



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 23-0146, Version: 1

REPORT TO COUNCIL

SUBJECT

Approve the Non-Residential Housing Mitigation Fee Nexus Study and Adopt a Resolution Amending the Housing Impact Fee for Non-Residential Development (Study Issue) and Find the Actions are Exempt from the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines Section 15378 (b)(4)

SUMMARY OF COMMISSION ACTION

The Housing and Human Services Commission considered this item on December 14, 2022. There were no members of the public who spoke at the hearing. The Housing and Human Services Commission voted 7-0 to approve Alternatives 1 and 4: (1) Recommend that the City Council Approve the Non-Residential Housing Mitigation Fee Nexus Study and (4) Adopt a Modified Fee Schedule Amending the Housing Impact Fee for Non-Residential Development for Office/R&D Development to Increase the Fee to \$15 per Square Foot for the First 10,000 Square Feet and \$30 per Square Foot for All Remaining Square Feet, Adjusted Annually for Inflation, with No Changes to the Fee Schedule for Retail, Lodging, and Industrial. Minutes of the Housing and Human Services Commission meeting are provided in Attachment 5. This motion is Alternative 6 of this report.

The Planning Commission considered this item on January 9, 2023. There was one member of the public who spoke on this item, requesting that the Planning Commission put a hold on the study to consider lower rates for retail, hotel and industrial uses. The Planning Commission was advised by staff that they needed to make a recommendation to the City Council, which could include a recommendation for additional analysis; the Planning Commission did not request additional analysis.

The Planning Commission voted 7-0 to approve the staff recommendation, Alternatives 1 and 3: (1) Recommend that the City Council Approve the Non-Residential Housing Mitigation Fee Nexus Study and (3) Adopt a Resolution Amending the Housing Impact Fee for Non-Residential Development for Office/R&D Development to Increase the Fee to \$11 per Square Foot for the First 25,000 Square Feet and \$22 per Square Foot for All Remaining Square Feet, Adjusted Annually for Inflation, with No Changes to the Fee Schedule for Retail, Lodging, and Industrial.

Minutes of the Planning Commission meeting are provided in Attachment 6.

Public Comment letters are provided in Attachment 7.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Public Library, Senior Center, Community Center and in the Department of Public Safety Lobby. This hearing was advertised in the Sunnyvale Sun newspaper

and email notifications were sent to interested parties, including non-residential developers. The Draft Non-Residential Housing Mitigation Fee Nexus Study is available on the City's Housing webpage. In addition, the agenda and report are available at the Sunnyvale Public Library, Office of the City Clerk, and on the City's website.

ALTERNATIVES

Non-Residential Housing Mitigation Fee Nexus Study:

1. Approve the Non-Residential Housing Mitigation Fee Nexus Study.
2. Do Not Approve the Non-Residential Housing Mitigation Fee Nexus Study.

Fee Schedule:

3. Adopt a Resolution Amending the Housing Impact Fee for Non-Residential Development for Office/R&D Development to Increase the Fee to \$11 per Square Foot for the First 25,000 Square Feet and \$22 per Square Foot for All Remaining Square Feet, Adjusted Annually for Inflation, with No Changes to the Fee Schedule for Retail, Lodging, and Industrial and Find the Actions (Alternatives 1 and 3) are Exempt from the California Environmental Quality Act pursuant to CEQA Guidelines Section 15378 (b)(4).
4. Adopt a Modified Fee Schedule with Specific Rates for Each Development Type as Directed by Council.
5. Do not Modify any Fees and Provide Other Direction to Staff Regarding Housing Mitigation Fees.

Housing and Human Services Commission Recommendation:

6. Adopt a Modified Fee Schedule Amending the Housing Impact Fee for Non-Residential Development for Office/R&D Development to Increase the Fee to \$15 per Square Foot for the First 10,000 Square Feet and \$30 per Square Foot for All Remaining Square Feet, Adjusted Annually for Inflation, with No Changes to the Fee Schedule for Retail, Lodging, and Industrial.

STAFF RECOMMENDATION

Alternatives 1 and 3: (1) Approve the Non-Residential Housing Mitigation Fee Nexus Study and (3) Adopt a Resolution Amending the Housing Impact Fee for Non-Residential Development for Office/R&D Development to Increase the Fee to \$11 per Square Foot for the First 25,000 Square Feet and \$22 per Square Foot for All Remaining Square Feet, Adjusted Annually for Inflation, with No Changes to the Fee Schedule for Retail, Lodging, and Industrial and Find the Actions (Alternatives 1 and 3) are Exempt from the California Environmental Quality Act pursuant to CEQA Guidelines Section 15378 (b)(4).

Alternative 1 provides the justification for a modification of the Housing Mitigation Fund structure, as required by State law. The Nexus Study clearly determines a relationship between the impact of new non-residential development, the need for new affordable housing, and the new fee structure that will help address this need. Furthermore, the Nexus Study includes an in-depth financial feasibility analysis based on local data and developer interviews to determine the appropriate fee rate for non-residential development.

Alternative 3 establishes a fee structure that will help the City meet the need for new affordable housing. The recommended fee structure will provide an overall increase in Housing Mitigation funds but will allow fee rates to remain well within the range of neighboring jurisdictions. Additionally, by recommending a modest fee increase only for office/R&D development, the new fee structure will not add further feasibility constraints to hotel and retail development, a critical tax revenue source for the

City.

Although the Housing Commission recommends a higher fee, the Nexus Study's financial feasibility analysis finds that office/R&D developments may face feasibility challenges with a significant increase in the HMF. HHSC's recommendation would increase the current fee rate by approximately 54 percent (as opposed to Staff's recommended increase of about 13 percent). An increase of that magnitude may negatively impact office/R&D development and reduce overall HMF revenue.

Prepared by: Ryan Dyson, Housing Specialist

Reviewed by: Jenny Carloni, Housing Officer

Reviewed by: Tim Kirby, Director of Finance

Reviewed by: Trudi Ryan, Director of Community Development

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Report to Planning Commission [23-0130, January 9, 2023] (without attachments, same as Report to Housing and Human Services Commission)
2. City Council Study Issue CDD 21-02
3. Non-Residential Housing Mitigation Fee Nexus Study
4. Draft Resolution

Additional Attachments for Report to Council

5. Excerpt of Draft Minutes of the Housing and Human Services Commission Meeting of December 14, 2022
6. Excerpt of Draft Minutes of the Planning Commission Meeting of January 9, 2023
7. Public Comment Letters