="list-style-type: none"> ● 6% @ 50-80% AMI ● 9% @ 80-110% AMI
Emeryville / 1990, 2015	Baseline: Impact fee Onsite alternative for all rental projects: 12% requirement <ul style="list-style-type: none"> ● 4% @ 50% AMI ● 8% @ 80% AMI 	For-sale projects with 10+ units 20% @ 120% AMI
Fremont / 2002, 2021	Rental projects with 2+ units 10% @ 60% AMI	All for-sale projects 15% requirement <ul style="list-style-type: none"> ● 10% @ 70% AMI ● 5% @ 110% AMI
San Leandro / 2004, 2020	Rental projects with 4+ units (projects with <4 units are exempt) 15% requirement <ul style="list-style-type: none"> ● 9% @ 50% AMI ● 6% @ 60% AMI 	For-sale projects with 7+ units (projects with 2-6 units can pay fee, projects with <2 units are exempt) 15% requirement <ul style="list-style-type: none"> ● 6% @ 80% AMI ● 9% @ 120% AMI
Union City / 2002, 2025	All rental projects (projects with <7 units can pay a fee) 15% requirement <ul style="list-style-type: none"> ● 4.5% @ 50% AMI ● 10.5% @ 80% AMI 	All for-sale projects (projects with <7 units can pay a fee) 15% requirement <ul style="list-style-type: none"> ● 1.5% @ 80% AMI ● 4.5% @ 100% AMI ● 9% @ 120% AMI

The threshold at which inclusionary requirements are imposed vary widely, ranging from 1 unit (in Union City, the requirement applies to residential projects of all sizes) to 20 units (Dublin). In most cases, projects under 7-10 units tend to or are required to pay an in lieu fee rather than provide the affordable units on-site. This relates to feasibility as well as the complexity of long-term compliance and monitoring of affordable units scattered across development projects.

3. Inclusionary Housing Analysis & Recommendations

3.1 Analysis

Summarizing the potential effect of on-site inclusionary housing on new development is not straightforward. Both the percentage of units required to be affordable (e.g. 10% of the units will be affordable) as well as the level of affordability for those units (e.g., low-income, very low-income, etc.) need to be assumed. Building inclusionary affordable units reduces rental and sales revenue, which in turn reduces the amount of development cost that a project can support. As such, on-site inclusionary housing can be thought of as a cost of development similar to a development impact fee. Projected returns/profitability must be high enough to absorb the additional cost, or land costs must be able to adjust to maintain targeted returns/profitability.

Projected returns are modeled with the existing housing impact fee removed to provide a baseline to which a proposed inclusionary requirement can be added. While reducing or waiving the affordable housing impact fee would slightly improve profitability, this would not on its own make feasible any of the development prototypes that are currently infeasible. Note that the projected returns under today's existing conditions ("Projected Return with HIF"), *including* the housing impact fee, is the baseline for comparison.

The table below summarizes four key results:

1. Projected return with the existing housing impact fee requirement
2. Projected return without the existing housing impact fee requirement
3. Projected return with a 10% on-site inclusionary requirement:
 - For rental developments, we looked at the return when **10% of the units** are affordable on average to **very low-income households (50% of area median income)**.
 - For context, the rent for a two-bedroom unit would be approximately \$1,750 or \$1,950 for a three-bedroom unit.
 - A project could include units restricted at multiple levels of affordability up

to 80% of AMI, as long as rents and rent restrictions for the units collectively average out at or below 50% of AMI.

- For for-sale developments, we looked at the return when **10% of the units** are affordable on average to **households making 110% of the area median income**.
 - For context, the sales price for a three-bedroom home would be approximately \$435,000.
 - A project could include units restricted at multiple levels of affordability up to 120% of AMI as long as the affordable units collectively average out at or below 110% of AMI.
4. Projected return with a 10% on-site inclusionary requirement, assuming a 5% increase in market rents/prices. This calculation is provided for illustrative purposes only, to provide a sense of how sensitive return calculations are to changes in the market.

A 10% inclusionary requirement at the 50% and 110% AMI levels provides returns that are similar to but slightly lower than today’s conditions with the housing impact fee.

The analysis was conservative in several respects. If the City provides flexibility to developers, such as letting them cluster their affordable units, the requirements would have less of an effect on projected returns. For example, the single family home for-sale prototype assumes large homes on large lots. If developers could provide an equal number of bedrooms, but smaller homes on smaller lots, the cost would be less and projected return higher.

The model also does not consider potential revenue increases associated with State Density Bonus or other incentives. Because of this, projected returns could be higher than modeled.

In general, a modest 10 percent inclusionary requirement would result in similar but slightly reduced projected returns as compared to the current fee requirement. The townhome and single family for-sale prototypes do see a larger dip in returns with a 10% moderate income inclusionary requirement.

Table 7: Feasibility Results

	Multifamily Rental	Multifamily Infill Rental	Townhome Rental	Condo For Sale	Townhome For Sale	Single Family For Sale
Target Return	7.75%	7.75%	7.75%	20.0%	25.0%	25.0%
Projected Return with HIF	4.6%	5.1%	4.6%	9.0%	28.5%	26.5%
Projected Return WITHOUT HIF	4.8%	5.4%	4.8%	13.2%	33.2%	30.2%

Projected Return with 10% Set Aside	4.5%	5.2%	4.5%	5.7%	24.2%	19.4%
Projected Return with 10% Set Aside AND 5% increase in market rents or sales prices	4.8%	5.4%	4.7%	10.6%	30.1%	25.2%

3.2 Recommendations

Based on the feasibility analysis findings, the current development market in Newark is not currently conducive to many new development typologies. Current conditions confirm this, as there are few developers actively processing new entitlements or approvals with the City, with the exception of large townhomes and single family homes.

We recommend that Newark convert its fee-first requirement to a modest build-first inclusionary requirement. Making the switch should have minimal impact on the current pipeline, and it will position the City well to have this requirement in place when market conditions improve.

Affordability requirement (rental and for sale)	10% of new units
Affordability levels	Target average of 50% of AMI for rental units, maximum 80% AMI Target average of 110% of AMI for for-sale units, maximum 120% AMI CA Health and Safety Code Section 50052.5(b) for owner occupied housing and Section 50053(b) for rental housing.
Minimum size threshold Fractional units	All residential development projects have an affordable housing obligation. Projects with fewer than 20 units pay the in lieu fee, unless otherwise specified in another ordinance When there are fractional unit obligations of 0.5 or more units, the development sponsor shall round up to 1 unit. For example, a 27 unit project would include 3 affordable units (10% of 27 = 2.7, rounded up to 3 units). When there are fractional unit obligations of less than 0.5, the sponsor shall pay an equivalent in-lieu fee for that fractional unit. A project with 32 total units would provide 3 units

	<p>and an in-lieu fee for the equivalent of 20% of a unit (10% of 32 = 3.2).</p> <p>The City would calculate the in-lieu fee for the total project on a per square foot basis, divide that by the number of total units to get a per unit figure, and then apply the fractional percentage to that fee amount.</p>
<p>Alternative compliance options</p>	<p>State law requires cities to provide at least one alternative method to comply with the inclusionary housing requirements. Additionally, alternatives offer additional means for developers to meet their financial feasibility thresholds, without which no development would occur. The City strongly prefers developers to include the units on-site but will consider the below options on a case-by-case basis:</p> <ul style="list-style-type: none"> ● In Lieu Fee: Allow developers to pay a fee instead of building the unit. The fee would allow the City to work with nonprofits to build affordable homes. The City will set the in lieu fee levels using the existing impact fee schedule and its annual escalator. <i>City Council approval</i> ● On-site/Adjacent: Allow developers to cluster affordable units on site, including in different housing types (e.g. allowing duplexes or small apartments instead of single-family homes). <i>City Manager approval</i> ● Offsite: Allow development of the affordable housing obligation at another location (by the developer or potentially with an approved affordable housing development partner) with a preference for development locations in a high or highest resource area as determined by HCD and TCAC and within 0.5 miles of high-frequency public transit. <i>Planning Commission and City Council approval</i> ● Land Donation: Allow developers to offer a site valued at at least the equivalent of the in lieu fee level with a preference for development locations in a high or highest resource area as determined by HCD and TCAC and within 0.5 miles of high-frequency public transit. The City has the sole right to accept or reject a proposed site. <i>Planning Commission and City Council approval</i>

	<ul style="list-style-type: none"> ● Other: Allow developers to propose an alternative means of developing new affordable housing in Newark, subject to Planning Commission and City Council approval. The developer must demonstrate that the proposed alternative will create more homes affordable to low-income households than would the Inclusionary Housing policy or other alternatives, with a measurable timeline for unit completion and occupancy, and penalties for failure to deliver. <i>Planning Commission and City Council approval</i>
<p>Methodology</p>	<p>Use rent and income limits using HCD-published rent and income limits (HCD State Income Limits).</p> <p>When setting sales/rent prices, it is important to have a window of affordability to have a pool of households that can afford the unit but also qualify. It is also important to ensure that rents and sales prices are set below market, as potential renters will not subject themselves to the more complex income qualification process for affordable units if they can find an unrestricted unit that meets their needs.</p> <p>Rental: As of April 2025, the affordable prices for apartments at 50% of AMI were:</p> <ul style="list-style-type: none"> ● Studio - \$1,362 ● One bedroom - \$1,557 ● Two bedroom - \$1,752 ● Three bedroom - \$1,946 ● Four bedroom - \$2,102 <p>For sale: As of April 2025, the affordable prices for for-sale units at 110% of AMI were in the following ranges:</p> <ul style="list-style-type: none"> ● One bedroom - \$300,000 ● Two bedroom \$350,000 to \$400,000 ● Three bedroom - \$400,000 to \$450,000 ● Four bedroom - \$450,000 to \$500,000 <p>Note the exact price for for-sale is particularly hard to calculate in a theoretical development, because it depends on many factors that are development specific (like HOA charges) and inputs that change quickly, including interest rates.</p>

<p>Equivalent design requirements</p>	<p>Unless the City finds compelling reasons to the contrary, the affordable units shall be reasonably dispersed throughout the development, and the mix and type of affordable units shall be proportionate to those of the project as a whole. Affordable units shall have comparable bedroom counts but may be of smaller square footage. The interior finishes of affordable units may differ from those in the market rate units but must be functionally equivalent, new, durable and of good quality. Exterior finishes shall be comparable to the market rate units.</p> <p>Residents of affordable units shall have the same access to the development’s site amenities (such as a community room, pool, other recreational facilities) as residents of the market rate units.</p> <p>The City may also consider other alternative affordable options at its discretion.</p> <p>Affordable units shall be delivered on the same timeframe as the market-rate units.</p>
<p>Effective date</p>	<p>Housing projects that file an application for any use permit, design review approval, or subdivision map 30 days after the effective date of this ordinance will be subject to the requirements of Chapter 17.18: Affordable Housing.</p>
<p>Resale guidance</p>	<p>Sale and resale prices of affordable units designated for owner occupancy will be subject to the City’s BMR program regulations and administrative guidance.</p> <p>The resale restrictions shall provide an option for the City to purchase any affordable owner-occupancy unit at the maximum affordable price or the appraised value, whichever is lower, that could be charged to a purchaser household, at any time the owner proposes sale.</p>
<p>Length of affordability/deed restriction</p>	<p>Rental: In perpetuity or 99 years.</p> <p>For sale: 99 years resetting upon resale, pending legal guidance</p>
<p>Local preferences</p>	<p>Owners must commit to following the City’s local preference policy (to be adopted concurrently with this ordinance), giving priority to</p>

	<p>people who live and/or work in the City of Newark. This is a requirement both at initial lease-up and on an ongoing basis.</p>
<p>Monitoring and compliance</p>	<p>Agreements involving rental units shall require the owner of the affordable units to ensure that the units are occupied by tenants whose monthly income levels do not exceed very low-, low-, or moderate-income levels, as the case may be, and shall preclude tenants from subletting or subleasing the unit.</p> <p>The agreement shall also require the owner of the affordable unit to submit an annual report to the City, in a format approved by the City. The report shall include, but not be limited to, the following information: an identification of the affordable units within the project; the monthly rents charged and proposed to be charged; vacancy information for the prior year; and the monthly income for tenants of each affordable unit throughout the prior year.</p>
<p>Monitoring and compliance fee</p>	<p>The City has the right to charge rental property owners an annual monitoring and compliance fee.</p>
<p>Re-evaluation</p>	<ul style="list-style-type: none"> ● Have staff submit an annual report to the Planning Commission and City Council ● Reevaluate standards after three years

Appendix A - Assumptions

Rental Development Prototype 1A: Multifamily Apartments

Number of Units	320
Site Area	4 Acres
Parking Ratio	1.6 Stall per unit
Common Area	46,588 SF
Commercial Space Square Footage	n/a
Commercial Space Rent	n/a
Other Rental Income	\$125 per unit
Unit Mix	Studio: 13%, 1BR: 56%, 2BR: 29%, 3BR: 2%
Unit Size	825 SF
Market Rents	\$3.75 PSF per month
Market Prices	n/a
Development Costs	
Construction Type	7-story mid-rise Type III over Type I
Construction Costs	See Below
Hard Costs (can be bundled under construction costs)	\$365 PSF
Soft Costs (can be bundled under construction costs)	10%
Land Cost	\$54,000 per unit
Cost per Parking Space	Included in Hard Costs
Sales and Marketing Cost (Can be bundled)	Included in Soft Costs
Other Development Costs	Included in Hard Costs
Impact Fees	\$79,000 per unit
Condo Wrap Insurance	Included in Soft Costs
Operating Costs	
Rental Vacancy Rates	5%
Rental Operating Costs	\$6,500 per unit
Financing	
Construction Loan Interest Rate	8%
Loan to Cost Ratio	55%
Period of Initial Loan	24 months
Initial Construction Loan Fee	1.0% of Total Loan Amount
Average Outstanding Balance	50.0% of Total Loan Amount
Permanent Loan Interest Rate	n/a
Permanent Loan Rate	n/a
Profitability	
What method do we want to use?	Yield on Cost
What's the threshold?	7.75%
Cap Rate	6.75%

Rental Development Prototype 1A-2: Multifamily Infill Apartments

Number of Units	75
Site Area	1.5 Acres
Parking Ratio	1.5 Stall per unit
Common Area	9,455 SF
Commercial Space Square Footage	n/a
Commercial Space Rent	n/a
Other Rental Income	\$125 per unit
Unit Mix	1BR: 60%, 2BR: 40%
Unit Size	715 SF
Market Rents	\$3.65 PSF per month
Market Prices	n/a
Development Costs	
Construction Type	4-story Type V
Construction Costs	See Below
Hard Costs (can be bundled under construction costs)	\$250 PSF
Soft Costs (can be bundled under construction costs)	10%
Land Cost	\$87,000 per unit
Cost per Parking Space	Included in Hard Costs
Sales and Marketing Cost (Can be bundled)	Included in Soft Costs
Other Development Costs	Included in Hard Costs
Impact Fees	\$76,000 per unit
Condo Wrap Insurance	Included in Soft Costs
Operating Costs	
Rental Vacancy Rates	5%
Rental Operating Costs	\$6,000 per unit
Financing	
Construction Loan Interest Rate	8%
Loan to Cost Ratio	55%
Period of Initial Loan	18 months
Initial Construction Loan Fee	1.0% of Total Loan Amount
Average Outstanding Balance	50.0% of Total Loan Amount
Permanent Loan Interest Rate	n/a
Permanent Loan Rate	n/a
Profitability	
What method do we want to use?	Yield on Cost
What's the threshold?	7.75%
Cap Rate	6.75%

Rental Development Prototype 1B: Townhome

Number of Units	160
Site Area	7.6 Acres
Parking Ratio	2.5 Stall per unit
Common Area	n/a
Commercial Space Square Footage	n/a
Commercial Space Rent	n/a
Other Rental Income	\$0 per unit
Unit Mix	2BR: 30%, 3BR: 70%
Unit Size	1,650 SF
Market Rents	\$2.70 PSF per month
Market Prices	n/a
Development Costs	
Construction Type	3-story Type V
Construction Costs	See Below
Hard Costs (can be bundled under construction costs)	\$200 PSF
Soft Costs (can be bundled under construction costs)	12%
Land Cost	\$390,000 per unit
Cost per Parking Space	Included in Hard Costs
Sales and Marketing Cost (Can be bundled)	Included in Soft Costs
Other Development Costs	Included in Hard Costs
Impact Fees	\$106,000 per unit
Condo Wrap Insurance	Included in Soft Costs
Operating Costs	
Rental Vacancy Rates	5%
Rental Operating Costs	\$2,000
Financing	
Construction Loan Interest Rate	8%
Loan to Cost Ratio	60%
Period of Initial Loan	8 months
Initial Construction Loan Fee	1.0% of Total Loan Amount
Average Outstanding Balance	50.0% of Total Loan Amount
Permanent Loan Interest Rate	n/a
Permanent Loan Rate	n/a
Profitability	
What method do we want to use?	Yield on Cost
What's the threshold?	7.75%
Cap Rate	6.75%

For-Sale Development Prototype 2A: Condominiums

Number of Units	88
Site Area	1.3 Acres
Parking Ratio	1.6 Stall per unit
Common Area	13,396 SF
Commercial Space Square Footage	n/a
Commercial Space Rent	n/a
Other Rental Income	n/a
Unit Mix	1BR: 36%, 2BR: 52%, 3BR: 8%, 4BR: 3%
Unit Size	1,370 SF
Market Rents	n/a
Market Prices	\$725 PSF
Development Costs	
Construction Type	5-story Type V over Type I
Construction Costs	See Below
Hard Costs (can be bundled under construction costs)	\$405 PSF
Soft Costs (can be bundled under construction costs)	11%
Land Cost	\$62,000 per unit
Cost per Parking Space	Included in Hard Costs
Sales and Marketing Cost (Can be bundled)	3%
Other Development Costs	Included in Hard Costs
Impact Fees	\$94,000 per unit
Condo Wrap Insurance	Included in Soft Costs
Operating Costs	
Rental Vacancy Rates	n/a
Rental Operating Costs	n/a
Financing	
Construction Loan Interest Rate	8%
Loan to Cost Ratio	55%
Period of Initial Loan	24 months
Initial Construction Loan Fee	1.0% of Total Loan Amount
Average Outstanding Balance	50.0% of Total Loan Amount
Permanent Loan Interest Rate	n/a
Permanent Loan Rate	n/a
Profitability	
What method do we want to use?	Profit as % of Cost
What's the threshold?	20%
Cap Rate	n/a

For-Sale Development Prototype 2B: Townhome

Number of Units	160
Site Area	7.6 Acres
Parking Ratio	2.5 Stall per unit
Common Area	n/a
Commercial Space Square Footage	n/a
Commercial Space Rent	n/a
Other Rental Income	n/a
Unit Mix	2BR: 30%, 3BR: 70%
Unit Size	1,650 SF
Market Rents	n/a
Market Prices	\$710 PSF
Development Costs	
Construction Type	3-story Type V
Construction Costs	See Below
Hard Costs (can be bundled under construction costs)	\$200 PSF
Soft Costs (can be bundled under construction costs)	12%
Land Cost	\$390,000 per unit
Cost per Parking Space	Included in Hard Costs
Sales and Marketing Cost (Can be bundled)	3%
Other Development Costs	Included in Hard Costs
Impact Fees	\$106,000 per unit
Condo Wrap Insurance	n/a
Operating Costs	
Rental Vacancy Rates	n/a
Rental Operating Costs	n/a
Financing	
Construction Loan Interest Rate	8%
Loan to Cost Ratio	60%
Period of Initial Loan	8 months
Initial Construction Loan Fee	1.0% of Total Loan Amount
Average Outstanding Balance	50.0% of Total Loan Amount
Permanent Loan Interest Rate	n/a
Permanent Loan Rate	n/a
Profitability	
What method do we want to use?	Profit as % of Cost
What's the threshold?	25%
Cap Rate	n/a

For - Sale Development Prototype 2C: Single-Family Home

Number of Units	203
Site Area	29 Acres
Parking Ratio	2.7 Stall per unit
Common Area	n/a
Commercial Space Square Footage	n/a
Commercial Space Rent	n/a
Other Rental Income	n/a
Unit Mix	4BR: 100%
Unit Size	2,800 SF
Market Rents	n/a
Market Prices	\$690 PSF
Development Costs	
Construction Type	2-story Type V
Construction Costs	See Below
Hard Costs (can be bundled under construction costs)	\$150 PSF
Soft Costs (can be bundled under construction costs)	11%
Land Cost	\$850,000 per unit
Cost per Parking Space	Included in Hard Costs
Sales and Marketing Cost (Can be bundled)	3%
Other Development Costs	Included in Hard Costs
Impact Fees	\$133,000 per unit
Condo Wrap Insurance	n/a
Operating Costs	
Rental Vacancy Rates	n/a
Rental Operating Costs	n/a
Financing	
Construction Loan Interest Rate	8%
Loan to Cost Ratio	60%
Period of Initial Loan	8 months
Initial Construction Loan Fee	1.0% of Total Loan Amount
Average Outstanding Balance	50.0% of Total Loan Amount
Permanent Loan Interest Rate	n/a
Permanent Loan Rate	n/a
Profitability	
What method do we want to use?	Profit as % of Cost
What's the threshold?	25%
Cap Rate	n/a

Appendix B - City-Required Fees

Current Build Requirements as an Alternative Means of Compliance

As adopted by Resolution No. 10,184 (2014)

Project Type	% Build On-site (Alternative Means)
Single family large lot	21% <ul style="list-style-type: none">● 11% VLI● 5% LI● 5% Mod
Single family small lot	19% <ul style="list-style-type: none">● 10% VLI● 5% LI● 4% Mod
Townhouse	16% <ul style="list-style-type: none">● 8% VLI● 4% LI● 4% Mod
Condos (multifamily for sale)	17% <ul style="list-style-type: none">● 9% VLI● 4% LI● 4% Mod
Apartments (multifamily rental)	12% <ul style="list-style-type: none">● 6% VLI● 3% LI● 3% Mod

2024-2025 Housing Impact Fees on Residential Development

- First 1,000 sf floor area/unit: \$24.68 psf
- All sf over 1,000 sf floor area/unit: \$9.89 psf

Impact Fees on Residential Development

- Park Impact Fee
- Public Safety
- Community Service/Facilities
- Transportation
- Housing
- Community Development Maintenance
- Water Capacity
- Sewer Permit and Inspection
- Unified School District