



City of Sunnyvale

Agenda Item

17-0888

Agenda Date: 9/20/2017

REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Study of Accessory Dwelling Unit Development Standards: Forward a Recommendation to the City Council to Adopt an Ordinance Amending Sunnyvale Municipal Code Section 19.68.040 (Accessory Dwelling Units), Adopt a Resolution Amending the Master Fee Schedule to Impose Transportation Impact Fees for Accessory Dwelling Units, and Find that these Actions are Exempt from CEQA. **Project Planner:** Shila Behzadiaria, (408) 730-7456, sbehzadiaria@sunnyvale.ca.gov

REPORT IN BRIEF

An Accessory Dwelling Unit (ADU), also known as a granny unit or second unit, is a small dwelling unit accessory to a single-family home and has been a development option on certain single-family home properties in Sunnyvale since the early 1980s. The regulations have been revised three times since they were first adopted. The City committed to examine the ADU regulations again, as an action in the adopted 2015 Housing Element of the General Plan. In 2016, state legislation was enacted that required cities to update the local ADU regulations, which Sunnyvale completed in December 2016 noting that further study, as specified in the Housing Element, would be completed in 2017.

As described in the Housing Element, the goals of the study are to: consider whether revisions to the current ADU codes are warranted to facilitate ADU development; evaluate the capacity for ADUs under current codes and property conditions in relevant zones; and identify possible code changes that could facilitate creation of ADUs in appropriate locations.

Staff has analyzed lot sizes of properties zoned for single-family houses, researched what other cities are allowing and requiring for ADUs, and conducted community outreach on the topic. Staff recommends reducing the minimum lot sizes to construct an ADU for the R-1 and R-0 zoning districts properties from 8,500 square feet (both zoning districts) to 8,000 square feet (R-1) and 7,000 square feet (R-0) and that ADUs be subject to the current multi-family rate for Transportation Impact Fees (TIF). Staff also recommends minor modifications to the accessory dwelling unit standards, including adjustment to the provision that the entry door of the ADU not be visible from public streets. Staff recommends that all other standards remain the same. The City Council consideration is scheduled for October 17, 2017.

BACKGROUND

An Accessory Dwelling Unit (ADU), also known as a granny unit or second unit, is a small dwelling unit accessory to a single-family home. ADUs are typically studios or one-bedroom units, with a kitchen, bathroom, and bedroom or sleeping area. ADUs may be attached to or detached from the primary home. Detached means that they are not physically connected to the main home at any point. This study of ADUs was planned in response to concerns expressed during outreach meetings on the 2015 Housing Element update that current ADU standards were too restrictive. The 2015

minimum lot size of 9,000 square feet was noted as a constraint. The Housing Element implementation plan included Program 15, Study of ADU Development Standards, with a planned completion date of 2017. The goals of the study were to: consider whether revisions to the current ADU codes are warranted to facilitate ADU development; evaluate the capacity for ADUs under current codes and property conditions in relevant zones; and identify possible code changes that could facilitate creation of ADUs in appropriate locations.

History of ADU Policies in Sunnyvale

The first ADU regulations were codified in the City's zoning code in 1983 in response to State laws requiring local jurisdictions to allow ADUs unless strict findings are made that ADUs have an adverse impact on the community. The first ordinance allowed limited development of ADUs: detached ADUs were not allowed; the minimum lot size was 12,000 square feet; they were only allowed in single family zones (R-1 and R-0); and two covered parking spaces were required. In 1990 the ADU codes were revised to increase ADU opportunities. Minimum lot size in single family zones was reduced to 9,000 square feet; and ADUs were allowed in two additional zones (Medium-Low Density Residential or "R-2" and residential blocks of the Downtown Specific Plan), both with a minimum lot size of 5,000 square feet. Detached ADUs were allowed with a use permit, and the parking requirement was reduced to one uncovered parking space.

Two State laws (Senate Bill 1069 and Assembly Bill 2299) were enacted in late 2016 to further streamline ADU permitting by local governments. These bills clarified that local governments shall consider ADUs to be consistent with single-family residential zoning and density standards and required local jurisdictions to update their codes to be consistent with State requirements by January 1, 2017, otherwise the new State standards would prevail. On December 6, 2016, the City Council adopted an ordinance to comply with these State laws. Sunnyvale was the first city in the State to submit its ordinance to the State Department of Housing and Community Development (HCD), as required by the new laws. The most significant changes made by the 2016 ordinance included:

- Parking: ADUs were exempted from local parking requirements, and more flexibility was provided for creating replacement parking spaces in cases where an existing garage, carport, or covered parking structure is converted to an ADU.
- Converting part of an existing home into an ADU ("Conversion ADUs"): No minimum lot size is required when a portion of an existing home, including garage, is converted to an ADU. To qualify as a Conversion ADU, the project must include only minimal construction work, mainly related to egress and fire safety, and the existing space to be converted must have been built with permits. If additional square footage must be added to the home's footprint or height to create the ADU, it must comply with all the standards for a new ADU.
- Minimum Lot Size: The minimum lot size in R-0 and R-1 zoning districts (the most prominent single-family residential zones) was reduced from 9,000 to 8,500 square feet.

Some objectives of the Housing Element implementation were addressed by these code changes; however, Council directed staff to complete the study as planned, to consider whether additional changes are warranted, particularly regarding any further reduction to minimum lot size. A summary of the current ADU codes is provided in Attachment 2.

EXISTING POLICY

Sunnyvale General Plan, Housing Element:

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GOAL HE-D - Provide adequate sites for the development of new housing through appropriate land use and zoning to address the diverse needs of Sunnyvale's residents and workforce.

Policy D.7 Take advantage of existing infrastructure and public improvements to provide additional housing by allowing accessory living units within residential neighborhoods.

GOAL HE-C- Minimize the impact of governmental constraints on the maintenance, improvement and development of housing.

Policy C.1 Monitor and revise when appropriate all regulations, ordinances, departmental processing procedures and fees related to the rehabilitation and construction of housing units to assess the impact on housing costs and/or future supply.

Sunnyvale Municipal Code Section 19.68.040: Accessory Dwelling Units

Existing zoning codes for ADUs were updated in 2016 to comply with new State laws. See Attachment 2 for summary.

ENVIRONMENTAL REVIEW

The amendments to Sunnyvale Municipal Code Section 19.68.040 are statutorily exempt from environmental review pursuant to Public Resources Code Section 21080.17, which provides that the California Environmental Quality Act (CEQA) does not apply to the adoption of an ordinance under Government Code Section 65852.2 regulating accessory dwelling units. In addition, the amendments to the Master Fee Schedule do not require environmental review pursuant to CEQA Guidelines Section 15378(b)(4), which provides that a "project" within the meaning of CEQA does not include the creation of funding mechanisms and other fiscal activities that do not involve any commitment to a specific project that may result in a potentially significant physical impact on the environment.

DISCUSSION

Many policy makers and advocates assert that ADUs are a good way to add housing in existing neighborhoods with minimal impacts on existing residents. Many also assert that ADUs typically tend to be more affordable to rent than standard single-family homes or apartments, and that they are usually developed without public subsidies. ADUs can allow homeowners to house an elderly parent or other extended family on site with more privacy than if they were to share the main home. Alternatively, the homeowner can rent out the ADU if desired, to earn rental income which can help in their retirement, or with home maintenance expenses or other financial needs.

Study Methods

To better understand existing property conditions and other issues related to ADUs, staff conducted the following research:

1. Reviewed current ADU policies and gathered data on ADUs approved to date.
2. Conducted spatial analysis of existing single family lots in zones where ADUs are allowed, and their proximity to major transit routes, using the City's geographic information system (GIS).
3. Reviewed ADU policies of other cities in Santa Clara County, such as minimum lot size and owner-occupancy requirements.
4. Gathered community input on ADU policies through public outreach meetings held on June 13, a Planning Commission study session held on July 10, and a survey on Open City Hall.

ADUs Approved to Date

Between 1996 and 2016, the City issued Planning permits for 111 ADUs, while 83 received Building permits. Of the remaining 28 ADUs that received Planning permits, 10 are still active, pending final

inspection, 5 were issued building permits that have expired without final inspection, and 13 never applied for the building permit. Staff was not able to easily identify any ADUs that may have been permitted before 1996, as dwelling unit recordkeeping was not as detailed prior to that time.

Results of Spatial Analysis

Staff analyzed the size of existing single family lots in R-0 and R-1 zones to see how many of them could add an ADU if the minimum lot size was less than 8,500 square feet (see Attachment 3 for detailed analysis). There are currently 19,266 lots within R-0 and R-1 zones with a single-family home and no other uses on them. Fifteen percent of these lots are 8,500 or larger, meeting the current standard for ADUs. Within each zone, 44% of R-1 lots and 7% of R-0 lots meet the current minimum lot size. Staff analyzed how many more lots could add an ADU if the minimum lot size was further reduced, in 500 square foot increments.

Table 1. Summary of Lot Size Analysis

	R-1		R-0		Total R-1 + R-0	
	# Lots	% of R-1	# Lots	% of R-0	# Lots R-1 + R-0	% R-1 + R-0
Current Minimum Lot Size • 8,500 s.f.	1,958	44%	1,005	7%	2,963	15%
Recommended Minimum • R-1: 8,000 s.f. • R-0: 7,000 s.f.	3,247	72%	2,964	20%	6,211	32%
Total Lots in Zone	4,499	100%	14,767	100%	19,266	100%

Those findings, summarized above, show that if the minimum lot size were reduced to 8,000 square feet in R-1 and 7,000 square feet in the R-0 zone, 32% of the total single family lots in these zones could potentially add an ADU. This would essentially double the percentage of lots that would meet the ADU minimum lot size, while not overwhelming existing single-family neighborhoods by allowing ADUs on every lot. Under that scenario, 72% of R-1 lots and 20% of R-0 lots, which are much smaller on average, could potentially add an ADU, although based on past permit records, not all property owners that can will add one. This incremental change would provide additional opportunities for ADUs, with limits to address concerns about smaller lot neighborhoods.

Two additional zones, R-2 and DSP residential blocks, allow ADUs with a minimum lot size of 5,000 square feet. Staff is not recommending any further reduction in lot size for these zones because it would be difficult to meet other development standards, such as setbacks and FAR, on lots smaller than that. In addition, per the most recent changes to State law, Conversion ADUs are allowed on lots of any size.

Proximity to Transit

Staff analyzed single-family lots in all four zones noted above to see how many properties are near high-quality transit corridors, defined in State law as corridors with fixed-route bus or rail service with headways of 15 minutes or less during peak commute hours. Two bus routes along El Camino Real (22 and 522) and one light rail line (902) meet the definition for high-quality transit. According to VTA, two planned routes (20 and 523) will begin service in late 2017; one route is north-south along Mathilda Avenue and Sunnyvale-Saratoga Road and the other route is east-west along Arques to

Downtown Sunnyvale. Maps provided in Attachment 5 show the single-family lots located within a quarter-mile and half-mile of those routes. Approximately 20% of the lots in the zones studied are within a quarter-mile, and 52% are within a half-mile of high quality transit corridors. Lowering the minimum lot size for properties near high-quality transit would result in more eligible ADU sites. Proximity (“as the crow flies” distances) does not always translate into convenient access due to long blocks and circuitous street patterns in Sunnyvale. Smaller distances such as 500 or 1,000 feet could be explored; however, this approach would not result in very many additional eligible properties and is more challenging to implement.

Owner-Occupancy Requirement

The City currently requires properties to be owner-occupied to obtain an ADU permit. The owner must record a deed restriction that requires either the main home or the ADU to be owner-occupied for a term of 20 years. The owner may rent out one of the units, but must live in the other. The 2016 State legislation allows cities to require owner-occupancy and/or prohibit use of the ADU as a short-term rental (for stays of 30 or fewer days). If such requirements are imposed, the law states that a deed restriction should be recorded against the property to provide “constructive notice” to future owners, lenders, or others with an interest in the property. The rationale for requiring owner-occupancy is to address concerns of neighbors that believe that rental properties without an owner on site are not managed as well as those that are owner-occupied.

The owner-occupancy issue has been a point of community dialog during this study effort with several meeting attendees and many survey respondents expressing opposition and/or confusion about it. Some residents thought that it could prevent the original homeowner from moving out or selling the property during the 20-year term, or that it could impair its resale value. Other residents noted that the restriction may not be effective or enforceable. On the other hand, community members have expressed support for the occupancy requirement, including some who think the term should be longer or permanent. Staff has not seen any evidence of impacts on home values due to this requirement. It is more likely that the presence of an ADU would add more value to the property than would be lost due to any concerns about the deed restriction. There is also no evidence that the values of adjacent or near-by property are negatively affected.

The purpose of recording the deed restriction requiring owner-occupancy is to ensure prospective buyers, lenders, and others are informed of the owner-occupancy requirement. The recently passed State law on ADUs also states that if cities are going to require owner-occupancy as a condition of approval, they shall require a deed restriction to be recorded against title to the home, to provide constructive notice. The home owner may move from the property during the 20-year term and retain ownership, but they would not be able to rent out both units (separately) after that point.

If any party on title lives in one of the units, it could count as an owner-occupant and the other unit could be rented out. If the owner sells the property during the 20-year term, the new property owner would be subject to the owner-occupancy requirement for the remainder of the term; alternatively, both units could be rented to the same tenant. If a property owner decides to not live in either unit during the 20-year deed restriction period, the owner could rent/lease the entire property to a single household. If the property owner wants to remove the deed restriction, they would have to remove the ADU kitchen. An ADU does not have to be demolished, nor is the original homeowner bound to remain at the property for 20 years.

ADU Policies in Other Cities

In researching other cities’ ADU policies, staff focused primarily on minimum lot size and owner-

occupancy requirements. Five cities in Santa Clara County have no minimum lot size requirement for ADUs, but apply Floor Area Ratio (FAR) and lot coverage standards to ADUs. In other cities, the minimum lot size varies from 5,000 square feet to one acre. It is challenging to compare minimum ADU lot sizes of the various cities due to the overall differences in lot size standards and local geography. Regarding owner-occupancy requirements, six other cities require the property to be owner-occupied. Of those, three cities (plus Sunnyvale) require a deed restriction to be recorded. Attachment 3 provides details on these aspects of ADU policy for each city within Santa Clara County.

Impact and Connection Fees

Impact fees are imposed on new development or new uses for a variety of purposes. Generally, these fees are required to address the impacts of new development and are used to provide new facilities or infrastructure. The fees associated with Sunnyvale are described below. Staff also reviewed the practice of other cities relative to impact fees and ADUs and concludes that, similar to Sunnyvale, there is no uniform policy regarding impact fees for ADUs.

California Government Code Section 65852.2 does not prohibit cities from imposing impact fees on ADUs. However, the fees must be proportionate to the actual impact of the ADU on City facilities and services. Furthermore, the law provides that ADUs cannot be considered “new residential uses” for purposes of calculating fees. The fees must reflect a reasonable estimate of the likely impact of ADUs on City facilities and services, which may be less than other types residential uses. State law also provides that fees must not be so “arbitrary, excessive, or burdensome so as to unreasonably restrict the ability of homeowners to create accessory dwelling units in zones in which they are authorized by local ordinance” (Government Code Section 65852.150). According to the Technical Guidance manual published by California Department of Housing and Community Development in December 2016, ADU fees for sewer, traffic, and other impacts should be “significantly less than a single family home”.

Housing Impact Fees

Sunnyvale Municipal Code Chapter 19.75 requires payment of a housing impact fee for net new nonresidential and residential development. The fees are required to mitigate the impact of developments on the need for housing for lower-income households in the city. Regarding residential development, the Master Fee Schedule lists housing impact fees for projects of four or more dwelling units; ADUs do not meet this threshold.

Park Dedication In-Lieu Fees

The zoning code has provisions for new rental development to dedicate land or pay a park dedication in-lieu fee. This park dedication requirements apply only to multi-family rental development (three or more attached units) which excludes duplex development and ADUs as these are not included in the definition of a multi-family development. Rental housing units that are designated as affordable housing are expressly exempt from this requirement.

Transportation Impact Fees (TIF)

Sunnyvale Municipal Code Chapter 3.50 requires payment of TIF by new development or a change of use that results in an increase in peak hour traffic. The Sunnyvale TIF fees are based on published peak hour trip data from the Institute of Transportation Engineers. The fee structure for TIF is based on broad categories of land use (e.g., retail covers all types of retail uses including department stores, restaurants and shoe stores) and the structure includes only single-family detached and multi-

family categories. There is a catch-all peak hour trip for uses not enumerated. Fees for residential development are charged for each new dwelling unit and no fee is required for remodeling or for an addition to an existing unit, which does not result in a new unit. ADUs have been considered new residential units and have been required to pay TIF since the TIF program was adopted in 2003. Staff has previously applied a multi-family TIF rate to ADUs, acknowledging that the amount of traffic of these smaller units, on average, is less than a single-family detached home and more similar to multi-family development. Under state law, the amount of the TIF must be proportionate to the transportation impacts ADUs will have, without assuming that the impact will be the same as other types of residential uses. City Council recently updated the TIF rates.

Staff research, which included discussion with several transportation consultants, reveals that there is no statistically valid information on the number of peak hour trips associated with an ADU; therefore, agencies rely on the most similar land use in order to determine the appropriate fees. Six of the 15 Santa Clara County cities require traffic/transportation impact fees for new residential development (only in limited Specific Plan areas in San Jose) and two cities are currently studying traffic impact fees. Since, in most cities, ADUs are relatively low in number, are typically geographically dispersed and are integrated with another land use, it would be challenging to determine trip generation rates specific to ADUs. Even if an ADU resident does not drive a vehicle, there are vehicle trips associated with services, deliveries and visitors. In Santa Clara County, there are three general approaches for setting the TIF for ADUs: 1) at the multi-family rate (approximately 60%-80% of the single-family rate in the cities surveyed), 2) at the senior housing rate (approximately 25% of the single-family detached rate in the cities surveyed), or 3) exempt ADUs from TIF. All three approaches are used by the six Santa Clara County cities that have TIF requirements for residential development.

Despite the lack of published data on the specific traffic impacts of ADUs, there is evidence to support a conclusion that occupants of ADUs have an impact on the City's streets and other traffic infrastructure similar to occupants of multi-family housing. The surveys that do exist have found a high rate of car ownership by ADU occupants. In 2013, the State of Oregon surveyed 860 owners of ADUs in Portland, Eugene, and Ashland, Oregon (Attachment 9). The survey found that 80% of ADUs were being occupied as someone's primary residence and 81% of ADU households owned one or more cars. The vehicle ownership rate in the Oregon survey may be lower than we would expect to find in California. Portland has an excellent mass transit system, and Eugene and Ashland are both college towns where a high number of renters are college students who may not own vehicles.

In 2011, the City of Sausalito surveyed 63 owners of ADUs (Attachment 10). Of these, 35 owners (56%) reported that the occupant of their ADU used a car as their primary mode of transportation, 4 (6%) used alternative means of transportation, and 19 owners (30%) did not respond to the question; so, based on only those who responded, 35 out of 39 (90%) of those ADU occupants owned a car.

For comparison, the 2012 California Household Transportation Survey (http://www.dot.ca.gov/hq/tpp/offices/omsp/statewide_travel_analysis/chts.html) found that 92% of households in California own one or more cars overall. Based on data published by the federal Department of Transportation, residents of rental housing are six times more likely to be a zero-vehicle household. As noted, even persons who do not own a vehicle generate vehicle trips due to deliveries, visitors, services, and use of taxis or other private transportation services (such as Uber or

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Lyft). However, persons who own vehicles can be expected to generate a higher number of vehicle trips than those without a vehicle. Therefore, the available data supports a conclusion that ADU occupants have a high rate of vehicle ownership and do not in fact generate fewer vehicle trips than similar-sized rental households. Based on this information, staff believes it is appropriate to continue to impose a TIF on ADUs at the existing rate for multi-family housing, which is approximately 60% of the single-family rate. This reduction from a single-family home is a significant reduction and is consistent with the guidance provided by HCD in their 2016 Technical Guidance (i.e., “significantly less than a single-family home”).

However, if the City Council would like to eliminate or reduce the TIF for ADUs the Council could ask staff to return with an amendment the Sunnyvale Municipal Code Chapter 3.50 to exempt ADUs from the TIF or perhaps to adopt a TIF similar to TIFs imposed on senior housing (25% of the single-family detached home rate). Community members, who are promoting ADUs as an affordable infill housing option in the City, generally favor a “no TIF” approach.

Over the past 21 years there have been an average of five ADUs per year. Five ADUs per year, at the historical multi-family residential rate, would yield (in 2017 dollars) about \$193,000 over twenty years. If the new ADU standards result in an increased average of ten ADUs per year, the result would be about twice the TIF revenue or \$386,000 (on 2017 dollars), at the multi-family rate. If the fee were reduced to the senior rate, the revenue over 20 years would be about \$161,000 (in 2017 dollars).

The potential TIF revenue from ADUs would be about 0.31 percent of the total expected TIF of \$126 million (or 0.04 percent of the \$906 million worth of transportation improvements). The requirement for roughly proportionate TIF fees does not allow the City to increase the fees of other land uses to cover the difference (https://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/highlights_of_the_2001_national_household_travel_survey/html/section_01.html); however, it could be argued that a lower or zero rate does not harm other participants in the program.

Utility Connection Fees

The state legislation that became effective on January 1, 2017 specifically precludes a city from requiring separate utility connections (e.g., water, sewer) for an ADU (although owner can voluntary request a separate connection which would require connection fees). It further prohibits a city from increasing the utility charges for existing area converted to an ADU. New construction, whether an ADU or other addition to the site, may have fees associated with the upgraded services.

School Impact Fees

The public school districts that serve Sunnyvale residents collect fees on new residential construction. An addition to a house would be required to pay the fee, if the addition is over 500 square feet (whether or not it is an ADU). ADUs would be subject to the fees if it is new construction over 500 square feet but would be exempt if the ADU is a conversion of existing floor area, or less than 500 square feet. The City of Sunnyvale has no authority over these fees.

Impact Fee Summary

The following table summarizes the impact fee requirement for ADUs in Sunnyvale

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Table 2. Summary of Sunnyvale Impact Fee Requirements for ADUs

IMPACT FEE	No Fee for ADU	Fee for ADU	Upgrade Fee
Housing	X		
Park Dedication	X		
Transportation		X	
Utility	X		X
Schools			X

Staff recommends continuation of the fees as currently structured, including using the multi-family TIF fee rate. Staff recommends that a TIF fee be expressly adopted for ADUs, by resolution amending the fee schedule.

OPTIONS

Minimum lot size

1. Reduce to 8,000 square feet for R-1 and 7,000 square feet for R-0 lots.
2. Reduce further, if the lot is within ½ mile of high-quality transit.
3. Consider other minimum lot sizes than those shown in Option 1.
4. Make no change.

Staff recommends option 1. because, as shown in Table 1 above, it would double the percentage of lots in R-1 and R-0 zones that could potentially add an ADU from 15% currently to 32% with the proposed minimum lot sizes, while still preventing very small lots from adding ADUs in slightly denser single-family neighborhoods.

Owner-occupancy requirement and deed restriction

5. Retain the current 20-year restriction.
6. Make it permanent.
7. Eliminate the requirement.

Staff recommends retaining the 20-year restriction because it has been in place for several decades, and staff has not received many complaints about it, either from ADU applicants or from neighbors of those properties with expired restrictions. Further, it balances the community feedback on the topic which ranged from no requirement to a permanent occupancy requirement.

Other policies related to ADU development

• Transportation Impact Fees

8. Adopt a Resolution specifying the TIF fee for ADUs to be same as the multi-family rate.
9. Adopt a Resolution specifying the TIF fee for ADUs to be same as the senior housing rate, or other specified rate.
10. Adopt a Resolution specifying the TIF fee for ADUs to be zero and direct staff to return with an amendment to Chapter 3.50 of the Sunnyvale Municipal Code to expressly exempt ADUs from the payment of TIF.

• Other Zoning Code Modifications

11. Modify the requirement that the entry door of ADU not face the public street.
12. Clarify the ADU requirements in the zoning code.

Staff recommends maintaining the current multi-family TIF rate for ADUs. Staff also recommends modifications to the front door locations restrictions and clarification to the ADU provisions, as presented in the Draft Ordinance (Attachment 7).

Conclusion

Staff has completed the research objectives of the ADU study as described in the 2015 Housing Element Program 15. Public input received to date suggests concerns that the current ADU standards are too restrictive, particularly the minimum lot size; confusion or concerns about the owner-occupancy/deed restriction requirement; and concerns that ADUs could negatively impact single-family neighbors. Many are in favor of encouraging ADUs near transit and providing technical assistance to homeowners interested in adding ADUs. The findings and possible municipal code amendments will be considered by the City Council on October 17, 2017.

FISCAL IMPACT

The recommended actions are not anticipated to have any significant fiscal impacts. If the City Council decides to reduce or eliminate the TIF for ADUs, there would be a decrease in potential revenue; as discussed above, staff does not find the decrease to be significant compared to the entire revenue stream for the Transportation Strategic Program.

PUBLIC CONTACT

Outreach Efforts

Public input was gathered from two main sources: comments made at two outreach meetings in June, and responses to the online survey launched on June 12. A detailed summary of the survey responses received to date is provided in Attachment 5. Input from both sources has been relatively consistent so far, reflecting two main points of view on ADU regulations. The majority viewpoint (based on responses to date) is that the current ADU codes are too restrictive, preventing interested property owners from adding ADUs. The minority viewpoint reflects concerns about ADUs and fears of negative impacts to existing single-family neighborhoods, such as increased density and population, short-term rental of ADUs, traffic, noise, air pollution, and lower quality of life. Slightly more than half of the respondents were in favor of reducing the minimum lot size, and nearly a quarter were against reducing it. Many respondents (43%) were opposed to the owner-occupancy requirement, although 12% were in favor of keeping it with the 20-year term, and 20% would like it to be permanent.

Most of the survey respondents indicated that they are Sunnyvale single-family home owners residing in their home in Sunnyvale. The survey respondents and meeting attendees were self-selected, so input received so far may over-represent property owners interested in adding an ADU, compared to those with other viewpoints, who may not be as motivated to participate. Staff attempted to get input from a broad group including homeowners, renters, and others, by emailing outreach notices to neighborhood associations, housing stakeholders, and including an announcement in the City Manager's Blog. Additional input is anticipated at each of the hearings.

Public contact was also made by posting the Housing and Human Services Commission agenda on the City's official notice bulletin board and on the City's website. Notice of the public hearing was posted at City Hall, at the Sunnyvale Library, and on the City's website. Information about the ADU Study and opportunities for community engagement was published on City's website and in the City Manager's Blog, emailed to interested stakeholders and neighborhood associations, and shared on

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social media.

ALTERNATIVES

Recommend that the City Council:

Minimum lot size:

1. Introduce an ordinance to reduce the minimum lot size for ADUs to 8,000 square feet in the R-1 zone and to 7,000 square feet in the R-0 zone (Attachment 7).
2. Adopt an ordinance to reduce lot size further than Alternative 1, if the lot is within ½ mile of high-quality transit.
3. Consider other minimum lot sizes than those shown in Alternative 1.
4. Make no change to minimum lot size.

Owner-occupancy requirement and deed restriction:

5. Retain the current 20-year owner-occupancy requirement and deed restriction.
6. Lengthen or make permanent the owner-occupancy requirement and deed restriction.
7. Eliminate owner occupancy requirement for ADU sites.

Other policies related to ADU development:

8. Adopt a Resolution amending the Master Fee Schedule to establish the TIF for ADUs to be same as the multi-family rate (Attachment 8).
9. Adopt a Resolution amending the Master Fee Schedule to establish the TIF for ADUs to be same as the senior housing rate, or other specific rate.
10. Adopt a Resolution amending the Master Fee Schedule to establish the TIF for ADUs to be zero and direct staff to return with an amendment to Chapter 3.50 of the Sunnyvale Municipal Code to expressly exempt ADUs from the payment of TIF.
11. Modify the requirement that the entry door of ADU not face the public street (included in proposed ordinance, Attachment 7).
12. Clarify the ADU requirements in the zoning code (included in proposed ordinance, Attachment 7).

CEQA

13. Find that the amendments to Municipal Code Section 19.68.040 are exempt from CEQA pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines Section 15378(b)(4).
14. Find that amendments to the Master Fee Schedule are exempt from CEQA.

STAFF RECOMMENDATION

Staff recommends Alternatives 1, 5, 8, 11, 12, 13 and 14 as follows: 1. Reduce the minimum lot size for ADUs to 8,000 square feet in the R-1 zone and to 7,000 square feet in the R-0 zone; 5: Retain the 20-year owner-occupancy requirement and deed restriction; 8. Adopt a Resolution amending the Master Fee Schedule to establish the TIF fee for ADUs as the same as the multi-family rate (Attachment 7 to this report); 11. Modify the requirement that the entry door of ADU not face the public street (included in proposed ordinance, Attachment 7 of this report); 12. Clarify the ADU requirements in the zoning code (included in proposed ordinance, Attachment 7 of this report); 13. Find that the amendments to Sunnyvale Municipal Code Section 19.68.040 are exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines Section 15378(b)(4); and 14. Find that the amendments to the Master Fee Schedule are exempt from CEQA.

The recommended alternatives would allow more homeowners to add an ADU for extended family or a tenant. ADUs can help address local needs for housing at relatively affordable costs, and allow families to keep aging relatives out of expensive care facilities as long as possible. ADUs are an efficient use of land and infrastructure in existing lower density neighborhoods. When ADU standards are too restrictive, law-abiding homeowners will not pursue this option, while other property owners may build them illegally or without permits, which can lead to unsafe situations. The 20-year occupancy restriction has been implemented smoothly for several decades and has not generated many complaints. The TIF should be continued at a multi-family rate, which meets state legal requirements and establishes a fee significantly lower than fees for single family homes.

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For: Deanna J. Santana, City Manager

ATTACHMENTS

1. *Not Used* (Reserved for Report to Council)
2. Summary of Current ADU Codes
3. ADU Policies in Nearby Cities
4. Analysis of ADU Capacity and Transit Lines
5. Summary of Outreach Meetings and Survey Results
6. Summary of July 10, 2017 Planning Commission Study Session
7. Proposed Ordinance
8. Resolution amending the Master Fee Schedule to establish the Transportation Impact Fee for Accessory Dwelling Units
9. Accessory Dwelling Unit Survey - Portland, Eugene, and Ashland, Oregon
10. Accessory Dwelling Unit Survey - Sausalito
11. Public Comments