

EXCERPT

- 2 [14-0792](#) Consideration of Housing Mitigation Fee Nexus Study Findings and Alternatives
Staff Contact: Suzanne Isé, Housing Officer, (408) 730-7698, sise@sunnyvale.ca.gov

Suzanne Ise, Housing Officer, presented the staff report.

Comm. Rheaume verified and compared with Ms. Ise the proposed fee increase for office, retail and lodging with those of nearby cities.

Vice Chair Olevson and Ms. Ise discussed fee calculation and how fees are applied in other cities, and the relationship between the fee structure and rate of development in Sunnyvale. Vice Chair Olevson and Ms. Ise also discussed how the proposed fee increase would affect the Below Market Rate (BMR) program, and the number of very low- and low-income units that must be provided to reach the goal for the current Regional Housing Need Allocation (RHNA) period.

Comm. Harrison and Ms. Ise discussed the types of loans provided by the City for rehabilitation or construction of rental properties and the preference for providing loans rather than grants. Comm. Harrison confirmed with Ms. Ise that no loan has yet been forgiven, and discussed the typical number of years a restriction term lasts for low-income properties and what becomes of the properties once the term has ended. Hanson Hom, Director of the Community Development Department, commented on how rehabilitation loans extend affordability periods for older rental properties.

Comm. Simons confirmed with Ms. Ise that the fees go into a special, segregated fund, that allocations are reviewed by the Housing and Human Services Commission and are approved by City Council, and that the City budget contains information on projects and goals for upcoming years. Comm. Simons also confirmed with Ms. Ise that staff is amenable to adding more detail to the recommended alternative.

Comm. Durham verified with Ms. Ise the number of units currently subsidized by the City through the Housing Mitigation Fee, and how the return on cost is calculated.

Chair Melton opened the public hearing.

Pat Sausedo, Executive Director of NAIOP, discussed her concern with adopting the nexus study and said future governing bodies could increase the fee to the proposed maximum, which would hinder development. Ms. Sausedo also said that

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NAIOP has commissioned a financial consultant to provide a peer review of the nexus study.

Chair Melton and Ms. Sausedo discussed when the independent review of the study would be available and whether NAIOP would support the fee without the nexus study.

Comm. Simons confirmed with Ms. Sausedo that recommendations and a discussion of methodologies will be included in the peer review.

Chair Melton closed the public hearing.

Comm. Harrison confirmed with Ms. Ise that the Alternatives presented in the staff report are not to adopt methodologies or the premise of the nexus study, but are to recommend adopting the fees. Comm. Harrison confirmed with Ms. Ise that the fee is subsidizing over 700 affordable to very low-income households and the goal in the draft Housing Element is to obtain an additional 650.

Chair Melton and Trudi Ryan, Planning Officer, discussed previous nexus studies.

Vice Chair Olevson moved Alternatives 1, 2, and 4 to recommend that Council expand the Housing Mitigation Fee to all net new square footage of all non-residential development projects, in any zone; recommend that Council consider adopting a fee of \$12 per square foot for office/industrial projects (\$6 per square foot for first 25,000 square feet), and \$6 per square foot for retail and lodging projects, both based on net increase in square footage and adjusted annually for inflation as part of the annual fee schedule adoption; and recommend that Council have the new fee apply to projects where a complete planning application is submitted after the effective date of the fee.

Comm. Simons seconded and offered a friendly amendment to include in the spending process the tracking of funds; keeping interest and loan repayments in the restricted fund; that future spending be reviewed by the Housing and Human Services Commission and City Council; and that goals are updated along with the spending plan.

Vice Chair Olevson confirmed with Ms. Ise that all of these recommendations are current City policy. Comm. Simons suggested adding a short text about the process. Mr. Hom said the requested information can be included in the report to City Council but does not have to be a motion. Comm. Simons withdrew the friendly amendment.

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Vice Chair Olevson said he is supporting the staff recommendation because it is a modest increase and the City needs to continually review its process to ensure competitiveness in the area to obtain new construction and meet goals. He said the builders council has concerns about the validity of the nexus study but that it is not part of the motion and the study contains currently available data. He said he is confident that the Planning Commission and City Council will evaluate current and future data and make an informed decision, and that the work done so far indicates that we should proceed with the staff recommendations.

Comm. Simons said he will be supporting the motion and that it is premature to discuss how future mitigation fees may have a relationship to viability, especially without the report from the building association. He said he recommends forwarding this recommendation to the City Council, and suggests that Council consider adding information regarding the process of modifying the fees in the future.

Comm. Durham said he will be supporting the motion, that the cost of living in this area is high for most people and that he is surprised to see that median income in the U.S. is in the low- to very low-income level for this region. He said we want people here to work and support those who cannot afford above-market rate housing, and that the next agenda item, the Climate Action Plan work plan, demonstrates that we cannot have people driving here everyday from 20 to 30 miles away, so it is better for everyone if we can get more people to stay in the area.

Comm. Harrison said she will be supporting the motion, and that only providing low-income housing at great distance does not help the community from climate, stress and traffic standpoints. She said a big reason she is supporting the motion is because the fee is applied more evenly, not just in certain industrial zones, which seems a fairer playing field for developers who may no longer shy away from one area of the City and can choose development locations based on what is best for their project and the City.

Comm. Klein said he will be supporting the motion, and that increasing the fee makes sense when looking at office and industrial areas because the Association of Bay Area Governments (ABAG) numbers are all directly related to the housing and jobs balance, and as we continue to add more large office space in the area, our housing numbers rarely keep up. He said current fees do not fully meet our long term goals, and he worries that the numbers may be too small for those areas and could have been a compromise between the \$10 and \$20 vision to be \$15 but

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that Council may reevaluate that. He added that a lower cost for lodging and retail makes sense, that he is glad staff listened to comments from the Planning Commission and that this is a good step forward. He said he is happy to hear how the fees have been used in the past 15 years and hopes that we will get even better use of the funds going forward.

Comm. Rheaume said he will be supporting the motion, and that the fees are moderate and more fairly applied to all zones. He said the comments from the business community discussed concerns about the nexus study and the possible maximum fee but that it is not part of this motion and the proposed fees are reasonable. He added that additional low-income housing is a necessity.

Chair Melton said he will be supporting the motion, that there has been a great discussion tonight and the Housing Officer did a fabulous job. He said the agenda item is about the Housing Mitigation Fee, but that naturally there is curiosity about the actual programs funded by the fee. He noted that the staff report provides a comprehensive review of the recommendation and he too wonders if the number could be even higher, but that the final decision rests with City Council and he looks forward to seeing what they will do. He said he is pleased to hear that the potential additional funding from the increased fee will get us closer to the RHNA numbers, which underscore the importance of affordable housing in Silicon Valley. He said the comment from the member of the public came just before the City Council study session tomorrow night, and that it would be great if NAIOP could say whether they support the fee structure outlined in staff recommendation 2. He said this is an opportunity for NAIOP to work with staff to understand the role of the nexus study, and that he likes that NAIOP is doing an independent peer review, and that while it is not the place of the Planning Commission to recommend a schedule to Council, if NAIOP asked for more time to review the study, Council will do what is best.

MOTION: Vice Chair Olevson moved to recommend to City Council Alternatives:

- 1) Recommend that Council expand the Housing Mitigation Fee to all net new square footage of all non-residential development projects, in any zone.
- 2) Recommend that Council adopt a fee of \$12 per square foot for office/industrial projects (\$6 per square foot for first 25,000 square feet), and \$6 per square foot for retail and lodging projects, both based on net increase in square footage and adjusted annually for inflation as part of the annual fee schedule adoption.
- 4) Recommend that Council have the new fee apply to projects where a complete planning application is submitted after the effective date of the fee.

Comm. Simons seconded. The motion carried by the following vote:

Yes: 7 - Chair Melton
Vice Chair Olevson
Commissioner Durham
Commissioner Harrison
Commissioner Klein
Commissioner Rheaume
Commissioner Simons

No: 0