

RESPONSE TO COUNCIL QUESTIONS RE: 1/24/2023 CITY COUNCIL AGENDA

Agenda Item #: 1.H

Title: Amend a Purchase Order for Twelve (12) Interceptor Service Vehicles for the Department of Public Safety (F22-144)

Council Question: A 19% increase seems high for a year-over-year increase. Did we also request through SourceWise trying to get the best fleet quote, or did we just go back with same dealership for the request trying to get the 2023 model? If so, what was the cost?

Staff Response: National Auto Fleet Group (NAFG) was awarded a contract in 2021 by Sourcewise after a competitive procurement process for both light and heavy duty vehicles. NAFG's price proposal was structured to provide discounts off of the Manufacturer Suggested Retail Price (MSRP).

The majority of the increase is being driven by the increase in MSRP year over year. Staff did receive an updated quote for the 2023 model based on the Sourcewise agreement that provided a 3.406% discount. Staff did explore other options for purchase. For example staff reached out to another dealer that holds the State of California contract for police vehicles, however were informed that 2023 orders were already closed. As amending the NAFG Agreement keeps the City in line for the 2023 models, staff is recommending taking this action now to shorten lead times.

Council Question: I can understand an issue of delivery if we put in the order in July, but Staff thinks there would be potential issues getting delivery if we put in a new order in January? Is this because they are they hybrid version of the Interceptor?

Staff Response: The delays in deliveries of the Ford Police Interceptor is a nation-wide trend that has to do with supply chain and manufacturing issues at Ford. Staff has been provided information that amending this contract will ensure we will maintain our place in the queue based on our order placed last year. The delays are not related to the ordered vehicles being hybrid.

Agenda Item #: 3

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

Council Question: Why was Housing and Human Services Commission's recommendation of \$15/sq.ft. not reduced to \$11/sq.ft.? (I understand \$11/sq.ft. is the recommendation of Nexus Study.)

Staff Response: Housing and Human Services Commission's recommendation is based on the assumption that Sunnyvale would continue to see strong demand for Office/R&D development due to anticipated expansion of tech companies and the City's desirable location. Their recommended fee rates are similar to the current rates in Mountain View. Therefore, they modified the staff recommendation to a higher increase.

Council Question: What is the potential revenue due to the increased fees? A ballpark number if the actual/average number is not available.

Staff Response: Revenues vary significantly based on economic conditions and pipeline projects. However, as the recommended fees are approximately 13% greater than existing fees, we would anticipate generally 13% more revenues assuming all other factors remain the same. With HMF revenues varying between \$1 million and \$20 million per year, increased revenue could range from \$150,000 to \$3 million per year, with an average of approximately \$1 million per year. This estimate is based on approximately \$48 million in HMF revenue collected between 2016 and 2022 and is not adjusted for inflation.

Council Question: The Sunnyvale Housing and Human Services Commission recommended unanimously that the City Council adopt a Modified Fee Schedule Housing Impact Fee for Non-Residential Development for Office/R&D Development to be like Mountain View's fees of \$15 per Square Foot for the First 10,000 Square Feet and \$30 per Square Foot for all Remaining Square Feet. In contrast, the Planning Commission recommended unanimously that the City Council adopt a Modified Fee Schedule Housing Impact Fee for Non-Residential Development for Office/R&D Development to be like the Nexus study recommendation of \$11 per Square Foot for the First 25,000 Square Feet and \$22 per Square Foot for all Remaining Square Feet. In both cases, the amounts are below the maximum legal fee of \$104.15 per Square Foot for Office/R&D as determined in the Nexus study.

What are the pros and cons of each of the two recommendations and are both recommendations well supported legally based on the Nexus maximum legal fee of \$104.15 per Square Foot for Office/R&D as determined in the Nexus study and comparison to nearby cities?

Staff Response: Staff's recommendation of Alternative 3 would increase the existing Housing Mitigation rates by approximately 13 percent. An increase of this size would generate additional revenue and would have a relatively small impact on the financial feasibility of new development according to the Nexus Study. Staff's recommendation would place the City's Housing Mitigation Fee rates within the range of nearby jurisdictions, allowing the City to remain competitive and to continue to attract investment which generates Housing Mitigation Fee revenue.

Housing and Human Services Commission's recommendation of Alternative 6 would more substantially increase the existing Housing Mitigation Fee rates by approximately 54 percent. The Nexus Study's financial feasibility analysis finds that new Office/R&D developments may face feasibility challenges with a significant increase in Housing Mitigation Fee rates. The Housing and Human Services Commission's recommendation would also place Sunnyvale's fee rates at the upper end of neighboring jurisdictions. This could negatively impact future nonresidential development and decrease Housing Mitigation Fee revenue as a result. However, as other neighboring cities also see strong development trends, the increase in this fee alone may not impact existing demand in Sunnyvale.

Both Staff's recommendation and Housing and Human Services Commission's recommendation are below the maximum legal fee and are therefore legally justified by the Nexus Study.

Council Question: Has the Housing Impact Fee for Non-Residential Development for Office/R&D Development been a large source to fund in addressing housing needs in Sunnyvale and improving the jobs-housing ratio in Sunnyvale and how does it compare to the other ways that Sunnyvale has to addressing housing needs and improving the jobs-housing ratio in Sunnyvale?

Staff Response: Along with the City's Below Market Rate Inclusionary program, the Housing Mitigation Fee is a critical means of creating affordable housing and is the City's primary funding source for 100% deed-restricted affordable housing developments. The City has awarded over \$76 million in Housing Mitigation funds since 2012, which has helped develop over 900 affordable units. City funding has helped leverage over \$490 million in financing from private and public sources. The Housing Mitigation Fee in particular helps develop housing for more deeply affordable housing units including for chronically homeless and special needs households, that inclusionary units cannot achieve.

HOUSING MITIGATION FEE REVENUE by fiscal year

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
\$7,126,265	\$4,363,911	\$2,833,200	\$8,488,706	\$6,218,373	\$12,807,464	\$10,926,084	\$9,821,274	\$38,304	\$30,477,383

Council Question: The housing mitigation for Retail Development is only for new retail construction (and not renovation/repermitting of existing), correct?

Staff Response: That is correct, the housing mitigation fees are for net new development only, no matter which land use.

Council Question: How much new Retail SQ FT has opened in the last 10 years?

Staff Response: There has been very little net new retail developed. New retail development in the Peery Park area has been in part of mixed-use developments that are replacing low-scale R&D buildings with Class A office and retail. In those cases there is credit from the prior use and the housing mitigation fees are calculated on the net new square footage. Similarly new retail on El Camino Real and in the Lawrence Station area has replaced R&D or retail buildings with mixed residential and retail, usually with less retail or less square footage than the former R&D that was previously on-site. Mixed retail/office in the Downtown area has not resulted in a net increase in retail development over what existed when the Town Center Mall was there (however there is net office development).

The exact number is difficult to answer without extensive research. As explained above, in most cases there was an existing use on the site prior to the new retail development. Staff conducted a quick review of the data for projects that included a retail component and that were approved in the past 10 years. Three of these projects were exempt from the fee (a complete application was submitted prior to the effective date of the fee); five projects resulted in a net decrease in retail; and three projects included a net increase in retail, just under 13,000 sq.ft. and just under \$100,000 in housing mitigation fees.

Council Question: How much housing mitigation fees have been brought in from retail over the last 10 years?

Staff Response: See above response.

Council Question: Does staff see the Housing Mitigation Fees a barrier to Retail development?

Staff Response: Retail development is changing, and it is less likely that net new retail will be developed on existing retail sites. Some retail sites have transitioned to hotels and a few others have transitioned to mixed use with less retail than was previously on site. A modest housing mitigation fee is not likely to be a barrier; however, to be prudent, staff is not recommending any increase to this fee.

Agenda Item #: 5

Title: Approve the Proposed 2023 Priority Advocacy Issues and Review Long-term Legislative Advocacy Positions (LAPs)

Council Question: The public review draft of the Moffett Park Specific Plan references the “Sunnyvale Shoreline Resilience Vision group” alongside Phase III of the South San Francisco Bay Shoreline Feasibility Study, a process led by the United States Army Corps of Engineers, in partnership with Valley Water and the State Coastal Conservancy. Should the PAI for South Bay Shoreline Protection Project (page 3 of attachment 1) be updated to reflect the Sunnyvale Shoreline Resilience Vision group?

Staff Response: The South Bay Shoreline Protection is a regional effort for lands outside of the MPSP boundary. Both efforts are complementary however there is not a need to change the PAI; it could unnecessarily complicate the efforts for these separate geographic areas.

Council Question: It is intended that PAI #2 (Interoperability/Public Safety Communication Systems) refer in part to SVRIA / SVRCS, or is this PAI solely in reference to FirstNet? Can Staff please provide an update on where things stand with FirstNet. Does this still need to be a PAI?

Staff Response: The City continues to support the countywide interoperability that SVRIA provides in the DPS Long-Term Advocacy Plan (items 4.3(1) and 4.3(2)).

The monitoring of state and federal policy and proposed legislation that impacts funding for interoperable equipment and access to the broadcast spectrum continues to be a Priority Advocacy Issue. FirstNet continues to expand and update its technology, including adding new cell sites and creating access to a 5G experience. DPS continues to support advocacy for legislation that supports interoperability and communications dedicated to first responders and public safety agencies.

FirstNet Update:

FirstNet is the only nationwide wireless broadband communications platform dedicated to first responders and the public safety community. According to FirstNet®, they cover over 99% of the U.S. population today. In areas where coverage already exists, they are deploying Band 14 – nationwide,

high-quality spectrum set aside by the government specifically for FirstNet. They are also launching new cell sites across the country to expand rural and remote coverage in areas where emergency responses have been previously challenged by a lack of connectivity, as well as expanding first responders' access to 5G. Currently reaching more than 2.81 million square miles across the country, FirstNet covers more first responders than any network in the U.S.

Council Question: BAAQMD is undergoing a process that would amend their rules so as to reduce emissions of nitrogen oxides from residential and commercial furnaces and water heaters in buildings in the Bay Area. Would it be possible for Council to adopt a PAI or LAP supporting this?

Staff Response: Staff do not have expertise in programs aimed to address air pollution and do not typically track such activity except for potential impacts to City operations such as at the Water Pollution Control Plant. For regulatory matters, such as the BAAQMD process cited, staff sometimes writes comment letters directly. Since the specific policy being considered by BAAQMD would also reduce greenhouse gas emissions, the Priority Advocacy Issue *Climate Change Adaptation and Greenhouse Gas Reduction Policy* would provide a basis for staff to comment from that standpoint. For any such matter, staff would consider both the pros and cons of a proposed regulation, and in this case, staff has not chosen to take a position at this time.

Council Question: On page 4 of the Legislative Advocacy Positions related to Climate Change and Greenhouse Gas (GHG) Reduction Policy, does this policy as it is currently written allow Sunnyvale to advocate for resources to support more EV charging infrastructure, clean energy (i.e. 24/7 2021 - Senate Bill 67 (Becker, Josh), California 24/7 Clean Energy Standard Program (2-Year) and other efforts to reduce GHG?

Staff Response: Yes. The Priority Advocacy Issues are sufficient to cover the topics cited. *Climate Change Adaptation and Greenhouse Gas Reduction Policy* includes reference to advocacy for advancing climate goals and funding for climate initiatives. *Renewable Energy and Community Choice Aggregation* would support advocacy related to clean energy approaches, which staff would typically coordinate through Silicon Valley Clean Energy to ensure alignment.

Council Question: Sunnyvale has an important set of values in which it balances. We understand our obligation to the wider community to contribute to the greater good such as understanding the need to share resources and opportunities. For example, Sunnyvale recognizes that there is a housing shortage and is working diligently to provide a housing element plan that achieves the goals that Allocation California Department of Housing and Community Development (HCD) has set for Sunnyvale to meet the RHNA - Regional Housing Needs. However, Sunnyvale can engage our community by retaining the practical commitment to our community to take into consideration their specific knowledge, needs, and background to make the best decisions for Sunnyvale.

Therefore, could the statement on page five of Long-term Advocacy Positions – Community Development below be revised to reflect Sunnyvale's balance of working toward the greater good while also maintaining our ability to take input from on community and utilize that to make the best decision for the Sunnyvale community?

In addition, could the statement in the Long-term Advocacy Positions include other ideas such as supporting policy and programs to provide incentives (i.e., the use of carrot rather than stick) to encourage communities and municipalities to be like Sunnyvale which are striving to achieving goals for the greater good?

- (4) Support home-rule authority of charter cities and oppose any efforts to reduce local control over the City and/or its Sphere of Influence. Support strengthening “home rule” provisions in the State Constitution. **Lead Dept. CDD**

Staff Response: The long-term advocacy positions more address the city’s position on legislative matters and less about how the City forms its own policies. Much of the City’s policies on how to govern itself include the desire to collect public opinion and balance the needs of the community today and in the future. This specific position is emphasizing that Sunnyvale is a charter city which should provide us more flexibility in addressing land use matters. The idea of reward vs sanction (carrot vs stick) is somewhat imbedded in:

F. Miscellaneous (1) Support efforts to revise the California Constitution to enhance accountability, efficiency, and responsiveness of local governments. **Lead Dept. OCM**

Council Question: For “**3. Environmental Regulatory & Conservation Issues,**” Council had previously looked at regional air quality and conservation. Two issues previously discussed at Council were the Lehigh Southwest Cement Company’s air quality issue and the Juristac mining facility. As I read it, these still wouldn’t be covered by our advocacy. Is our policy general enough to support air quality and regional environmental issues, or does that need to be added? If so, does Staff have recommended wording to cover these two issues?

Staff Response: This priority advocacy issue does not include air quality as one of its topic areas. Staff does not have focused expertise on air quality. Current activities focus on evaluating the potential impacts of policy actions that affect the City’s operations or its implementation of City programs and policies related to Transportation and Land Use. For broader issues, staff could look to the General Plan (Goal EM 11: Improved Air Quality) for initial policy guidance should an issue of importance to Sunnyvale arise, and issue-specific Council direction on a position may be needed.