

El Camino Real Corridor Specific Plan: **Affordable Housing and Anti-Displacement Strategy**



Assessment and Strategies

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Table of Contents

I. Introduction and Report Summary1

II. Housing Element Context3

III. Existing Housing Characteristics5

IV. Existing City Housing Programs.....9

V. Implementation Strategies16



List of Tables

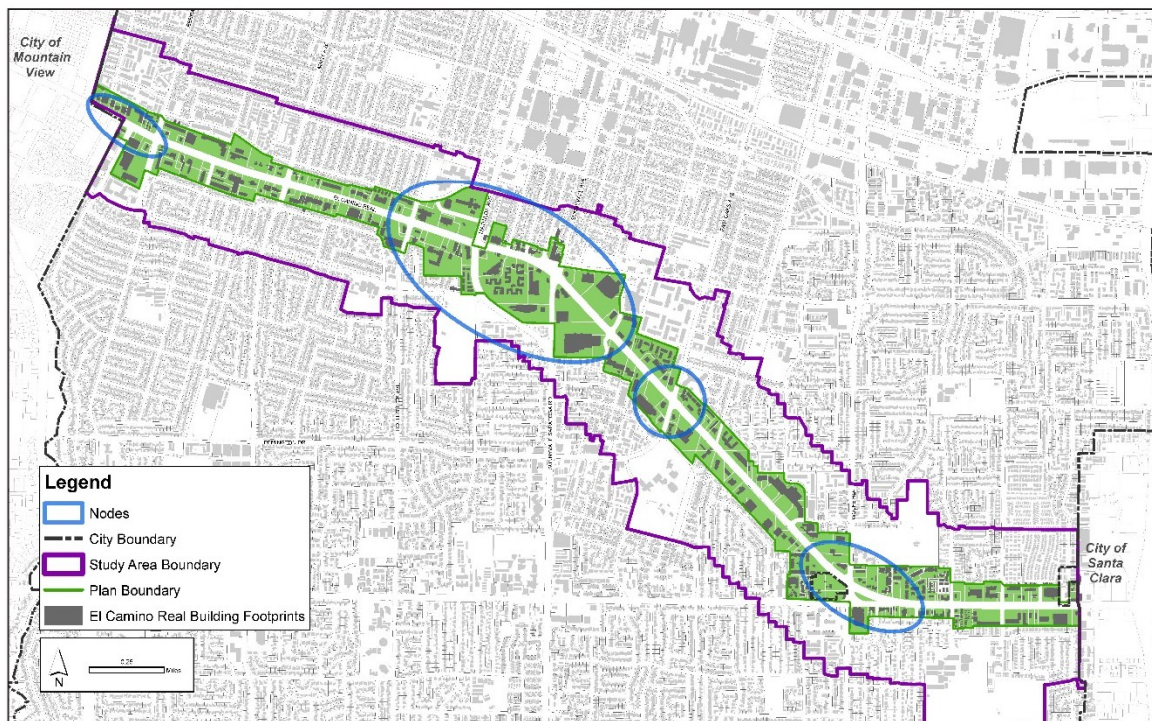
Table 1. Sunnyvale Regional Housing Needs Allocation 2015-2023	4
Table 2. ECR Pipeline Residential Projects	5
Table 3. Comparison of Affordable Rents with ECR Rents	6
Table 4. Affordable Rent-Restricted Housing in ECR Study Area	8
Table 5. Potential ECR Affordable Housing Production and Anti-Displacement Strategies	16
Table 6. Comparison of State and Potential Enhanced PDA Density Bonus	16
Table 7. City of Mountain View Tenant Relocation Ordinance and 2014 Amendments	19

I. INTRODUCTION AND REPORT SUMMARY

The City of Sunnyvale is preparing a Specific Plan for the El Camino Real (ECR) corridor, an approximately four-mile thoroughfare that traverses the width of the City and serves both as an important regional connector and economic asset to the City. The ECR corridor hosts a range of land uses, including commercial, retail, hotels, multi-family residential and auto dealerships. An objective of the El Camino Real Corridor Specific Plan is to refocus development along this auto-oriented through street into a series of "nodes" to support pedestrian and bike travel and increase transit opportunities.

The ECR corridor within Sunnyvale has been designated as a Priority Development Area (PDA) by the City Council, with recognition by the Association of Bay Area Governments (ABAG). As a PDA, the area has been identified as an infill development opportunity where there is both a local and regional commitment to developing more housing, along with amenities and services to meet the day-to-day needs of residents in a pedestrian-friendly environment served by transit. With this projected growth, an understanding of implications for existing and future affordable housing in the ECR corridor is desired by the City.

The consultant team for the Specific Plan has prepared a Market Study and an Existing Conditions Report (ECR Profile) for the ECR Plan Area and surrounding 2.3 square mile study area, depicted in the map below. The following Affordable Housing and Anti-Displacement Strategy builds upon the information contained in these background reports to assess housing needs and develop recommendations for consideration as the planning process moves forward.



Source: City of Sunnyvale, map prepared by M-Group



Summary of Report Recommendations

The City of Sunnyvale currently implements a number of citywide programs to support the production of affordable housing and to protect existing tenants from displacement. These programs include the following (refer to Chapter IV):

Existing Housing Production Programs

- Below Market Rate (BMR) Housing Program
- First time Home Buyer Program
- Affordable Housing Development Assistance
- Rental Housing Impact Fee
- Density Bonus and Affordable Housing Incentives
- Multi-family Rental Property Acquisition and/or Preservation
- Minimum Density Standards

Existing Tenant Protection Programs

- Mobile Home Park Preservation Policies
- Condominium Conversion Regulations
- Fair Housing Program
- Tenant/Landlord Counseling

To supplement these existing programs, the Report identifies the following additional new strategies for potential implementation in the ECR Plan Area, described in detail in Chapter V:

Potential New ECR Housing Production Strategies

- PDA Enhanced Density Bonus
- Parking Reductions
- Site Acquisition Assistance

Potential New ECR Tenant Protection Strategies

- Maintenance of Existing Housing
- One-for-One Replacement
- Tenant Relocation Assistance Ordinance
- Preservation of Affordable Housing
- Anti-Displacement through Homebuyer Programs



II. HOUSING ELEMENT CONTEXT

As indicated in Sunnyvale's 2015-2023 Housing Element, the City has an opportunity to develop focused, corridor-specific housing policies within the El Camino Real Corridor Specific Plan to incentivize both market rate and affordable development, and to address displacement of existing residents. Excerpts from the City's Housing Element (below) provide a policy framework for establishing an Affordable Housing and Anti-Displacement Strategy within the Specific Plan or possibly city-wide:

Housing Policies for Priority Development Areas

Priority Development Areas (PDAs) are areas of the City designated by Council as likely and appropriate for development of new residential, mixed use and/or non-residential uses due to their locations near transit and related factors influencing development capacity. These areas are also identified in Plan Bay Area, which is the regional land use plan and Sustainable Communities Strategy developed by the Association of Bay Area Governments (ABAG). The City may consider developing specific housing policies for designated PDAs, such as the El Camino Real Corridor and Lawrence Station Area, through preparation of new or modified specific plans and/or station area plans. Such policies would provide additional incentives and goals for the provision of affordable housing and/or any type of housing encouraged by the City within the PDAs.

Anti-Displacement Provisions

In recent years public concern has been increasing regarding involuntary displacement of tenants from existing housing in the Silicon Valley, San Francisco, and elsewhere in the Bay Area. In Sunnyvale and some surrounding communities, there have been some recent incidents where tenants, particularly those with more modest incomes, have expressed concern about being displaced by redevelopment (demolition) of existing rental housing, or renovation of rental properties followed by significant rent increases. The goal of this program would be to develop provisions in City codes and/or policy to provide lower- and moderate-income tenants with protection and/or assistance in the event of demolition and/or renovation of large rental properties, potentially similar to policies in place in Mountain View and other communities.

2015-2023 Objective: Consider developing an anti-displacement policy or ordinance applicable to redevelopment and/or major renovation of larger rental properties. Conduct outreach on the topic with interested stakeholders before developing proposed provisions. Timeframe: Begin program by 2016.



Regional Housing Needs

Under California State Housing Law, each city and county is required to adopt a Housing Element that demonstrates how the jurisdiction plans to meet existing and projected housing needs during the Housing Element cycle. The projected housing need is identified through the Regional Housing Needs Allocation (RHNA) process, which specifies the quantity of housing units needed, distributed among various income levels. Through the Housing Element update process, each jurisdiction must show that it has zoned sufficient sites to provide the development capacity necessary to accommodate its RHNA. This “fair share” allocation concept seeks to ensure that each jurisdiction accepts responsibility for the housing needs of not only its resident population (i.e., young adults leaving home and forming new households, or larger households splitting up to form smaller ones), but also for the jurisdiction’s projected share of regional household growth across all income categories. Such non-resident household growth occurs primarily when new job opportunities attract new residents to the region.

The Association of Bay Area Governments (ABAG) has adopted the RHNA for the 2015-2023 Housing Element cycle, and has allocated Sunnyvale the following share of the region’s housing needs:

Table 1: Sunnyvale Regional Housing Needs Allocation 2015-2023

Income Level	Percent of AMI*	Units	Percent
Very Low	0-50%	1,640	30%
Low	51-80%	906	17%
Moderate	81-120%	932	17%
Above Moderate	120%+	1,974	36%
Total		5,452	100%

Source: Association of Bay Area Governments, Regional Housing Needs Allocation (7/18/2013).

* AMI: Area Median Income for Santa Clara County

As shown in Table 1, Sunnyvale has been allocated 5,452 total new housing units, of which 30 percent are Very Low Income and 17 percent are Low Income. These RHNA figures are linked to Sunnyvale’s allocation of regional housing growth under the Sustainable Communities Strategy (tied to SB 375). The RHNA figures are influenced by factors including planned employment growth and proximity to transit.

All of these figures suggest that there is significant demand for affordable housing locally and regionally. Sunnyvale has a relatively strong track record of providing affordable housing due in part to its inclusionary and various other zoning policies, its ITR land recycling programs, and a long-standing commitment to affordable housing. In short, the ECR Plan Area is both a current and expected location for housing, including units for a significant number of lower-income households.



III. EXISTING HOUSING CHARACTERISTICS

According to the 2015 El Camino Real Corridor Market Study prepared by the Land Econ Group (LEG), there are approximately 10,400 existing housing units in the ECR study area. The majority of the housing stock is renter-occupied (66%), in contrast with a somewhat lower incidence of renter-occupied housing city-wide (53%) (source: ECR Profile). The risk of economic displacement from redevelopment tends to be higher in areas with high numbers of households in rental housing.

The City of Sunnyvale is expected to continue to experience a steady increase in population resulting from regional employment growth trends, fueling increased housing demand as more people move to the area. Specifically, LEG projects 65 percent of the demand for housing over the next 20 years (2015-2035) to be for multi-family units, a sizable increase from the 53 percent multi-family demand experienced in Sunnyvale over the past 10 years. Ultimately, this demand is projected to introduce an additional 1,400 to 2,100 units to the ECR study area. This demand is in addition to the 365 housing units in the ECR study area already in the pipeline (below).

Table 2: ECR Pipeline Residential Projects

Project Name	Address	Project Type	Housing Units	Status
Sobrato	1095 W. El Camino Real	Rental Housing & Office	156	Under Construction
Helen Ave Townhomes	1050 Helen Ave	For-Sale	7	Under Construction
Pastoria Project ¹	803-833 W. El Camino Real	40 Rental & 9 For-sale	49	Dev Review
Butcher's Corner ¹	871 E. Fremont Ave	114 Rental & 39 For-sale	153	Dev Review
TOTAL UNITS			365	

Source: City of Sunnyvale, Planning Division of the Community Development Department, **November 2015**.

¹ If the rental portion of project converts to ownership, BMR units will be required.

All of the projects in the pipeline were either approved or “deemed complete” prior to adoption of the recently approved new impact fee for rental housing, therefore no fees or “in-lieu” affordable units are required for the rental housing portions of those projects. One of the for-sale projects (Helen Avenue) was not large enough to be subject to the City’s BMR for-sale inclusionary requirements, which apply to projects of eight or more units. The other two projects that include for-sale housing units (Pastoria and Butcher’s Corner) have not been approved yet, but the applicants have proposed to pay in-lieu fees rather than providing BMR units within the development. As the in-lieu fee option requires Council approval, it is not yet certain whether the applicants’ proposals will be approved.



Rental Costs and Affordability

The robust rental market in the Silicon Valley has resulted in dramatic increases in apartment rents, further eroding affordability for moderate- and lower- income households. A review of a dozen apartment complexes located within the ECR study area finds asking rents ranging from \$2,080 to \$4,490 for one-bedroom units, and \$2,165 to \$5,580 for two-bedroom units. Table 3 presents the maximum affordable rents for very low, low and moderate income households by household size, and compares this with median apartment rents in the study area and the City as a whole. As the data in this table indicates, ECR study area median rents are well above the level of affordability for lower income households, with an affordability gap of approximately \$1,500 per month for very low income households and a gap of \$1,000 for low income households. Citywide, median apartment rents are slightly less expensive than ECR rents (\$55 less for a one-bedroom unit, and \$60 less for a two-bedroom unit). The 2013 rent survey contained in Sunnyvale's Housing Element documents median apartment rents well within the range of affordability of moderate income households; just two years later, market rents have risen to a level in the ECR study area that moderate income households will also face difficulties in locating apartments they can afford.

Table 3: Comparison of Affordable Rents with ECR Rents

Income Level	1 Bedroom (2 person)	2 Bedroom (3 person)
Very Low Income (50% AMI)	\$1,064	\$1,196
Low Income (80% AMI)	\$1,697	\$1,910
Moderate Income (120% AMI)	\$2,551	\$2,870
ECR Study Area Median Rents	\$2,350	\$2,900
Sunnyvale Median Rents	\$2,295	\$2,840

Source: HCD Income Limits 2015, Apartments.com.



At-Risk Affordable Housing

City Housing staff have developed an inventory of deed-restricted, affordable units within the ECR study area to evaluate whether any of the current supply is at risk of transitioning to market-rate housing. As presented in Table 4, the study area currently contains 372 deed restricted affordable rental units, including 330 units in subsidized rental projects; 37 units restricted through the BMR program; and 5 units in an affordable, “special needs” group home.

Of the four subsidized rental projects in the ECR study area, one is potentially at-risk of conversion to market rate within the next ten years. Life's Garden is a 208 unit senior apartment project, with a project-based Section 8 contract on 150 units subject to renewal by HUD in 2017. The property is owned by First United Methodist of Sunnyvale, and the church has recently selected a non-profit development partner to help develop a plan for preservation. Based on communications with City staff, the church plans to raise funds through tax exempt bonds for rehabilitation of the property, including recording new long-term affordability covenants and potentially providing deeper income targeting on some of the units.

At more imminent risk of conversion to market rate are the 37 BMR rental units. These rent-restricted units are integrated within three projects: Cherry Orchard (30 units); Copley Square (5 units); and Encinal Place (2 units). To date, property owners have not been very receptive to the idea of extending affordability controls on expiring BMR rental units (in exchange for some sort of incentive such as a rent buy-down or other incentive). To date, approximately 500 rent-restricted units have converted to market rate, with just 176 units remaining in the program (Sept 2015). Part of the reason that so many of the rental units have expired so soon after construction is that, until 2003, the City's BMR program only required BMR units (rental and for-sale) to be affordable for a 20-year term. In 2003 the City's BMR codes were amended to make BMR rental units subject to a 55-year term and BMR for-sale units subject to a 30-year term. For that reason, all BMR rental units built since 2003 will remain affordable nearly three times as long as those built in the first 22 years of the program. Unfortunately, that code section was only able to be implemented for six years, through 2009, when the Palmer decision outlawed local inclusionary programs in rental housing. However, the density bonus program and new rental housing impact fees will create affordable rental units which will also be subject to terms of 30 to 55 years.

**Table 4: Affordable Rent-Restricted Housing in ECR Study Area**

Project Name	Address	Project Type	BMR Units	Market-Rate Units	Restrictions Expire	Notes
Cherry Orchard	250 W. El Camino Real	Market-Rate Rental with BMRs	30	270	2021	* # of MR units estimated
Copley Square	979 Pinto Palm Terrace	Market-Rate Rental with BMRs	5	45	2016	
Encinal Place	604 S. Fair Oaks Avenue	Market-Rate Rental with BMRs	2	18	2025	
Fair Oaks Plaza (seniors)	660 S. Fair Oaks Ave	Subsidized 100% Affordable Housing	123	1	2066	Not at-risk
Garland Plaza	662 Garland Ave	Subsidized 100% Affordable Rental	19	1	2067	Not at-risk
Life's Garden (seniors)	450 Old San Francisco Rd	Subsidized 100% Affordable Housing	150	58	2017	Working on rehab/preservation
Pacific Plaza	785 Reseda Dr	Subsidized 100% Affordable Rental	38	1	2025	Not at-risk
Lamar House	854 Geary Way	Affordable Special Needs Group Home	5	0	2031	Not at-risk
TOTAL			372	394		

Source: City of Sunnyvale, Housing Division of the Community Development Department, September 2015.

In addition to the risk of conversion of existing “official” affordable housing units in the ECR study area, there is also a supply of *de facto* affordable (or somewhat more affordable than prevailing rents) rental housing, the occupants of which could be at risk of displacement due to general market factors as housing costs in the area continue to increase, and/or as the ECR corridor is further improved through redevelopment and re-investment. Displacement may occur if redevelopment activity in the area increases the market value of the existing housing stock, and households currently renting market-rate units can no longer afford those units. Rents have increased rapidly in the City and throughout Santa Clara County and the Bay Area in recent years, and a significant amount of economic displacement has already occurred within and beyond the ECR study area, well before implementation of the Specific Plan and PDA policies to facilitate redevelopment. This wave of economic displacement from the more desirable employment centers and inner-ring communities of the Bay Area, such as San Francisco, Silicon Valley, and certain areas in the East Bay, has been widely covered in the regional and even national press in recent years.



IV. EXISTING CITY HOUSING PROGRAMS

Sunnyvale has for decades been implementing a number of city-wide policies intended to encourage the production of affordable housing and to protect existing tenants from displacement. These programs are outlined below, with potential additional strategies for the ECR Corridor Specific Plan identified in the chapter that follows.

Existing Affordable Housing Production Programs

Below Market Rate (BMR) Housing Program

Sunnyvale began implementation of its BMR Program in the early 1980's. The current BMR ordinance requires residential developments with eight or more ownership units to designate 12.5% of newly developed units as BMR units for purchase by low and/or moderate income homebuyers earning up to 120% of AMI. The BMR sale prices are targeted to be affordable to households with median incomes (100% of AMI). The period of affordability is 30 years for owner-occupied units.¹

From the inception of the BMR program through September 30, 2015, a total of 685 BMR rental units and 444 BMR for-sale units have been developed. In the intervening years, a number of these units have expired due to the twenty-year affordability term required until 2003, when it was increased to thirty years for owner-occupied units and fifty-five years for rental units. As of September 30, 2015, the City had 176 active BMR rental units and 357 active BMR home ownership units (those still subject to affordability restrictions), with an additional 185 BMR ownership units in the pipeline, and a number of affordable rental units in the pipeline in several density bonus projects.

First Time Home Buyer Program

The City established a First Time Homebuyer Program (FTHB) in 2005 to help low and moderate income home buyers purchase their first home. Most program participants purchase homes made available through the City's BMR Housing Program, although the program allows participants to purchase moderately-priced market-rate homes as well. Current market conditions are not highly conducive to market-rate purchases through the program, however the option is still available. Low-interest, deferred second mortgage loans ("silent seconds") of up to \$50,000 are provided through the program, which has provided a total of fifty-five loans since 2005. In 2009, the City updated the program guidelines to streamline program administration, respond to changing conditions, and improve program effectiveness. Sunnyvale's 2015-2023 Housing Element identifies a goal to assist 5-10 low to moderate income

¹ BMR rental units were required in new rental projects between 1980 and July 2009, at which time the program was rendered essentially inoperable by the *Palmer v. City of Los Angeles* court decision. Part of the revisions to the BMR requirements adopted in 2012 included a revision to preserve existing BMR rental units for the remainder of each property's recorded term of affordability, and a revision removing the prior requirement for BMR units to be provided in new rental projects.



homebuyers per year, or as demand warrants. During fiscal year 2014/15, four FTHB loans were issued, with an additional two loans in the first quarter of 2015/16.

Affordable Housing Development Assistance

The City, using its local Housing Mitigation Fund, BMR in-lieu fees, its federal HOME funds, and other appropriate special housing revenues (post-RDA housing funds, etc.) assists in financing the construction of new affordable housing in Sunnyvale, including assistance to non-profit developers for various typical development costs, such as: clearance, site acquisition, predevelopment/design, construction, and related project costs. Since 1981, Sunnyvale has been collecting housing mitigation fees from non-residential development projects that generate significant amounts of new employment. In 2015, the City expanded the non-residential development impact fee to encompass all commercial and industrial development, as supported by the "Housing Mitigation Nexus and Fee Study" prepared for the City. The adopted fees for non-residential development are \$15 per net new square foot for all office, R&D, and industrial projects (\$7.50 for the first 25,000 square feet), and \$7.50 per net new square foot for all retail and lodging projects. Fees will be adjusted annually based on the Consumer Price Index.

The City prioritizes the use of Housing Mitigation funds for projects that provide housing for extremely low and very low income households, as well as some units for low income households. Priority is also placed on projects that agree to reserve some units for special needs households, such as elderly and disabled tenants, including those with developmental disabilities, people transitioning out of homelessness, and youth aging out of foster care.

The City issues notices of affordable housing funding availability (NOFAs) annually or as sufficient funds become available, with the most recent NOFA issued in March 2015 for \$10 million. The following provides a summary of recent new construction projects funded by the City:

- Fair Oaks Plaza** (680 S. Fair Oaks Ave) 124 unit project for extremely low and very low income seniors located next to the Valley Medical Center, and one-half mile from the Sunnyvale Senior Center. Apartment units are designed to be fully adaptable, allowing the opportunity for seniors to age in place. MidPen Housing was the developer. Project opening: March 2012. City funding contribution: nearly \$6 million.



- Parkside Studios** (495 N. Wolfe Rd.) was developed by Charities Housing and is the first multi-family affordable housing project in Northern California to use modular construction. It provides 58 studio units (370 sq. ft. average unit size), 18 of which are reserved for homeless applicants, and one manager's





unit. Units are restricted to very low to extremely low income tenants. A number of the units in the project are supported with Veterans Affairs Supportive Housing (VASH), Continuum of Care (CoC), Mental Health Services Act (MHSA) and/or project-based Section 8 vouchers. The homeless units were filled with applicants from the county-wide "Housing 1000" list of homeless individuals. Project opening: June 2015. City contribution: \$4.95 million.

- Onizuka Crossing** (620 E. Maude Ave.) being developed by MidPen Housing, consists of 57 very low and extremely low income apartments (all-age, unit sizes range from 1-3 bedrooms), including 29 supportive housing units reserved for homeless applicants, and one manager's unit. All of the homeless units include project-based vouchers (Section 8, MHSA, VASH, or CoC) to ensure long-term affordability for the tenants. Anticipated project opening: March 2016. City funding contribution: \$5.4 million.



- Benner Plaza** (460 Persian Drive) is currently in development review and scheduled to go to Planning Commission in January for entitlements. The project, as currently proposed, will include 65 affordable rental units and 1 manager's unit in a four-story building. The affordable units will be for households with incomes between 30 to 60% of AMI, and will include at least several special needs units. The project is located on a former "Industrial to Residential ("ITR")-zoned site that is within 1/2 mile of the "Fair Oaks" VTA light rail station. MidPen Housing is the property owner and developer. MidPen has submitted a proposal to the County Housing Authority requesting an allocation of project-based vouchers for some of the units in this project, which would allow the project to serve special needs tenants. City and MidPen staff are currently exploring the possibility of a joint application for State Affordable Housing and Sustainable Communities (AHSC) funding for this project, which could provide financing for the housing development and related qualifying "transportation infrastructure" improvements. Anticipated project opening: 2018. City conditional funding commitment: \$5 million.
- Orchard Gardens Redevelopment** (245 W. Weddell Dr) The City has received a funding request from property owner First Community Housing for \$6 million to rehabilitate and redevelop Orchard Gardens. The project currently includes 62 units. The redevelopment is proposed to renovate 32 existing units, demolish 30 units, and build a new structure of approximately 54 units on the site. Upon completion, half of the project's total 86 units would be reserved for tenants with developmental disabilities. This funding proposal is scheduled for hearing before the Housing and Human Services Commission in late January 2016.

Rental Housing Impact Fee

In July 2015, the Sunnyvale City Council adopted a Rental Housing Impact Fee on new market-rate rental housing development with four or more units. The current fee is \$17 per habitable square foot, with smaller projects (4-7 units), paying 50% of this amount. Fees will be adjusted annually based on the Consumer Price Index. As an alternative to paying the fee, an applicant



may opt to provide the affordable rental units on-site, dedicate land for affordable housing, or provide affordable units off-site. If on-site affordable units are provided, the applicant is credited \$300,000 for every very low income unit provided and/or \$150,000 for every low income unit provided, up to the total housing impact fee amount owed by the project.

City staff estimate rental impact fees could generate revenues of up to \$3 million per year, but anticipate many developers will opt to provide units on-site rather than pay the fees. Impact fees collected will be deposited in the City's Housing Mitigation Fund. Should the current *Palmer* decision (prohibiting mandatory inclusionary requirements on rental projects) be reversed through State legislation, the City will consider replacing the Rental Impact Fee with a BMR requirement on rental housing.

Density Bonus and Affordable Housing Incentives

Pursuant to State density bonus law (*Government Code Section 65915*), developers of residential projects may apply for a density bonus and additional incentive(s) if the project includes one or more of the following:

- At least 10% of the units for lower income (up to 80% AMI) households;
- At least 5% of the units for very low income (up to 50% AMI) households;
- A senior citizen housing development or mobile home park that limits residency based on age requirements for housing for older persons;
- At least 10% of the total dwelling units in a condominium development for moderate income (up to 120% AMI) households.

The amount of density bonus varies according to a sliding scale set forth in State law, but generally ranges from 20-35% above the density otherwise allowed under the zoning or land use designation of the site. In addition to the density bonus, eligible projects may receive 1-3 additional development incentives, depending on the proportion of affordable units and level of income targeting. The following development incentives may be requested:

- ✓ Reduced site development standards or design requirements.
- ✓ Approval of mixed-use zoning in conjunction with the housing project.
- ✓ Other regulatory incentives or concessions proposed by the applicant or the City that would result in identifiable cost reductions.

Applicants are also eligible to utilize the State's parking ratio (inclusive of handicapped and guest parking), which requires: one space for studios and 1-bedroom units; two spaces for 2- or 3-bedroom units, and two and one half spaces for units with 4 or more bedrooms. In addition, pursuant to AB 744, density bonus projects which include the maximum percentage of very low or low income units and located within one-half mile of a major transit stop with unobstructed access are eligible for further parking reductions.

The City promotes the use of the density bonus in discussions with development applicants, and has been successful in utilizing this tool to secure commitments for very low income units in market-rate apartment complexes. A total of 62 very low income (VLI) rental units are currently under development in the following density bonus rental projects:



- Ironworks North, at 457-475 E Evelyn - 117 total units, 9 VLI
- Ironworks South, at 388-394 E Evelyn - 67 total units, 5 VLI
- Sares Regis, at 610 E Weddell - 205 total units, 16 VLI
- Raintree, at 520-550 E Weddell - 465 total units, 27 VLI
- 481 on Mathilda - 105 total units, 5 VLI

The City waives park fees for affordable rental projects and for affordable units in mixed-income rental projects, including affordable units in density bonus projects.

Multi-family Rental Property Acquisition and/or Preservation

The City assists non-profit housing corporations in acquiring and/or preserving multi-family rental properties, in order to preserve or improve affordability. Loans are funded with several sources, including CDBG, HOME, and local Housing Mitigation funds, and are often combined with rehabilitation financing if the property to be acquired or preserved requires rehabilitation as well. Sunnyvale's 2015-2023 Housing Element identifies a goal to assist in the acquisition and/or preservation, alone or in combination with rehabilitation assistance, of at least one multi-family rental property during the planning period. Recent City-assisted preservation/rehab projects include:

- Aster Park (2009) - rehabilitation/preservation of 95 units. City funding: \$1.3 million
- Homestead Park (2012) - rehabilitation of 211 units. City funding: \$5 million
- Garland Plaza (2013) - acquisition/rehabilitation/conversion of 20 units. City funding: \$1.4 million
- Morse Court (2014) - rehabilitation of 35 units. City funding: \$1 million
- Crescent Terrace (2015/in process) - rehabilitation/preservation of 48 senior units. City funding: \$1.05 million
- Stoney Pine Apartments (in process) - rehabilitation of 24 units for persons with developmental disabilities. City funding: \$199,000

Minimum Densities

To encourage the efficient and sustainable use of land, the City requires residential redevelopment to achieve at least 75 percent of the maximum densities permitted under zoning. Given high land costs, multi-family projects in Sunnyvale's highest density residential zones typically develop at above this threshold. Exceptions to this policy may be granted by City Council as warranted by unique site characteristics.



Existing Tenant Protection Programs

Mobile Home Park Preservation Policies

With 16 mobile home parks and over 4,000 mobile home units, mobile homes comprise an important segment of Sunnyvale's stock of affordable housing. Several policies serve to protect mobile homes in the community. The City has established a designated mobile home park zone district and General Plan land use designation, and has adopted a policy to maintain a minimum of 400 acres of mobile home park zoning. Currently, 13 of the City's 16 parks, comprising a total of 420 acres, are zoned for long-term mobile home park use. Within the ECR Plan Area, there are two trailer parks: Nick's Trailer Court and Aloha RV Park, both of which are zoned commercial and among the three parks city-wide that are not zoned for long-term mobile home park use. Nick's Trailer Court consists of 44 spaces; of the 30 spaces that were occupied as of late 2015, 16 had mobile homes installed on them and 14 had travel trailers/RVs on site. Since that time, several additional tenants have moved out and several more are actively seeking replacement housing. The owner of Nick's Trailer Court recently filed a mobile home park conversion impact report with the City, and has tentative plans for development of the 1.8 acre site with a mixed income rental project. Owners of the second park, Aloha RV Park which consists of 39 spaces, have not indicated any plans for closure in the near future. Given the limited life spans of the trailers in these parks, many of which, at 30-50 years in age, are already well beyond their useful life spans, combined with rising property values and development pressures along the ECR corridor, long term preservation of these parks may be problematic.

Chapter 19.72 of the Municipal Code, revised in 2012, regulates the conversion of mobile home parks to other uses, including requirements for preparation of a conversion impact report, tenant noticing and public hearing requirements, and payment of relocation assistance to displaced tenants. The revisions to Chapter 19.72 involved extensive public participation, legal research, and consultation with various stakeholders. Local advocacy groups have identified the revised Chapter as a model for other cities to follow.

In addition to the tenant protections provided in the City's mobile home park conversion ordinance (Chapter 19.72 of the City's Municipal Code), the City further mitigates the long-term loss of mobile home units in the ECR study area through provision of replacement housing for mobile home tenants. For example, displaced residents of Nick's Trailer Court and other parks subject to Chapter 19.72 are given priority for any affordable units provided through redevelopment of the site, as well as a first-right of refusal to buy or rent any new housing developed on the site. In addition, relocation benefits required to be provided by the park owner allow tenants to buy or rent a replacement housing unit (mobile home, condominium, or rental unit) anywhere they wish, with a rental subsidy of up to two years, as well as moving allowances and related assistance.

Condominium Conversion Regulations

Apartment projects proposed for conversion to condominium ownership are subject to the City's Condominium Conversion regulations (Section 19.70 of the Zoning Code). These regulations set forth a series of tenant protections, including relocation provisions, limitations



on tenant rent increases, and first right of refusal, among other provisions. The regulations limit the number of conversions to 175 units in any 12 month period and require a citywide rental vacancy rate above 3%, unless otherwise approved by the Planning Commission. Condominium conversions are also subject to the 12.5% affordability requirement under the City's BMR Home Ownership Ordinance. The City has not received any condominium conversion applications in recent years.

Fair Housing Program

The City provides funding to local fair housing agencies to provide fair housing services in Sunnyvale. These agencies provide education, outreach, and complaint investigation services for all members of the community. Fair housing information is provided on the City's website, and multi-lingual fair housing brochures are provided at City Hall, the Sunnyvale Library, Senior Center, Recreation Center, and the Columbia Neighborhood Center. The City also participates in the Santa Clara County Fair Housing Task Force.

Tenant/Landlord Counseling

The City currently contracts with Project Sentinel, a non-profit agency, to provide free, confidential services to both tenants and landlords to help them understand their rights and responsibilities under state and local laws and ordinances. Project Sentinel provides referrals to outside agencies where appropriate, and offers a variety of training courses that address different aspects of tenant/landlord issues, including:

- How To Be A Successful Tenant
- Landlords' Rights and Responsibilities
- Mobilehome Owners' Rights and Responsibilities



V. IMPLEMENTATION STRATEGIES

As discussed in the prior chapter, Sunnyvale has implemented a number of successful programs to facilitate the production of affordable housing and protect existing tenants from displacement. The following chapter identifies additional new strategies for potential implementation in the El Camino Real Corridor Specific Plan, summarized in Table 5 below.

Table 5: Potential ECR Affordable Housing Production and Anti-Displacement Strategies

Housing Production Strategies	Tenant Protection Strategies
PDA Enhanced Density Bonuses	Maintenance of Existing Residential Density
Parking Reductions	Tenant Relocation Assistance Ordinance
	One-for-One Replacement
Site Acquisition Assistance	Preservation of Affordable Housing
	Anti-Displacement through Homebuyer Programs

Housing Production Strategies

PDA Enhanced Density Bonuses

The City has adopted a local density bonus ordinance consistent with State law, which provides density increases of 35% for projects providing 11% very low income units, or 20% low income units, or 40% moderate income units, or projects that dedicate land sufficient to accommodate affordable units equaling 30% of the project's unit count. The City has utilized the density bonus law as an incentive to secure commitments for very low income units in large (100+ unit) market-rate apartment complexes, with 62 very low income units currently under development in five projects. None of these projects are in the ECR study area, however several are within about one mile or less of El Camino Real (Ironworks and 481 Mathilda). Developers of these projects opted to provide 5%-11% of the base zoning units as very low income rentals in exchange for a density bonus of 20% to 35%. The City also offers an additional 5% density increase for projects utilizing green building techniques and materials, with several developers taking advantage of this incentive as well.

Density bonus law permits jurisdictions to offer increased density bonuses beyond the 35% provided for under State statutes. The City is considering enhanced density bonuses in the Lawrence Station Area Plan (LSAP), and could consider adopting comparable incentives within the El Camino Real Corridor Specific Plan, if density limits are established for parcels within the ECR Plan Area. Table 6 summarizes the density increases currently under consideration.

Table 6: Comparison of State and Potential Enhanced PDA Density Bonus

Income Category	State Density Bonus		Potential Enhanced Density Bonus for LSAP	
	% of Units	Density Increase	% of Units	Density Increase
Very Low Income	11%	35%	15%	50%
Low Income	20%	35%	30%	50%
Moderate Income	40%	35%	55%	50%

Source: Lawrence Station Area Plan, February 2015.



While over 350 residential units are either planned or under construction in the ECR corridor, none of these has requested a density bonus. There is currently no residential density limit along this corridor, since it is zoned commercial, although mixed use is allowed. Establishing residential densities for the corridor, or at least for the nodes, and thereby enabling the use of the density bonus program could provide an effective tool to incentivize the inclusion of affordable units in market-rate developments along this corridor.

AB 2222 (effective January 2015) has made important changes to State density bonus law in an effort to help address potential displacement of existing tenants. Specifically, AB 2222 now prohibits an applicant from receiving a density bonus (and related incentives and waivers) unless the proposed housing development or condominium project would, at a minimum, maintain the number and proportion of any existing affordable housing units located within the proposed development site, including affordable dwelling units that have been vacated or demolished in the five-year period preceding the application. AB 2222 also increases the required affordability from 30 years or longer to 55 years or longer for all affordable rental units that qualified an applicant for a density bonus, and requires replacement rental units to be subject to a recorded affordability restriction for at least 55 years. If the units that qualified an applicant for a density bonus are affordable ownership units, as opposed to rental units, they must be subject to an equity sharing model rather than a resale restriction.

Parking Reductions

To reduce development costs, the City could consider reducing parking requirements for projects in the ECR Plan Area, with deeper reductions for affordable projects eligible for alternative parking standards under State density bonus law. With typical podium or structured parking costing at least \$15,000 per space, a project that provides 100 spaces would save at least \$750,000 over one that provides 150 spaces.

To help make reduced parking a viable alternative for developers and residents, it may be advisable to encourage new housing projects to incorporate parking and travel demand management techniques. For example, some cities have required “unbundling” of parking so that occupants must pay separately for a parking space, but can achieve lower rents or sales prices if they require less parking. Similarly, projects that provide residents with transit passes or incorporate car share programs can yield lower parking demands, and may be incented through credit for these efforts in a density bonus program. The City is currently undertaking a study, "Transportation Demand Management Programs for Residential Development," which will evaluate a variety of strategies and options for requiring TDM programs for multi-family residential projects.

Market forces will determine whether units with reduced parking availability can be competitive for renters, but providing an option for developers to reduce development costs and/or increase densities in exchange for affordable housing units is a proven approach to realizing affordability.



Site Acquisition Assistance

One of the primary constraints to the provision of affordable housing in the ECR Plan Area is the lack of access to suitable sites for redevelopment by housing developers. In addition, when privately-owned development sites do come on the market, non-profit developers are often unable to compete with market-rate developers, who can pay higher prices for land and/or close on a deal much more quickly. To address this issue, the City could adopt a policy to direct a portion of its affordable housing resources to a site acquisition fund to assist affordable housing developers in acquiring sites in the ECR Plan Area. Such an effort could also be furthered by encouraging developers of market-rate units to dedicate land to affordable housing developers for future affordable housing projects.

Tenant Protection Strategies

The El Camino Real Corridor Market Study prepared by LEG projects development of between 1,400 and 2,100 new multi-family units over the next twenty years in the study area, in addition to the 365 units already in the pipeline. This level of development demand will place significant pressure to redevelop existing uses in the corridor, roughly half of which are residential. The following measures will serve both to minimize loss of existing housing in the study area, and to assist tenants who are displaced to find suitable replacement housing.

Maintenance of Existing Housing

Nearly 10,000 housing units are currently located in ECR study area, the majority of which are multi-family units occupied by renters. Among these households, renters at lower income levels are most susceptible to displacement if the property owners stand to gain financially from demolishing existing lower-density units and replacing them with higher density and potentially higher-value units. The risk of such displacement can be minimized by not proposing increased density allowances on sites that are currently used for housing. Significant zoning capacity can be accommodated elsewhere in the El Camino Real Corridor Specific Plan, so the achievement of a dynamic, mixed-use environment is not contingent on redevelopment of existing housing units.

One-for-One Replacement

In addition to maintaining existing densities on residential properties, the City could also consider implementing a one-for-one replacement requirement in the ECR study area for projects involving the demolition or removal of deed restricted residential units affordable to lower and/or moderate income households. Projects would be required to include an equivalent number of affordable housing units (in addition to affordable units required under the City's BMR ordinance), or could potentially be permitted to pay a fee to offset replacement costs at a different location. The City of Walnut Creek currently implements a one-for-one replacement requirement for projects involving demolition of residential units less than 30 years old.



Tenant Relocation Assistance Ordinance

As presented in the Background section of this report, the City adopted a program in its 2015-2023 Housing Element to consider developing an anti-displacement policy applicable to redevelopment or major renovation of larger rental properties, beginning with research and stakeholder outreach in 2016. With significant demand for multi-family development in the ECR Plan Area and elsewhere in the City, some of which may be accommodated through redevelopment of existing residential uses, an effective anti-displacement program for rental property tenants is essential.

In 2010, the City of Mountain View adopted a Tenant Relocation Assistance Ordinance in response to the number of low-rent apartments being lost to renovation/redevelopment and the associated displacement of lower income tenants. With rents increasing dramatically since that time, further exacerbating the ability of displaced tenants to find replacement housing, in 2014 the Mountain View City Council amended its Relocation Assistance Ordinance to provide additional assistance to tenants. Table 7 summarizes the provisions of the City's original ordinance and its amendments.

Table 7: City of Mountain View Tenant Relocation Ordinance and 2014 Amendments

Ordinance Provisions	2010 Ordinance	2014 Amendments
Ordinance Applicability	Landlord actions (demolitions, condo conversions, renovations) resulting in the removal of four or more rental units, requiring tenants to vacate their apartments.	
Tenants Eligible for Assistance	Very Low Income (50% AMI)	Low Income (80% AMI)
Rent Payment Amount	2 months tenant's current rent	3 months median market rent
Assistance to Special Circumstance Households ²	\$2,154	\$3,000
Timing for Assistance	Prior to date to vacate unit	Within 15 days of request
Relocation Assistance Specialist	Hired by landlord	Hired by City
Assistance Locating Replacement Housing	60 day subscription to rental agency	No change

Source: City of Mountain View, May 7, 2014 staff report to Environmental Planning Commission on Amendments to Tenant Relocation Assistance Ordinance.

Mountain View is one of the few medium sized cities in California to have a program that provides assistance to displaced tenants, particularly as a jurisdiction without an associated rent control ordinance. Adopting a similar policy in Sunnyvale could help offset the impacts of redevelopment projects on lower-income tenants along the ECR corridor and citywide. A key aspect of developing a viable ordinance which can effectively be implemented by staff will be to determine an appropriate threshold for ordinance application, ranging from building permit issuance to a more limited approach applying to projects requiring discretionary review.

² Special circumstance households are defined as having at least one person that is either over 62 years of age, handicapped, disabled, or a legally dependent minor child (less than 18 years of age). Assistance is adjusted annually based on increases in the Consumer Price Index (CPI).



Preservation of Affordable Rental Housing

The preservation of existing affordable housing is a key strategy to minimizing displacement in the ECR study area. As presented previously in Table 4, the ECR study area currently contains 372 deed restricted affordable units. Of these, 330 units are in subsidized rental projects; 37 are rental units restricted through the City's BMR program; and 5 units are in an affordable special needs group home.

At risk of conversion to market rate are the 37 BMR rental units located in the ECR study area. Historically, local BMR property owners have not been receptive to the idea of extending affordability controls on expiring BMR rental units. However, as the City begins collecting significant new housing mitigation fees, it will have greater financial resources at its disposal that could be used to negotiate extended affordability covenants with property owners, and may wish to consider developing a policy for pricing the purchase of affordability term extensions so this option could be offered to local BMR property owners. Given the strength of the rental market, the City may need to limit the affordability extension to ten years, and consider additional incentives such as rehabilitation assistance.

Anti-Displacement through Homebuyer Programs

As presented earlier in Table 3, market rents in the ECR study area have risen to a level that even moderate income households can face difficulties in finding housing they can afford. With a median two-bedroom apartment rent of \$2,900, rental rates are often equal to or higher than the costs of homeownership, particularly in older, small condominium units or BMR for-sale units. However, some renter households in the study area may not be able to afford the down payment necessary for a home purchase, or may have other barriers to qualifying for a loan, such as bad credit, among others. The City's First Time Home Buyer Program (FTHB) offers low-interest, deferred second mortgage loans ("silent seconds") of up to \$50,000 to low and moderate income households, and is typically used in conjunction with the City's BMR for-sale program. Targeted marketing of the FTHB and BMR programs to existing ECR study area renters could assist some modest income residents who might otherwise be displaced to remain within Sunnyvale, if not necessarily within the ECR study area.