



Sunnyvale

# COMMERCIAL INCENTIVE PROGRAM FOR VILLAGE CENTERS

Trudi Ryan, Director of Community Development  
Planning Commission  
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# Agenda

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- ❑ Below Market Rate Housing
- ❑ Village Centers
- ❑ Can Commercial Development Be Incentivized?
- ❑ Eligibility of Village Center Sites
- ❑ Proposed Program
- ❑ Feedback from Developers
- ❑ Recommendation



# Below Market Rate Housing

## Sunnyvale's Inclusionary Housing Requirement

### **BMRs**

- Mandatory for new residential since 1984
- Initially 10% of units, now 15%
  - ◆ For-Sale: serves Moderate Income (15%) HH
  - ◆ Rental: serves Very Low (5%) and Low (10%) HH

### **State Density Bonus Law**

- Providing specified minimum affordable housing enables concessions and waivers



*Photo Source: Google Street View Feb 4, 2025*

# Village Centers

- 2017 Land Use and Transportation Element (LUTE)
  - ◆ Mixed Use areas supporting neighborhoods:
    - Living
    - Shopping
    - Less reliance on automobiles
    - Gathering places for larger neighborhood
  - ◆ Average 18 dwelling units per acre
  - ◆ Minimum Commercial Floor Area Ratio (FAR) of 10%
  - ◆ Village Center Master Plan in process

**\*\*State Housing laws have impacted implementation of Village Center vision\*\***



# Can Commercial Development Be Incentivized?

## What Influences Developer Decisions?

- Price of land
- Price of materials and labor for design and construction
- Interest rates
- Time to develop (permits, availability of labor/materials)
- Complexity of design
- Market sales and rents/Developer profit
- Local impact fees and development requirements

# Trade-Offs to Achieve Commercial Space

## Why BMRs?

- Sewer/Water Connection Fees
  - ◆ System wide
- Park Dedication (or In-lieu Fee)
  - ◆ Helps maintain city-wide minimum inventory of open space
- Transportation Impact Fee
  - ◆ Most Village Centers will show minimal increase in trips
- School Impact Fees
  - ◆ Not a City of Sunnyvale fee
- 15% of units Below Market Rate
  - ◆ Reduction of 5-27 BMRs, depending on which programs are used



# What Would Qualify a Village Center Site for Incentive Program?

## 5 Criteria

- |   |     |
|---|-----|
| • General Plan land use designation of Village Mixed Use    | ALL |
| • Not a Housing Element site for lower income housing       | ALL |
| • More than 1,700 feet walking distance to other Commercial | 5   |
| • North of El Camino Real*                                  | 5   |
| • Entire Village Center is 6 or fewer acres                 | 2   |

*\*HE Program to increase affordable units in Highest Resource Areas*

# Which Village Centers Would Be Eligible?

Village Center #	VMU	Not HE Lower Income Site	Approximate Distance to Nearest Commercially zoned property (ft.)		Distance >1,700 ft.	North of ECR	Village Center <6 acres
			Closest	Farthest			
1	✓	✓	4,277	6,125	✓		
2	✓	✓	140	950			
3	✓	✓	1,478	2,904	✓	✓	
4	✓	✓	53	1,637		✓	
5	✓	✓	3,168	4,435	✓	✓	✓
6	✓	✓	1,690	3,115	✓	✓	✓
7	✓	✓	1,320	2,112	✓	✓	



# Recommended Program

FAR of Commercial / Retail	Reduced BMR requirement
Over 5% to 10% FAR	<u>Ownership:</u> 7.5% - affordable to Moderate income  <u>Rental:</u> 5.0% - affordable to Low income 2.5% - affordable to Very Low income
Over 10% FAR	No BMR requirement

# Feedback from Developers

## Can an Eligible Village Center Site Still Utilize Waivers?

- Without the affordable units, State Density Bonus law would not enable waivers or concessions
  - Enabling
- Sunnyvale has a tradition considering deviations from code standards
  - Discretionary
- **Staff recommends allowing**, similar to State Density Bonus law:
  - Waivers from development requirements
  - One concession

# Recommendation

## Alternatives: Recommend to City Council

- Staff drafted Ordinance and Resolution
- Staff drafted Ordinance and Resolution, with modifications
- Do not implement a commercial incentive program

## Staff Recommendation

- Recommend to City Council:  
**Approve the Commercial Incentive Program Ordinance and Resolution**