



City of Sunnyvale

Notice and Agenda City Council

Tuesday, October 13, 2020

5:00 PM

Telepresence Meeting: City Web Stream |
Comcast Channel 15

**Special Meeting: Closed Session - 5 PM | Special Meeting: Study Session - 5:30 PM |
Regular Meeting - 7 PM | Regular Joint Meeting of the City Council and the Sunnyvale
Financing Authority - 7 PM (or as soon thereafter as the matter may be heard)**

Because of the COVID-19 emergency and the “shelter in place” orders issued by Santa Clara County and the State of California, this meeting of the Sunnyvale City Council will take place by teleconference, as allowed by Governor Gavin Newsom’s Executive Order N-29-20.

- *Watch the City Council meeting on television over Comcast Channel 15, at <http://youtube.com/SunnyvaleMeetings> or <https://sunnyvaleca.legistar.com/calendar.aspx>.*
- *Submit written comments to the City Council up to 4 hours prior to the meeting to council@sunnyvale.ca.gov or by mail to City Clerk, 603 All America Way, Sunnyvale, CA 94086.*
- *Teleconference participation: You may provide audio public comment by connecting to the teleconference meeting online or by telephone. Use the Raise Hand feature to request to speak (*9 on a telephone):*

Meeting online link: <https://sunnyvale-ca-gov.zoom.us/j/96111580540>

Meeting call-in telephone number: 833-548-0276 | Meeting ID: 961 1158 0540

Pursuant to the Americans with Disabilities Act (ADA) and Executive Order N-29-20, if you need special assistance to provide public comment, contact the City at least 2 hours prior to the meeting in order for the City to make reasonable alternative arrangements for you to communicate your comments. For other special assistance; please contact the City at least 48 hours prior to the meeting to enable the City to make reasonable arrangements to ensure accessibility to this meeting. The Office of the City Clerk may be reached at (408) 730-7483 or cityclerk@sunnyvale.ca.gov (28 CFR 35.160 (b) (1)).

5 P.M. SPECIAL COUNCIL MEETING (Closed Session)**Call to Order****Roll Call****Public Comment**

The public may provide comments regarding the Closed Session item(s). If you wish to address the Council, please refer to the notice at the beginning of this agenda. Closed Sessions are not open to the public.

Convene to Closed Session

- A** [20-0882](#) Closed Session held pursuant to California Government Code Section 54956.9:
LEGAL COUNSEL-ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9.
Number of Potential Cases: 1

Adjourn Special Meeting**5:30 P.M. SPECIAL COUNCIL MEETING (Study Session)****Call to Order**

Call to Order via teleconference.

Roll Call**Study Session**

The public may provide comments regarding the Study Session item(s).

- B** [20-0751](#) Public Safety Policies and Practices

Adjourn Special Meeting**7 P.M. COUNCIL MEETING**

Pursuant to Council Policy, City Council will not begin consideration of any agenda item after 11:30 p.m. without a vote. Any item on the agenda which must be continued due to the late hour shall be continued to a date certain. Information

provided herein is subject to change from date of printing of the agenda to the date of the meeting.

CALL TO ORDER

Call to Order via teleconference.

ROLL CALL

CLOSED SESSION REPORT

SPECIAL ORDER OF THE DAY

- C [20-0744](#) SPECIAL ORDER OF THE DAY - Freedom From Workplace Bullies Week

ORAL COMMUNICATIONS

This category provides an opportunity for members of the public to address the City Council on items not listed on the agenda and is limited to 15 minutes (may be extended or continued after the public hearings/general business section of the agenda at the discretion of the Mayor) with a maximum of up to three minutes per speaker. Please note the Brown Act (Open Meeting Law) does not allow the Council to take action on an item not listed on the agenda. If you wish to address the Council, please refer to the notice at the beginning of this agenda. Individuals are limited to one appearance during this section.

CONSENT CALENDAR

All matters listed on the consent calendar are considered to be routine and will be acted upon by one motion. There will be no separate discussion of these items. If a member of the public would like a consent calendar item pulled and discussed separately, please refer to the notice at the beginning of this agenda.

- 1.A [20-0682](#) Approve City Council Meeting Minutes of September 29, 2020

Recommendation: Approve the City Council Meeting Minutes of September 29, 2020 as submitted.

- 1.B [20-0720](#) Authorize Amending an Existing Contract with Fire & Risk Alliance, LLC for Temporary Personnel Services (F21-022)

Recommendation: Take the following actions:

- Authorize the City Manager to execute the Seventh Amendment to an existing contract with Fire & Risk Alliance, in substantially the same form as Attachment 1 to the report, increasing the not-to-exceed contract amount by \$175,000 for a new not-to-exceed contract amount of \$2,500,000 and extending the term of the Agreement until December 31, 2021; and
- Authorize the City Manager to amend the contract for up to two years, if operationally necessary, subject to available budget, provided pricing and service remain acceptable to the City.

- 1.C [20-0818](#) Authorize Amending an Existing Contract with CDM Smith for Program Management and Related Services for the Sunnyvale Cleanwater Program (F21-028)

Recommendation: Take the following actions:

- Approve the Fourth Amendment to Consultant Services Agreement with CDM Smith, in substantially the same form as Attachment 1 to the report, increasing the not-to-exceed amount by \$10,099,549 for a new not-to-exceed amount of \$31,402,588, and extending the term of the agreement for three years, through December 31, 2023;
- Authorize the City Manager to execute the Fourth Amendment when all necessary conditions have been met; and
- Approve an increase to the contract contingency in the amount of \$34,284 for a contingency total of \$833,086.

- 1.D [20-0797](#) Adopt the City's Investment Policy for Fiscal Year 2020/21 and Receive Annual Performance Report for Fiscal Year 2019/20

Recommendation: Adopt the City's Investment Policy for FY 2020/21 (Council Policy 7.1.2).

- 1.E [20-0598](#) Authorize the Issuance of Blanket Purchase Orders with Graniterock and West Coast Sand & Gravel for Aggregate Base Materials for the Departments of Public Works and Environmental Services (F20-134)

Recommendation: - Authorize the issuance of a one-year blanket purchase order to Graniterock in substantially the same form as Attachment 2 to the report, in an amount not-to-exceed \$425,000;
- Authorize the issuance of a one-year blanket purchase order to West Coast Sand & Gravel, Inc., in substantially the same form as Attachment 3 to the report, in an amount not-to-exceed \$158,000; and
- Authorize the City Manager to amend and renew the purchase orders for two additional one-year periods, subject to available budget, if pricing and service remain acceptable to the City

1.F [20-0810](#) Adopt a Resolution Extending the City's Declaration of Local Emergency for COVID-19

Recommendation: Adopt a Resolution Extending the City Manager/Director of Emergency Services' Proclamation of Existence of a Local Emergency (COVID-19).

ADJOURNMENT TO REGULAR JOINT MEETING OF THE CITY COUNCIL AND THE SUNNYVALE FINANCING AUTHORITY

CALL TO ORDER

Call to Order via teleconference

ROLL CALL

CONSENT CALENDAR

All matters listed on the consent calendar are considered to be routine and will be acted upon by one motion. There will be no separate discussion of these items. If a member of the public would like a consent calendar item pulled and discussed separately, please refer to the notice at the beginning of this agenda.

2.A [20-0855](#) Approve the Joint City Council and Sunnyvale Financing Authority Meeting Minutes of June 23, 2020

Recommendation: Approve the Joint City Council and Sunnyvale Financing Authority Meeting Minutes of June 23, 2020 as submitted.

PUBLIC HEARINGS/GENERAL BUSINESS

If you wish to speak to a Sunnyvale Financing Authority public hearing/general

business item, please refer to notice at the beginning of this agenda. Each speaker is limited to a maximum of three minutes.

- 3 [20-0811](#) Adopt Resolutions to Authorize Issuance of Lease Revenue Bonds to Finance the Civic Center Phase I Project in an Amount not to exceed \$160 Million Including Financing and Closing Costs; Approve Financing Team, and Authorize the City Manager/Executive Director or the Finance Director/Treasurer to Execute all Related Documents

Recommendation: City Council:

1. Adopt Resolution to Authorize Issuance of Lease Revenue Bonds (the "Bonds") to Finance the Civic Center Phase I Project in an Amount not to exceed \$160 Million Including Financing and Closing Costs; Approve the Financing Team that implements the issuance of the Bonds, and Authorize the City Manager or the Finance Director to Execute all Documents related to, which include the Bond Purchase Agreement, the Preliminary Official Statement (and ultimately the Official Statement), the Continuing Disclosure Certificate, the Sunnyvale Lease, and the Sunnyvale Site Lease, the issuance of the Bonds and retaining the Financing Team.

Sunnyvale Financing Authority:

1. Adopt Resolution to Authorize Issuance of Lease Revenue Bonds (the "Bonds") to Finance the Civic Center Phase I Project in an amount not to exceed \$160 million Including Financing and Closing Costs and Authorize the Executive Director or the Treasurer to Execute all Documents related to, which include the Bond Purchase Agreement, the Assignment Agreement, the Indenture of Trust, the Sunnyvale Lease, and the Sunnyvale Site Lease, the issuance of the Bonds and retaining the Financing Team.

ADJOURN SUNNYVALE FINANCING AUTHORITY MEETING

RECONVENE TO CITY COUNCIL MEETING

PUBLIC HEARINGS/GENERAL BUSINESS

If you wish to speak to a public hearing/general business item, please refer to notice at the beginning of this agenda. Each speaker is limited to a maximum of

three minutes. For land-use items, applicants are limited to a maximum of 10 minutes for opening comments and 5 minutes for closing comments.

- 4 [20-0809](#) Consider Approval of Draft 2020 Housing Strategy and Implementation Schedule (Study Issue)

Recommendation: Alternative 1 and Alternative 4: 1) Approve the 2020 Housing Strategy (Attachment 2 to the report) and 4) Approve the Updated Implementation Schedule. (Attachment 3 to the report).

- 5 [20-0714](#) Receive and File the FY 2020/21 First Quarter Budget Update and Approval of Budget Modification No. 8 in the Amount of \$1,932,000 to Appropriate CARES Act Funding

Recommendation: Receive and file the FY 2020/21 First Quarter Budget Update and Approve Budget Modification No. 8 in the amount of \$1,932,000 to Appropriate CARES Act Funding.

- 6 [20-0808](#) Approve Participation in the Bay Area Air Quality Management District Spare the Air Cut the Commute Pledge

Recommendation: Alternative 1: Approve participation in the BAAQMD Cut the Commute Pledge with the aspirational goal to extend remote work options by at least 25 percent for employees whose work requirements allow for that flexibility to improve air quality and quality of life for all Bay Area residents. Implementation details of the remote work policy will be determined by the City Manager.

COUNCILMEMBERS REPORTS ON ACTIVITIES FROM INTERGOVERNMENTAL COMMITTEE ASSIGNMENTS

NON-AGENDA ITEMS & COMMENTS

-Council

-City Manager

INFORMATION ONLY REPORTS/ITEMS

Visit <http://Sunnyvale.ca.gov/TCMAC> to view the Tentative Council Meeting Agenda Calendar (TCMAC) online. The TCMAC is updated each Thursday afternoon.

20-0705	Tentative Council Meeting Agenda Calendar
20-0820	Board/Commission Meeting Minutes
20-0843	Information/Action Items
20-0873	Mayoral Announcement of Mayor-Appointed Ad Hoc Advisory Committee on City Manager Compensation (Information Only)

ADJOURNMENT**NOTICE TO THE PUBLIC**

The agenda reports to council (RTCs) may be viewed on the City's website at sunnyvale.ca.gov after 7 p.m. on Thursdays or in the Office of the City Clerk located at 603 All America Way, prior to Tuesday City Council meetings. Any agenda related writings or documents distributed to members of the City of Sunnyvale City Council regarding any open session item on this agenda will be made available for public inspection in the Office of the City Clerk located at 603 All America Way, during normal business hours and in the Council Chamber on the evening of the Council Meeting, pursuant to Government Code §54957.5. Please contact the Office of the City Clerk at (408) 730-7483 to access City Hall to view these materials and for specific questions regarding the agenda.

PLEASE TAKE NOTICE that if you file a lawsuit challenging any final decision on any public hearing item listed in this agenda, the issues in the lawsuit may be limited to the issues which were raised at the public hearing or presented in writing to the Office of the City Clerk at or before the public hearing. PLEASE TAKE FURTHER NOTICE that Code of Civil Procedure section 1094.6 imposes a 90-day deadline for the filing of any lawsuit challenging final action on an agenda item which is subject to Code of Civil Procedure 1094.5.

Planning a presentation for a City Council meeting?

To help you prepare and deliver your public comments, please review the "Making Public Comments During City Council or Planning Commission Meetings" available at <http://Sunnyvale.ca.gov/PublicComments>

Planning to provide materials to Council?

If you wish to provide the City Council with copies of your presentation materials, please provide 12 copies of the materials to the Office of the City Clerk. The City

Clerk will distribute your items to the Council following the meeting.

Upcoming Meetings

Visit <https://sunnyvaleca.legistar.com> for upcoming Council, board and commission meeting information.



City of Sunnyvale

Agenda Item

20-0882

Agenda Date: 10/13/2020

Closed Session held pursuant to California Government Code Section 54956.9:

LEGAL COUNSEL-ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9.

Number of Potential Cases: 1



City of Sunnyvale

Agenda Item

20-0751

Agenda Date: 10/13/2020

Public Safety Policies and Practices



City of Sunnyvale

Agenda Item

20-0744

Agenda Date: 10/13/2020

SPECIAL ORDER OF THE DAY - Freedom From Workplace Bullies Week



City of Sunnyvale

Agenda Item

20-0682

Agenda Date: 10/13/2020

SUBJECT

Approve City Council Meeting Minutes of September 29, 2020

RECOMMENDATION

Approve the City Council Meeting Minutes of September 29, 2020 as submitted.



City of Sunnyvale

Meeting Minutes - Draft

City Council

Tuesday, September 29, 2020

5:00 PM

Telepresence Meeting: City Web Stream |
Comcast Channel 15

**Special Meeting: Closed Session - 5 PM | Special Meeting: Study Session - 6 PM |
Regular Meeting - 7 PM**

5 P.M. SPECIAL COUNCIL MEETING (Closed Session)

Call to Order

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the meeting was conducted telephonically.

Mayor Klein called the meeting to order at 5:00 p.m. via teleconference.

Roll Call

Present: 7 - Mayor Larry Klein
Vice Mayor Nancy Smith
Councilmember Gustav Larsson
Councilmember Glenn Hendricks
Councilmember Russ Melton
Councilmember Michael S. Goldman
Councilmember Mason Fong

Mayor Klein, Vice Mayor Smith and all Councilmembers attended via teleconference.

Public Comment

Public Comment opened at 5:01 p.m.

No speakers.

Public Comment closed at 5:01 p.m.

Convene to Closed Session

A [20-0666](#) Closed Session Held Pursuant to California Government Code

Section 54957.6:

CONFERENCE WITH LABOR NEGOTIATORS

Agency Designated Representatives: Tina Murphy, Director of Human Resources; Kent Steffens, City Manager; Charles Sakai, Labor Attorney

Employee Organization: Public Safety Officers Association (PSOA)

Adjourn Special Meeting

Mayor Klein adjourned the meeting at 5:57 p.m.

6 P.M. SPECIAL COUNCIL MEETING (Study Session)

Call to Order

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the meeting was conducted telephonically.

Mayor Klein called the meeting to order at 6:00 p.m. via teleconference.

Roll Call

Present: 7 - Mayor Larry Klein
Vice Mayor Nancy Smith
Councilmember Gustav Larsson
Councilmember Glenn Hendricks
Councilmember Russ Melton
Councilmember Michael S. Goldman
Councilmember Mason Fong

Mayor Klein, Vice Mayor Smith and all Councilmembers attended via teleconference.

Study Session

B [20-0520](#) Moffett Park Specific Plan Update

Community Development Assistant Director Andrew Miner and Principal Planner Michelle King provided the staff report and presentation.

Public Comment opened at 6:45 p.m.

Richard Mehlinger shared details of the upcoming Livable Sunnyvale meeting, including information on the Moffett Park Specific Plan.

Gita Dev, on behalf of the Sierra Club Loma Prieta Chapter suggested the economic study be made available prior to the January date.

David Meyer, on behalf of Silicon Valley @ Home requested core principles related to housing, environment, economy and transit be considered for the Moffett Park Specific Plan.

Justin Wang, on behalf of Greenbelt Alliance spoke towards issues related to housing, land use and rising sea level. He requested nature-based solutions be considered when addressing the issue of rising sea level.

Shani Kleinhaus, on behalf of Santa Clara Valley Audubon Society spoke towards access to nature without disturbing the habitat.

Public Comment closed at 6:56 p.m.

Adjourn Special Meeting

Mayor Klein adjourned the meeting at 6:56 p.m.

7 P.M. COUNCIL MEETING

CALL TO ORDER

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the meeting was conducted telephonically.

Mayor Klein called the meeting to order at 7:00 p.m. via teleconference.

ROLL CALL

Present: 7 - Mayor Larry Klein
Vice Mayor Nancy Smith
Councilmember Gustav Larsson
Councilmember Glenn Hendricks
Councilmember Russ Melton
Councilmember Michael S. Goldman
Councilmember Mason Fong

Mayor Klein, Vice Mayor Smith and all Councilmembers attended via teleconference.

CLOSED SESSION REPORT

Vice Mayor Smith reported that Council met in Closed Session Held Pursuant to California Government Code Section 54957.6: CONFERENCE WITH LABOR NEGOTIATORS Agency Designated Representatives: Tina Murphy, Director of Human Resources; Kent Steffens, City Manager; Charles Sakai, Labor Attorney Employee Organization: Public Safety Officers Association (PSOA); nothing to report.

SPECIAL ORDER OF THE DAY

C [20-0838](#) SPECIAL ORDER OF THE DAY - Active Aging Week and Arts and Humanities Month

Mayor Klein provided a presentation and read proclamations in honor of Arts and Humanities Month and Active Aging Week.

D [20-0839](#) SPECIAL ORDER OF THE DAY - Breast Cancer Awareness Month

Bobbe Smirni, Founder, New Frontiers in Prevention of Breast Cancer spoke towards the Special Order of the Day.

Mayor Klein read a proclamation in honor of Breast Cancer Awareness Month.

ORAL COMMUNICATIONS

Councilmember Hendricks announced applications are being accepted for the Neighborhood and Community Events Grant Program. He also announced details of COVID-19 testing availability at the Sunnyvale Murphy Park Building and testing availability via Santa Clara County.

Christophe LaBelle shared details of the upcoming Virtual Turkey Trot 2020.

John communicated opposition to Measure RR - Peninsula Corridor Joint Powers Authority (CalTrain) Sales Tax.

Lidia Marchioni spoke towards her property's zoning and requested Council

consider rezoning to industrial/residential zone.

Wesley Yu voiced concerns related to his property's zoning and requested Council consider amending the General Plan to allow for rezoning.

Caitlyn Slavich spoke towards affordable housing issues.

Helen voiced support for Council to consider rezoning his property to residential.

Richard Mehlinger shared information about the organization Livable Sunnyvale and communicated support for rezoning properties to allow owners the ability to develop their property.

CONSENT CALENDAR

MOTION: Vice Mayor Smith moved and Councilmember Melton seconded the motion to approve agenda items 1.A through 1.L.

The motion carried with the following vote:

Yes: 7 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Melton
Councilmember Goldman
Councilmember Fong

No: 0

1.A [20-0007](#) Approve City Council Meeting Minutes of September 15, 2020
Approve the City Council Meeting Minutes of September 15, 2020 as submitted.

1.B [20-0710](#) Approve the List(s) of Claims and Bills Approved for Payment
by the City Manager
Approve the list(s) of claims and bills.

1.C [20-0770](#) Receive and File the City of Sunnyvale Investment Report -
Second Quarter 2020
Receive and file the City of Sunnyvale - Second Quarter 2020 Investment Report.

- 1.D** [20-0706](#) Approve Budget Modification No. 4 to Appropriate \$121,361 to a New Project, FY20/21 DPS Crime Reporting and IA/Use of Force Tracking Software and Authorize the City Manager to Approve an Amendment to the Existing Contract with Tritech Software to Update Crime Data Reporting Capability

Approve Budget Modification No. 4 to appropriate General Fund reserves in the amount of \$121,361 for a new project, FY 2020/21 Department of Public Safety Crime Reporting and Internal Affairs/Use of Force Tracking Software and authorize the City Manager to approve an amendment to the existing contract with Tritech Software to update crime data reporting capability.

- 1.E** [20-0796](#) Adopt Resolutions Approving Amendments to the City's Contribution for CalPERS Medical Insurance for Management, SEA/IFPTE Local 21, Confidential, and SEIU Employees and Annuitants (Retirees)

Adopt two resolutions:

1. Setting the employer's contribution under the Public Employees' Medical and Hospital Care Act ("PEMHCA") for 2021; and
2. Amending Salary Resolution No. 190-05 to modify the City's contribution for medical insurance for Management, Sunnyvale Employee Association/International Federation of Professional and Technical Engineers Local 21, Confidential, and Service Employees International Union employees and annuitants (retirees).

- 1.F** [20-0480](#) Authorize the City Manager to Award and Execute a Contract with James Moore for Public Art at Fair Oaks Park in the total amount not to exceed \$145,000, which includes optional services of up to \$5,000 for storage of the completed artwork, if necessary.

Authorize the City Manager to award and execute a contract to James Moore for public art at Fair Oaks Park in the total amount not-to-exceed \$145,000, which includes optional services of up to \$5,000 for storage of the completed artwork, if necessary.

- 1.G** [20-0719](#) Modify a Blanket Purchase Order with Sunnyvale Ford for Automotive Parts and Supplies (F20-173)

Authorize the City Manager to amend the existing blanket purchase order with Sunnyvale Ford for automotive parts and supplies, in substantially the same format as Attachment 1 to the report, increasing the not-to-exceed amount by \$10,000 for a new not-to-exceed total amount of \$105,000.

- 1.H** [20-0514](#) Authorize the issuance of a Purchase Order to Golden State Fire Apparatus for Two (2) Triple Combination Fire Pumpers (F21-041)

Take the following actions:

- Authorize the issuance of a purchase order in the amount of \$1,212,182 (includes delivery, performance bond and tire fees), excluding sales tax, in substantially the same form as Attachment 1 to the report to Golden State Fire Apparatus; and
- Approve a 2% contingency in the amount of \$24,242.

- 1.I** [20-0786](#) Award of a Two-year Contract to HetNet Wireless LLC for Radio System Review and Inspection Services (F20-156)

Take the following actions:

- Award a services agreement in the amount not-to-exceed \$165,000 and in substantially the same form as Attachment 1 to the report to HetNet Wireless LLC;
- Authorize the City Manager to execute the contract when all necessary conditions have been met; and
- Authorize the City Manager to renew the contract for two additional two-year periods and modify the not-to-exceed contract amount within budgeted amounts provided services and pricing remain acceptable to the City.

- 1.J** [20-0778](#) Adopt a Resolution Amending the City of Sunnyvale Local Conflict of Interest Code

Adopt a Resolution amending the City of Sunnyvale Local Conflict of Interest Code.

- 1.K** [20-0658](#) Approve City Position on Proposed League of California Cities' 2020 Annual Conference Resolution

Approve a support position for the proposed Resolution No. 1 (amendment to Section 230 of The Communications Decency Act of 1996); and authorize the City's voting delegate/alternates to cast votes consistent with the City Council's adopted positions.

- 1.L** [20-0812](#) Designate a Voting Delegate and Alternates for the 2020 League of California Cities Annual Conference

Approve the Mayor's nomination of himself as the voting delegate and Vice Mayor Smith and Councilmember Larsson as alternates.

PUBLIC HEARINGS/GENERAL BUSINESS

2 [20-0815](#) Adoption of the Roadway Safety Plan

Transportation and Traffic Manager Dennis Ng provided the staff report and presentation.

Public Hearing opened at 7:59 p.m.

Richard Mehlinger, Chair, Bicycle and Pedestrian Advisory Commission communicated support for the adoption of the Roadway Safety Plan and urged Council to approve Alternative 1.

Public Hearing closed at 8:02 p.m.

MOTION: Councilmember Melton moved and Vice Mayor Smith seconded the motion to approve Alternative 1: adopt the Roadway Safety Plan.

The motion carried with the following vote:

Yes: 7 - Mayor Klein
 Vice Mayor Smith
 Councilmember Larsson
 Councilmember Hendricks
 Councilmember Melton
 Councilmember Goldman
 Councilmember Fong

No: 0

**3 [20-0476](#) Accept Findings of the Eruv Study and Authorize Next Steps
 for Implementation**

Public Works Assistant Director Jennifer Ng provided the staff report and presentation.

Public Hearing opened at 8:11 p.m.

Rabi Eliezer Poupko communicated support for the study and implementation of the Eruv.

John Schmidt voiced support for the creation of the Eruv and inquired on the

population size of the community being facilitated.

Omar Din, Sunnyvale City Council District Candidate 6 shared support for the Eruv.

Richard Mehlinger communicated support for the Eruv.

Public Hearing closed at 8:17 p.m.

MOTION: Councilmember Hendricks moved and Councilmember Larsson seconded the motion to approve Alternative 1: accept the findings of the Eruv Study and authorize the Public Works Director to execute a Master Encroachment Agreement upon the submittal of an encroachment permit application and the payment of the applicable fees.

The motion carried with the following vote:

Yes: 7 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Melton
Councilmember Goldman
Councilmember Fong

No: 0

- 4** [20-0659](#) Adopt Positions on State and Local Ballot Measures for the November 3, 2020 Election

Management Analyst Michelle Zahraie provided the staff report.

Public Hearing opened at 8:29 p.m.

Richard Mehlinger, on behalf of Livable Sunnyvale communicated the group's endorsements of Measure RR and Propositions 15-19, 21 and 25 and opposition of Propositions 20 and 22.

Martin Pyne, on behalf of the Democratic Club of Sunnyvale shared support for Measure RR and Propositions 15, 16, 19 and 21. He shared the group's endorsement of Propositions of 14, 17, 18 and 25 along with opposition to Propositions 20, 22 and 23.

Tony G voiced support of Propositions 20 and 22 along with opposition to Proposition 16.

Public Hearing closed at 8:38 p.m.

MOTION: Councilmember Hendricks moved and Councilmember Larsson seconded the motion to approve the staff recommendation to support Measure M – Fremont Union High School District parcel tax.

The motion carried with the following vote:

Yes: 7 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Melton
Councilmember Goldman
Councilmember Fong

No: 0

MOTION: Vice Mayor Smith moved and Mayor Klein seconded the motion to approve the staff recommendation to support Measure RR – Peninsula Corridor Joint Powers Authority (CalTrain) sales tax.

The motion carried with the following vote:

Yes: 7 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Melton
Councilmember Goldman
Councilmember Fong

No: 0

MOTION: Vice Mayor Smith moved and Councilmember Larsson seconded the motion to approve the staff recommendation to support Measure S – Santa Clara Valley Water District parcel tax.

The motion carried with the following vote:

Yes: 6 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Melton
Councilmember Fong

No: 0

Abstain: 1 - Councilmember Goldman

MOTION: Councilmember Hendricks moved and Councilmember Goldman seconded the motion to oppose Proposition 15 – increase funding sources for public schools, community colleges, and local government services by changing tax assessment of commercial and industrial property.

The motion failed with the following vote:

Yes: 2 - Councilmember Hendricks
Councilmember Goldman

No: 5 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Melton
Councilmember Fong

MOTION: Councilmember Hendricks moved and Councilmember Goldman seconded the motion to approve the staff recommendation to take no position on Proposition 15 – increase funding sources for public schools, community colleges, and local government services by changing tax assessment of commercial and industrial property.

The motion carried with the following vote:

Yes: 5 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Goldman

No: 2 - Councilmember Melton
Councilmember Fong

MOTION: Councilmember Fong moved and Councilmember Larsson seconded the

motion to support Proposition 16 – allow diversity as a factor in public employment, education, and contracting decisions.

The motion carried with the following vote:

Yes: 5 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Melton
Councilmember Fong

No: 2 - Councilmember Hendricks
Councilmember Goldman

MOTION: Councilmember Hendricks moved and Councilmember Melton seconded the motion to approve the staff recommendation to take no position on Proposition 19 – change certain property tax rules.

The motion carried with the following vote:

Yes: 6 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Melton
Councilmember Goldman

No: 1 - Councilmember Fong

MOTION: Councilmember Hendricks moved and Vice Mayor Smith seconded the motion to approve the staff recommendation to take no position on Proposition 21 – expands local governments' authority to enact rent control on residential property.

The motion carried with the following vote:

Yes: 6 - Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Melton
Councilmember Goldman
Councilmember Fong

No: 1 - Mayor Klein

Outlined in Council Policy 7.3.11 (Seating Arrangements/City Council) and Possible Updates to Council Policy 7.3.11

City Clerk David Carnahan provided the staff report.

Public Hearing opened at 9:31 p.m.

Martin Pyne spoke towards the methods being considered to resolve ties in determining seniority.

Public Hearing closed at 9:34 p.m.

MOTION: Councilmember Melton moved and Councilmember Hendricks seconded the motion to approve Alternative 2: take no action regarding Council Policy 7.3.11 (Seating Arrangements/City Council).

The motion carried with the following vote:

Yes: 6 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Melton
Councilmember Goldman

No: 1 - Councilmember Fong

COUNCILMEMBERS REPORTS ON ACTIVITIES FROM INTERGOVERNMENTAL COMMITTEE ASSIGNMENTS

Vice Mayor Smith shared her attendance at Santa Clara County Unhoused Task Force meetings. The Task Force will be reviewing funding options related to the unhoused population.

NON-AGENDA ITEMS & COMMENTS

-Council

Councilmember Fong inquired if Council's position on the Measure and Propositions would be made available for public view on the City's website.

City Manager Kent Steffens responded that staff will review past practice on publishing Council's endorsement of measures and propositions on the City's website.

City Attorney John Nagel spoke towards the prohibition against using public funds to support or oppose ballot measures/propositions. He responded that staff will review the law.

-City Manager

None.

INFORMATION ONLY REPORTS/ITEMS

- [20-0050](#) Tentative Council Meeting Agenda Calendar
- [20-0793](#) Board/Commission Meeting Minutes
- [20-0798](#) Information/Action Items
- [20-0859](#) Mayor's Endorsement of Candidates for the League of California Cities Peninsula Division Election of Executive Committee Officers 2020/21 (Information Only)

ADJOURNMENT

Mayor Klein adjourned the meeting at 9:48 p.m.



City of Sunnyvale

Agenda Item

20-0720

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Authorize Amending an Existing Contract with Fire & Risk Alliance, LLC for Temporary Personnel Services (F21-022)

REPORT IN BRIEF

Approval is requested to amend an existing contract with Fire & Risk Alliance, LLC of Rockville, Maryland for temporary personnel services, including fire protection system plan review and inspections for new construction, increasing the not to exceed contract amount by \$175,000 for a new not-to-exceed contract amount of \$2,500,000 and extending the term of the Agreement until December 31, 2021. Approval is also requested to authorize the City Manager to amend the contract for up to two years, if operationally necessary, subject to available budget, provided pricing and service remain acceptable to the City.

EXISTING POLICY

Pursuant to Section 2.08.040 of the Sunnyvale Municipal Code, City Council approval is required for the procurement of goods and/or services exceeding \$100,000 in any one transaction.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15061(b)(3) because it can be seen with certainty that there is no possibility that the action will have a significant effect on the environment.

BACKGROUND AND DISCUSSION

On February 9, 2016, City Council approved appropriating funds to add staff positions in the departments of Community Development, Public Works and Public Safety to respond to the workload needs of development and environmental review, construction permitting and construction inspections (RTC No. 15-0988). Additionally, funds were appropriated to support contracts for on-call building inspection and fire inspection services.

In January 2017, City Council approved appropriating additional Development Enterprise Fund Reserves to the temporary personnel service agreements for fire protection system plan review and inspection services for new construction (RTC No. 16-1022).

Due to growing development activities and continued staff vacancies, City Council approved amendments to the existing contract with Fire & Risk Alliance, LLC, in January 2018 (RTC No. 17-1135) and December 2018 (RTC No. 18-0838) increasing the total contract by \$1,100,000 to a new not-to exceed amount of \$1,475,000. In 2019, under the City Manager's delegated authority, the contract was extended until 12/31/2020 and increased to a new not-to-exceed amount of \$2,325,000.

To date, one of the five fire protection engineer (FPE) positions remain vacant in the Department of Public Safety (DPS). Two FPE positions were filled in July 2019; however, they were filled at the FPE I level as there were no adequate FPE II candidates. Recruitment and training efforts have been ongoing, and until all vacancies are filled, staff will need to continue relying on temporary personnel to meet ongoing workload demands.

Based on a review of past expenditures and increasing workload during the last 12 months, DPS staff estimates approximately \$175,000 in additional temporary staff services through December 2021 will be required to maintain the published turnaround times for inspections and plan check activities.

FISCAL IMPACT

Funding for fire protection system plan reviews and inspection services is provided in the Development Enterprise Fund. With higher than average levels of development there are sufficient revenues to fund this work. Additionally, the Fire Prevention operating budget will be underspent due to staff vacancies, offsetting the impact of this contract.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

RECOMMENDATION

Take the following actions:

- Authorize the City Manager to execute the Seventh Amendment to an existing contract with Fire & Risk Alliance, in substantially the same form as Attachment 1 to the report, increasing the not-to-exceed contract amount by \$175,000 for a new not-to-exceed contract amount of \$2,500,000 and extending the term of the Agreement until December 31, 2021; and
- Authorize the City Manager to amend the contract for up to two years, if operationally necessary, subject to available budget, provided pricing and service remain acceptable to the City.

Prepared by: Gregory S. Card, Purchasing Officer

Reviewed by: Tim Kirby, Director of Finance

Reviewed by: Phan Ngo, Director of Public Safety

Reviewed by: Jaqui Guzmán, Deputy City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Draft Seventh Amendment to Temporary Personnel Services Agreement

**DRAFT SEVENTH AMENDMENT TO TEMPORARY PERSONNEL SERVICES AGREEMENT
BETWEEN THE CITY OF SUNNYVALE AND FIRE & RISK ALLIANCE, LLC**

This Seventh Amendment to Temporary Personnel Services Agreement, dated _____, is by and between the CITY OF SUNNYVALE, a municipal corporation ("CITY") and FIRE & RISK ALLIANCE, LLC ("AGENCY").

WHEREAS, on May 16, 2016, CITY and AGENCY entered into a Temporary Personnel Services Agreement whereby AGENCY would provide fire protection system plan review and building inspection services for new construction in the City of Sunnyvale; and

WHEREAS, on November 10, 2016 CITY and AGENCY entered into an Amendment to said Agreement whereby the compensation payable under the Agreement was increased to \$175,000.00; and

WHEREAS, on February 6, 2017 CITY and AGENCY entered into a Second Amendment to said Agreement whereby the compensation payable under the Agreement was increased to \$375,000.00; and

WHEREAS, on August 10, 2017 CITY and AGENCY entered into a Third Amendment to said Agreement whereby Exhibit "B-1" was incorporated into said Agreement; and

WHEREAS, on January 31, 2018 CITY and AGENCY entered into a Fourth Amendment to said Agreement whereby the compensation payable under the Agreement was increased to \$875,000.00 and whereby additional requirements (Exhibit "D") were incorporated to said Agreement and whereby the term of the agreement was extended through December 31, 2018;

WHEREAS, on December 20, 2018 CITY and AGENCY entered into a Fifth Amendment to said Agreement whereby the compensation payable under the Agreement was increased to \$1,475,000.00 and whereby the term of the agreement was extended through December 31, 2019; and

WHEREAS, on September 11, 2019 CITY and AGENCY entered into a Six Amendment to said Agreement whereby the compensation payable under the Agreement was increased to \$2,325,000.00 and whereby the term of the agreement was extended through December 31, 2020; and

WHEREAS, the parties now agree that a Seventh Amendment to said Agreement is advisable;

NOW, THEREFORE, THE PARTIES ENTER INTO THIS SEVENTH AMENDMENT TO TEMPORARY PERSONNEL SERVICES AGREEMENT:

2. Time for Performance

[Replace the first sentence with the following]:

The term of this Agreement shall be from the date of execution through December 31, 2021, unless otherwise terminated.

4. Compensation

[Replace the second sentence of this section with the following]:

Total compensation shall not exceed Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000.00).

All other terms and conditions remain unchanged.

IN WITNESS WHEREOF, the parties have executed this Agreement Amendment.

ATTEST:

CITY OF SUNNYVALE ("CITY")

By _____
City Clerk

By _____
City Manager

APPROVED AS TO FORM:

FIRE & RISK ALLIANCE, LLC ("AGENCY")

By _____
City Attorney

By _____

Name and Title

By _____

Name and Title



City of Sunnyvale

Agenda Item

20-0818

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Authorize Amending an Existing Contract with CDM Smith for Program Management and Related Services for the Sunnyvale Cleanwater Program (F21-028)

REPORT IN BRIEF

Staff requests approval to amend an existing contract with CDM Smith of Walnut Creek to provide Program Management services related to the Sunnyvale Cleanwater Program reconstruction of the Water Pollution Control Plant (WPCP). The Fourth Amendment would increase the contract not to exceed amount by \$10,099,549; increasing the total not-to-exceed contract amount from \$21,303,039 to \$31,402,588 and will extend the term of the agreement through December 31, 2023. Approval is also requested to increase the remaining contingency by \$34,284 to \$833,086 (5% of the remaining and added core services). Total expenses for the contract term, including contingencies, will not exceed \$32,235,674 subject to annual appropriation of funds.

Overall services under this contract include quality assurance of design work products; coordination of new construction; records management; financial and schedule oversight; regulatory and environmental operational compliance; public outreach program implementation; coordination of simultaneous plant projects, new facilities commissioning; and automation and controls systems integration.

EXISTING POLICY

Pursuant to Section 2.08.040 of the Sunnyvale Municipal Code City Council approval is required for the procurement of goods and/or services exceeding \$100,000 in any one transaction.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) in that it has no potential for resulting in either a direct physical change in the environment, or a reasonable foreseeable indirect physical change in the environment.

BACKGROUND AND DISCUSSION

The existing WPCP was initially built in 1956. With additions over the subsequent 15-20 years, it has grown to a tertiary treatment facility with an average dry weather flow rate of 14 million gallons per day (MGD). It has a permitted average dry weather flow rate of 29.5 MGD. An asset condition assessment conducted in 2006 identified several critical WPCP structures as at-risk and in need of immediate rehabilitation. Based on this assessment, the City began implementing several rehabilitation projects. It also developed a long-term Strategic Infrastructure Plan (SIP) to serve as a road map for the physical improvements and process enhancements needed to maintain a high level of treatment and to meet current and expected regulatory requirements and stewardship objectives.

In 2013, to help implement the SIP, the City secured the professional services of an engineering design team of consultants. The design team developed a comprehensive Master Plan, which included the “basis of design” development for the various process areas to be rebuilt and a programmatic environmental impact report (PEIR). City Council adopted the Master Plan in 2016.

Due to the magnitude and complexity of the Sunnyvale Cleanwater Program, a consultant team was selected to provide the management services necessary to oversee the program. As a result of the Request for Proposal (RFP) process, Council awarded a three-year contract to CDM Smith on March 25, 2014 (RTC No. 14-0264) and approved a three-year contract extension on March 28, 2017 (RTC No. 17-0271). Council approved a second amendment to include services for the application and administration of a Water Infrastructure Financing and Innovation Act (WIFIA) on July 16, 2019 (RTC No. 19-0719). A third amendment to extend the contract term utilizing existing agreement funding was approved under the City Manager authority. CDM Smith has demonstrated technical strength and capability to continue to assist the City in the rebuild of the WPCP. This fourth amendment will modify the agreement to increase funding and extend the term for an additional three years.

Current projects active at the WPCP include the removal and dewatering of sediment (biosolids) from the oxidation ponds and digesters, construction of new headworks and primary treatment facilities, oxidation pond levee repair, food waste codigestion piloting, and the interim replacement of the oxidation pond effluent pipeline. Future projects underway at the WPCP will focus on new secondary treatment facilities and rehabilitation of existing facilities, in addition to a new administration and laboratory building (Cleanwater Center). The construction will occur while maintaining plant operations at all times with the existing infrastructure to ensure fully compliant discharge of treated wastewater.

Under the current contract, CDM Smith has provided oversight of master planning efforts; oversight and coordination of multiple design and construction contracts; and coordination of the program with ongoing WPCP operations. As the program continues, the consultant will also plan and coordinate projects to comply with the Programmatic Environmental Impact Report (PEIR) and the City’s National Pollutant Discharge Elimination System (NPDES) permit. Several phases of work may require simultaneous coordination to provide efficiency and optimum value to the City.

The City anticipates awarding multiple consulting contracts over the next several years. CDM Smith will be required to coordinate its work with the City and other city consultants who will be working simultaneously on the Headworks and Primary Treatment Facility; Oxidation Pond Effluent Pipeline Interim Repair; Existing Plant Rehabilitation; Secondary Treatment Improvements- Stage 1; Cleanwater Center; Master Plan Update; Phase 3 Condition Assessment; Filter Control Building; Digester Number 5; Food Waste Facility; Cogeneration Upgrade; Oxidation Pond Levee Repairs; Environmental Mitigation; and Waste Gas Burner Upgrade.

To continue to provide comprehensive program management services, complete the design of several projects, update the Master Plan and initiate several new projects, an amendment to the current contract is necessary. Council approval of the recommended contract amendment for CDM Smith will allow the Sunnyvale Cleanwater Program to proceed seamlessly with current consultant staff that are well aware of the issues at the site and understand the program.

FISCAL IMPACT

Budgeted funding is available in capital project 830240, Sunnyvale Cleanwater Program, Program

Management Services, and capital project 834900, Sunnyvale Cleanwater Program Financing Support. Funding is provided in the Wastewater Management Fund.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

RECOMMENDATION

Take the following actions:

- Approve the Fourth Amendment to Consultant Services Agreement with CDM Smith, in substantially the same form as Attachment 1 to the report, increasing the not-to-exceed amount by \$10,099,549 for a new not-to-exceed amount of \$31,402,588, and extending the term of the agreement for three years, through December 31, 2023;
- Authorize the City Manager to execute the Fourth Amendment when all necessary conditions have been met; and
- Approve an increase to the contract contingency in the amount of \$34,284 for a contingency total of \$833,086.

Prepared by: Gregory S. Card, Purchasing Officer

Reviewed by: Tim Kirby, Director of Finance

Reviewed by: Chip Taylor, Director of Public Works

Reviewed by: Ramana Chinnakotla, Director of Environmental Services

Reviewed by: Jaqui Guzmán, Deputy City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Draft Fourth Amendment to Consultant Services Agreement

**DRAFT FOURTH AMENDMENT TO CONSULTANT SERVICES AGREEMENT BETWEEN
THE CITY OF SUNNYVALE AND CDM SMITH FOR WATER POLLUTION CONTROL PLANT
PROGRAM MANAGEMENT SERVICES**

Fourth Amendment to Consultant Services Agreement, dated _____, is by and between the CITY OF SUNNYVALE, a municipal corporation ("CITY") and CDM SMITH ("CONSULTANT").

WHEREAS, on March 31, 2014, CITY and CONSULTANT entered into a Consultant Services agreement whereby CONSULTANT would provide professional program management services necessary for oversight, analysis, coordination, review, consultation, services during construction and other services for a project known as Water Pollution Control Plant Program Management; and

WHEREAS, on March 28, 2017, CITY and CONSULTANT entered into an Amendment to Consultant Services Agreement to additional scope of work as outlined in both Exhibit A-1 and B-1 and to extend the Time for Performance through 03/31/2020; and

WHEREAS, on July 29, 2019, CITY and CONSULTANT entered into a Second Amendment to Consultant Services Agreement to additional scope of work as outlined in both Exhibit A-2 and B-4; and

WHEREAS, on December 10, 2019, CITY and CONSULTANT entered into a Third Amendment to Consultant Services Agreement to extend the Time for Performance through March 31, 2022; and

WHEREAS, the parties now agree that a Fourth Amendment to said Agreement is advisable;

NOW, THEREFORE, THE PARTIES ENTER INTO THIS FOURTH AMENDMENT TO CONSULTANT SERVICES AGREEMENT:

1. Services by CONSULTANT

[Replace the first two paragraphs of this section with the following]:

CONSULTANT shall provide Program Management Core Services in accordance with Exhibit "A," Exhibit "A-1," "Exhibit A-2," and "Exhibit A-3" entitled "Scope of Work."

At CITY'S sole option, CONSULTANT may be required to perform Additional Reconstruction Program Tasks as detailed in Exhibit "B-1," Exhibit "B-3," and "Exhibit B-6" in accordance with the provisions set forth in this Agreement.

2. Notice to Proceed/Completion of Services

[Replace section (b) with the following]:

(b) When CITY determines that CONSULTANT has satisfactorily completed the services defined in Exhibit "A," Exhibit "A-1," "Exhibit A-2," and "Exhibit A-3," and Exhibit "B-1," Exhibit "B-3," and "Exhibit B-6," if authorized, CITY shall give CONSULTANT written Notice of Final Acceptance, and CONSULTANT shall not incur any further costs hereunder. CONSULTANT may request this determination of completion when, in its opinion, it has satisfactorily completed the Scope of Work (Exhibit "A," Exhibit "A-1," Exhibit "A-2," and Exhibit "A-3," and Exhibit "B-1,"

Exhibit "B-3," and "Exhibit B- 6," if authorized), and if so requested, CITY shall make this determination within fourteen (14) days of such request.

3. Time for Performance

[Replace the first sentence of this section with the following]:

The term of this Agreement will be for a ten (10) year period effective upon contract execution unless otherwise terminated. CONSULTANT shall deliver the agreed upon services to CITY as specified in Exhibits "A," "A-1," "A-2," and "A-3," and Exhibits "B-1," "B-3," and "B-6," if authorized. Extensions of time may be granted by the City Manager upon a showing of good cause, and by written amendment signed by both parties.

4. Payment of Fees and Expenses for Core Services and Additional Reconstruction Program Tasks

[Replace this section with the following]:

CITY agrees to pay CONSULTANT for the services rendered pursuant to this Agreement the not-to-exceed amounts and/or rates set forth in in the attached Exhibits "B," "B-2," "B-4," and "B-5" – Compensation Schedule and Exhibits "B-1," "B-3," and "B-6" – Additional Reconstruction Program Tasks. CONSULTANT acknowledges that any work associated with Additional Reconstruction Program Tasks shall be authorized by CITY on an as-needed basis, and the scope and fee for individual tasks will be negotiated in advance and agreed to in writing by both parties through duly executed task orders.

Payments shall be made to CONSULTANT on a monthly basis. Compensation will not be due until a detailed billing is submitted to CITY within a reasonable time before payment is expected to allow up to thirty (30) days for CITY processing. An estimate of the percent of total completion associated with the various categories of the services shall be furnished by CONSULTANT with said billing. Costs for reimbursable expenses will be paid in accordance with the amounts and terms established in Exhibits "C," "C-1," and "C-2" – Compensation for Reimbursable Expenses.

In no event shall the total amount of compensation payable under this Agreement for Program Management Core Services exceed the sum of Twenty-Six Million, Nine Hundred Twenty-Two Thousand, Five Hundred Eighty-Eight and No/100 Dollars (\$26,922,588), unless upon written modification of this Agreement executed by both parties.

In no event shall the total amount of compensation payable under this Agreement for Additional Reconstruction Program Tasks exceed the sum of Four Million, Four Hundred Eighty Thousand and No/100 Dollars (\$4,480,000), unless upon written modification of this Agreement executed by both parties.

All invoices, including detailed backup, shall be sent to City of Sunnyvale, attention Accounts Payable, P.O. Box 3707, Sunnyvale, CA 94088-3707.

8. Standard of Workmanship

[Replace the first sentence of the second paragraph of this section with the following]:

The plans, designs, specifications, estimates, calculations, reports and other documents furnished under the Scope of Work (Exhibits "A," "A-1," "A-2," and "A-3"), and Additional Reconstruction Program Tasks (Exhibits "B-1," "B-3," and "B-6") if authorized, shall be of a

quality acceptable to CITY.

9. Responsibility of CONSULTANT

[Replace the second sentence of the first paragraph of this section with the following]:

Neither CITY's review, acceptance, nor payment for any of the services required under this Agreement shall be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement and CONSULTANT shall be and remain liable to CITY in accordance with applicable law for all damages to CITY caused by CONSULTANT's sole and direct negligent performance of any of the services furnished under this Agreement.

11. Confidentiality of Material

[Add the following after the last sentence of this section]:

CONSULTANT is entitled and shall be allowed to use project name and details in proposals and presentations to other clients or prospective client and use the CITY's name or CITY's employee as references with other clients for the purposes of marketing for other work.

13. Ownership of Material

[Replace the last sentence of this section with the following]:

However, CONSULTANT shall not be responsible for liabilities, misuses, errors, or damages resulting from the use of said material for work other than Project, including, but not limited to the release of this material to third parties for work other than on Project.

17. Notices

[Replace the first paragraph of this section with the following]:

All notices required by this Agreement, other than invoices for payment which shall be sent directly to Accounts Payable, shall be in writing, and shall be personally delivered, sent by first class with postage prepaid, sent by commercial courier, or sent by electronic mail, addressed as follows:

To CITY: Jennifer Ng, Assistant Director/City Engineer
Department of Public Works
CITY OF SUNNYVALE
P.O. Box 3707
Sunnyvale CA 94088-3707

To CONSULTANT: CDM SMITH
Attn: Jan Davel, PhD, PE, PMP
2300 Clayton Road, Suite 950
Concord CA 94520

24. Termination of Agreement

[Replace the first sentence of this section with the following]:

If CONSULTANT defaults in the performance of this Agreement, or materially breaches any of its provisions, and fails to cure the default or breach within seven (7) days after receiving written notice thereof, CITY at its option may terminate this Agreement by giving written notice to

the CONSULTANT.

32. Miscellaneous
[Delete the first sentence of this section.]

IN WITNESS WHEREOF, the parties have executed this Agreement Amendment.

ATTEST:

CITY OF SUNNYVALE ("CITY")

By _____
City Clerk

By _____
City Manager

APPROVED AS TO FORM:

CDM SMITH ("CONSULTANT")

By _____
City Attorney

By _____

Name and Title

By _____

Name and Title

Exhibit A-3

Water Pollution Control Plant Program Management SCOPE OF WORK

General

This project provides Program Management services for modifications to the Water Pollution Control Plant (plant) in the City of Sunnyvale, California. The anticipated work will be an overall rehabilitation as well as new processes and facilities for some portions of the existing plant. The existing plant must be maintained in operation at all times, for fully compliant discharge.

The City's overall goal is to renovate the existing plant to a new facility suitable to treat and dispose of municipal sewage for the next 30-40 years. The renovated plant must meet all regulatory and permit requirements, as well as good practices, sustainability, and cost-effectiveness, with a bias toward reducing overall lifecycle costs, and being good stewards of the land and public trust. The plant must be reliable, flexible, and adaptable to meet expected and new challenges over the next generation. To achieve this goal, the City of Sunnyvale is implementing a series of capital projects called the Cleanwater Program (Program).

The Program Management Consultant (PMC) shall provide management services to the City's Public Works Department to provide oversight of master planning and condition assessment efforts, oversee and coordinate multiple design and construction contracts, and coordinate the Program with ongoing plant operations. Paramount will be the planning of projects and coordination with continued operations of the plant and compliance with the Programmatic Environmental Impact Report (PEIR) and the City's National Pollutant Discharge Elimination System (NPDES) permit. Several phases of work might occur simultaneously to provide efficiency and optimum value to the City.

The PMC is a team of experienced firms with extensive resources in several engineering and financial disciplines including, but not limited to; structural, civil, environmental (treatment process), electrical, mechanical, industrial process control, LEED Certification, construction management, scheduling and coordination of projects with ongoing plant operations, operations training and manual preparation, commissioning and startup, budgeting and fiscal reporting. The PMC shall provide regulatory knowledge of state and federal laws and regulations, particularly relative to water pollution control plants, BAAQMD, NPDES, other related permits, air emissions and greenhouse gas regulations, as well as Cal OSHA (safety) and environmental law for EIR/PEIR management and compliance.

The PMC shall be structured and situated to sustain Program Management services over a period of several years (potentially ten or more) and to support the Public Works Department's continuous responsibility to multiple stakeholders including; the Environmental Services Department; the

Finance Department; City executives and elected officials; lenders, regulators, and regional partners; and members of the general Sunnyvale public. The PMC shall assist in scoping, procuring, and managing consultant contracts, including resolution of potential conflicts (scheduling, design and physical) in the City's best interest. The PMC shall also be responsible for managing controls (budget and schedule), establishing and maintaining a document control system, planning and oversight of regulatory and environmental compliance, public outreach, commissioning, and implementing the automation and control system plan.

The Program Manager will work with the City to update and implement the Master Plan that will guide further design and construction of the facility in the most cost-effective and efficient manner in compliance with the requirements of the California Environmental Quality Act.

The Program Manager will work with the City, external stakeholders (such as regulators, regional partners, government lenders, and the public), and other City consultants who will be working simultaneously on the primary treatment system, the secondary treatment system, the tertiary treatment system, the solids handling system, the combined heat and power system, the SCADA system, the electrical system, and the plant support facilities. These systems include:

- Primary treatment system
 - Testing, commissioning, and transfer to the new primary system, and decommissioning of the existing primary system
 - Upgrading the odor control, if needed
- Secondary treatment system
 - Distribution of primary effluent between new and existing treatment facilities
 - Aeration, mixing, and pumping of the mixed liquor
 - Distribution of the mixed liquor among clarifiers
 - Pumping and distribution of return and waste activated sludge
 - Distribution of secondary effluent to existing filtration facilities
 - Circulation of primary effluent in existing oxidation ponds
 - Pumping and distribution of pond effluent to existing fixed growth reactors
 - Pumping and distribution of fixed growth reactor effluent to existing air flotation tanks
 - Separation of algae from the oxidation pond effluent and return to the oxidation ponds
 - Distribution of air flotation tank effluent to existing filtration facilities
 - Testing and commissioning of the new secondary treatment facilities
- Tertiary treatment system
 - Rehabilitation of existing filtration and disinfection facilities
 - Demolition of the existing Filter Control and Lab Building
 - Construction of a new Filter Control Building
- Solids handling system
 - Sidestream treatment

- Co-thickening of primary and waste activated sludge
 - Predigestion tank to blend co-thickened primary and waste activated sludge, pond algae, and food waste slurry
 - Distribution of blended sludge among existing anaerobic digesters
 - Dewatering of digested biosolids
 - Storage and handling of cake solids
 - Ventilation of odors through a biotrickling scrubber
 - Return of supernatant liquor to existing oxidation ponds
 - Testing and commissioning of the new solids handling facilities
 - A fifth digester, mixing system, heating system, and sludge pumping system
 - Food waste receiving, storage, and feed
- Combined heat and power
 - Demolition of the existing generators, heat exchangers, and exhaust
 - Structural and architectural modifications to the existing PGF building
 - Two new engine generators
- SCADA system
 - Communications through a fiber optic cable backbone
 - Local and remote monitoring and control of treatment processes
- Electrical system
 - Generation of back-up power during outages
 - Extension of 12 KV primary power across the plant
 - Stepdown and distribution of 480V secondary power at load centers
- Plant support facilities
 - Security and flood protection from a new perimeter wall
 - Management, administration, operations, maintenance, and laboratory testing in the new Cleanwater Center
 - Demolition of existing administration, maintenance, and compliance inspection buildings
 - Landscaping and site improvements on the former Carl Road

Design consultants working on the various projects at the plant shall oversee all design aspects necessary to prepare complete sets of plans and specifications suitable for Public Works bidding, and compliant with all applicable requirements. The PMC shall be responsible for reviewing these documents including coordinating these designs with the other consultants and contractors working at the plant for compatibility and synergy.

The PMC shall also be responsible for recommending these plans for bidding to the City Engineer per the following City requirements: 1) plans and technical specifications must be stamped and signed by the Professional Engineer-of-Record, 2) the plans and specifications shall be coordinated with the City's bid documents, standard provisions, and special provisions, and 3) all submittals shall be in both digital and hard copy format. In addition, the plans and specifications shall not have statements obligating the City to do anything other than what is stated in the City's standard

construction contract. They shall provide sufficient detail to result in a good quality product while allowing competitive pricing where possible and appropriate, and they shall also provide options to the contractor where appropriate to obtain the same good level of quality for the best bid price. Plans and specifications must be readily biddable and objective, avoiding use of subjective terms, such as “performing work to the satisfaction of the designer or the City”, and proprietary products or services should be avoided unless the Consultant has demonstrated there is no other better option.

Location

The existing Water Pollution Control Plant (plant) is at 1444 Borregas Avenue, Sunnyvale, Santa Clara County, California.

The site lies near the South San Francisco Bay, in the northern part of the City of Sunnyvale. The site includes approximately 16.57 acres of land, approximately 440 acres of wetland, and several associated property rights. The City’s SMaRT (Sunnyvale Materials Recovery and Transfer) station lies east of the Sunnyvale East Channel forming the easterly boundary of the site. The City’s closed municipal solid waste landfill is southerly and westerly of the site. Several high technology businesses surround the site beyond the City-owned land and Caribbean Drive within Moffett Park.

Background

The existing plant was initially built in the 1950s. With additions over the years it has grown to a tertiary treatment facility with an average dry weather flow rate of 14 Million Gallons per Day (MGD) and a permitted average dry weather flow rate of 29.5 MGD. An asset condition assessment conducted in 2005 estimated the plant’s then current asset value at approximately \$354 million. The asset condition assessment also identified several critical plant structures as at-risk and in need of rehabilitation soon. Based on this assessment, the City began implementing several rehabilitation projects and also developed a long-term Strategic Infrastructure Plan (SIP) to serve as a road map for the physical improvements and process enhancements needed to maintain a high level of treatment and to meet current and expected regulatory requirements and stewardship objectives. In 2013, to help implement the SIP, the City secured the professional services of an engineering design team of consultants to develop a comprehensive Master Plan, which included the “basis of design” development for the various process areas to be rebuilt and a programmatic environmental impact report (EIR). The Master Plan was adopted by City Council in 2016.

The first project of the Program—construction of new headworks and primary treatment facilities—is currently under construction at the Plant, alongside two Water Pollution Control Plant capital improvement projects, namely the removal and dewatering of sediment (biosolids) and repair of the existing levees surrounding the oxidation ponds. The new plant will include overall rehabilitation as well as new processes and facilities for some portions of the existing plant. The new plant will be constructed while maintaining the existing plant in operation at all times for fully compliant discharge.

The current treatment process includes aerated grit removal and primary sedimentation. Two oxidation ponds covering about 440 acres at the south end of San Francisco Bay provide, along with fixed growth reactors and air flotation tanks for algae removal, provide secondary treatment. Tertiary treatment utilizes dual-media filtration, sodium hypochlorite for disinfection, and sodium bisulfate for chlorine removal. The plant can treat up to 2 million gallons per day to Title 22 standards for unrestricted use and distributed as recycled water for irrigation purposes in parts of Sunnyvale and Cupertino. The facility also has four anaerobic digesters and a contract for dewatering biosolids from both the digesters and oxidation ponds. This contract eliminated the need for gravity drained sludge dewatering beds and stockpiling dewatered sludge. This area is now the construction site for new headworks and primary sedimentation facilities. The Plant has its own State-certified laboratory and Plant personnel perform industrial waste inspections (pretreatment). Plant administration is housed onsite and ancillary facilities include workshops for Operations and Maintenance, multiple storage areas, and parking.

The Sunnyvale Water Pollution Control Plant operates in accordance with NPDES Permit No. CA0037621 as adopted by Order R2-2020-0003 of the California Regional Water Quality Control Board, San Francisco Bay Region (CRWQCB-SF Bay), and other permits.

III. Consultant and Stakeholder Coordination Requirements

The City anticipates awarding multiple consulting and construction contracts over the next several years. The Program Management Consultant (PMC) shall coordinate its work with the City, other City Consultants who will be working simultaneously on the Program's capital projects (Headworks and Primary Treatment Facility; Existing Plant Rehabilitation; Secondary Treatment Improvements–Stage 1; Cleanwater Center; Master Plan Update; Phase 3 Condition Assessment; and Landscaping), other City Consultants who will be working simultaneously on projects that impact the Program (e.g., Recycle Yard landfill closure, 2020-2024 codigestion), and external stakeholders with approval authority over activities in the program (e.g., Santa Clara Valley Water District, PG&E).

IV. Program Management Services

The City expects the PMC to be a focal point for coordination and oversight of the Program by advising the City in various capacities, including reviewing the work of other consultants retained by the City to assess, design, and construct the plant projects over multiple years. The PMC will be responsible for providing various services that include contract scoping, procurement, design management, construction coordination, program management, commissioning, schedule and budget controls, records management, public outreach, and oversight of automation and controls systems for various projects included in the program. The PMC's role is to help the City achieve its overall program goals which include:

- Continuous compliance with the plant's water quality requirements throughout design, construction, and commissioning

- Design of state-of-the-art wastewater treatment facilities that are energy efficient, safe, environmentally friendly, low maintenance, and cost-effective when evaluating life-cycle costs
- Completion of design and construction contracts on time and within budget
- Effective scoping and management of consulting services to ensure high quality, cost-effective, results-oriented services are provided to the City
- Production of high-quality plans and specifications for construction projects that minimize the City's exposure to delays and cost overruns
- Effective communication and decision making by City staff and elected officials

The following is a general outline of services anticipated under the PMC agreement:

- Oversight of design efforts and construction coordination for the following projects:
 - Headworks and Primary Treatment Facility
 - Existing Plant Rehabilitation
 - Secondary Treatment Improvements–Stage 1
 - Cleanwater Center
- Scoping, procuring and managing the following projects:
 - Master Plan Update
 - Phase 3 Condition Assessment
- Scoping the following projects:
 - Filter Control Building
 - Digester Number 5
 - Food Waste Facility
 - Cogeneration Upgrade
 - Landscaping
- Management of the overall Program implementation including all of its projects
- Management and controls of the overall plant reconstruction budget and schedule
- Management of regulatory and environmental compliance items

- Public Outreach
- Commissioning services for all the projects included in the program
- Oversight of automation and controls systems for all projects included in the program

The City recognizes the general nature of this contract as providing program management services and that in general the scope of work is defined by the descriptions below and limited by the level of effort stated in the budget.

The PMC shall provide the following services under this agreement:

1 Project Design Management

The PMC shall be responsible for assisting the City with managing the procurement, planning, and design efforts of the projects identified in this scope of work:

- Project 2.1 (Existing Plant Rehabilitation)
- Project 2.2 (Secondary Treatment Improvements–Stage 1)
- Project 8.3 (Cleanwater Center)
- Project 0.3 (Master Plan Update)
- Project 0.4 (Phase 3 Condition Assessment)
- Project 0.5 (Landscaping)
- Project 3.1 (Filter Control Building)
- Project 4.4 (Digester Number 5)
- Project 4.5 (Food Waste Facility)
- Project 5.1 (Cogeneration Upgrade)

Projects shall be managed in accordance with the guidelines of their contracts. Specific responsibilities shall include:

- 1.1 **Design Management:** Manage the delivery of condition assessment, master planning, and design services through appropriate management of consultants. Coordinate with City staff in areas of the projects as required for successful delivery of each project element. Assist Public Works in coordinating with the WPCP to address their concerns. Engage subject matter experts for the resolution of technical issues.

Coordinate and participate in biweekly meetings with the City and each consultant to help facilitate the condition assessment, master planning, and design projects. Work with the consultants to develop agendas and complete meeting minutes for distribution to team members.

Review and evaluate any contractual requests from consultants, such as Notice to Proceed (NTP), contract amendments, or Pre-Authorizations (PAUs) and Contract Change Orders (CCOs). It is assumed that each consultant submits contractual requests up to once per quarter.

Track project progress and report up to the Program level on project accomplishments, risks, and schedule. Ensure the design decision log and project files are kept up-to-date. (Action item logs will be managed under Task 5.5.)

Design Procurement: Prepare professional services scopes of work (SOWs), attachments, and budget templates to support competitive proposal processes. Confirm that all permit requirements, technical deliverables required for SRF financing, and site characterization (such as hazardous materials assessment) needed to obtain competitive bids are identified in each SOW. Prepare for and lead meetings to confirm the project scope.

It is anticipated for the contract term that SOWs will be developed for:

- Project 0.3–Master Plan Update
- Project 0.4–Phase 3 Condition Assessment
- Project 0.5–Landscaping
- Project 3.1–Filter Control Building
- Project 4.4–Digester Number 5
- Project 4.5–Food Waste Facility
- Project 5.1–Cogeneration Upgrade

Procurement Outreach: Assist City with answering questions from and confidential meetings with prospective proposers. Prepare for and participate in pre-proposal presentations and Plant tours. Review technical proposals and participate in interviews as an advisory panel member.

It is anticipated for the contract term that procurement outreach will be performed for:

- Project 0.3–Master Plan Update
- Project 0.4–Phase 3 Condition Assessment
- Project 0.5–Landscaping
- Project 3.1–Filter Control Building

- Project 4.4–Digester Number 5
- Project 4.5–Food Waste Facility
- Project 5.1–Cogeneration Upgrade

Procurement Negotiation Support: Review and comment on fee proposal from selected consultant for each procurement. Advise on potential scope modifications. Participate in negotiation meetings. (Preparation of Reports to Council for contract award will be provided under Task 8.6.)

It is anticipated for the contract term that procurement negotiation support will be performed for:

- Project 0.3–Master Plan Update
- Project 0.4–Phase 3 Condition Assessment
- Project 0.5–Landscaping

Design Review: Provide experienced technical resources to provide comments and a thorough review of all deliverables to confirm systems are compatible among the various projects and are fully integrated.

Review all documents and submittals, including: Technical Memoranda, work plans, reports, subsurface utility mapping, surveying, geotechnical characterizations, hazardous materials investigations, models, test results, Design Information Memoranda, plans, specifications, cost estimates, and schedules for completeness, accuracy, and consistency with the Master Plan and adopted City standards. The design reviews shall also include technical disciplines, operability, and maintainability. Biddability and constructability review will be performed by the CMC. Reviews shall also focus on design assumptions and criteria, fatal flaws, and compatibility with existing systems. Reviewers will identify opportunities to add value to the designs, but formal value engineering exercises are not anticipated.

Verify comments on draft memoranda and previous design packages were adequately addressed.

The major documents to be reviewed include:

- Technical memoranda and reports for the Master Plan Update;
- Work plans and condition assessment reports for the Phase 3 condition assessment;
- 90% and 100% design for Existing Plant Rehabilitation–Main Package;

- 60%, 90%, and 100% design for Existing Plant Rehabilitation–Perimeter Wall;
- 90% and 100% designs for Secondary Treatment Stage 1–Main Package;
- 90% and 100% designs for the Cleanwater Center;
- All design deliverables for Landscaping.

Site Layout Maps: Maintain current and planned site layouts. Update phased site layout figures with footprints of proposed construction to identify site conflicts and sequencing issues.

Review Coordination: Coordinate submittal reviews and maintain plan/document review logs to track comments and responses. Distribute deliverables and comment logs to City, PMC, and CMC reviewers. Capture verbal comments from workshops and other meetings in the review log. Compile comments and resolve contradictory comments prior to transmitting to the consultants. Obtain comment responses from the consultants. Provide responses to the commenters and obtain concurrence. Resolve outstanding comments using appropriate means of communication, including potentially coordinating review meetings with the City and the designer so that comments can be discussed in detail, clarified as necessary, and resolved.

(not used)

(not used)

(not used)

Design Advice: Provide experienced technical resources to participate in predesign and design workshops. A workshop is anticipated for each major report, Technical Memorandum (TM), Design Information Memorandum (DIM), and major design submittal. Approximately nine (9) members of the PMC team will call in to or attend each workshop.

(not used)

Equipment Procurement: Review sole source justification memos and provide as-needed support for negotiation of price and contract terms with vendors.

Bid-Phase Services: Attend pre-bid meetings. Assist City with answering questions from prospective bidders. Oversee bid-phase services from the designer. It is anticipated for the contract term that bid-phase services will be provided for the following packages:

- Project 2.1.1 Existing Plant Rehabilitation–Main Package
- Project 2.1.2 Existing Plant Rehabilitation–Perimeter Wall

- Project 2.2.1 Secondary Treatment–Site Prep
- Project 2.2.2 Secondary Treatment–Main Package
- Project 8.3 Cleanwater Center

Front-End Document Review: Review draft front-end documents prepared by the Construction Management Consultant (CMC). Advise on sequencing, intermediate milestones, and delay impacts.

Basemap Maintenance: Compile CAD files depicting surface features, utilities, topography, geotechnical boring locations, easement and property boundaries, and other relevant data. As new data becomes available, update basemap with record drawings, design submittals, and field investigations and observations. Coordinate with consultants to resolve conflicting data. Ensure the current basemap is continuously available to all consultants.

Construction Coordination

Construction management services are provided by a Construction Management Consultant (CMC). These services include biddability reviews, constructability reviews, construction management, commissioning coordination, construction projects schedule and budget controls, site safety plan and implementation, safety training, multi-discipline inspection, and materials testing.

The PMC's role in construction is to monitor projects during construction at a programmatic level for impacts on the Program of changes and clarifications, provide third-party review on significant technical issues, and advise on isolated technical items.

Responsibilities of the PMC during construction shall include:

- 2.1 **Construction Meetings:** Attend pre-construction and construction kick-off meetings for the five packages anticipated to begin construction during the term of this Agreement.
- 2.2 **Construction Coordination:** Monitor RFIs, addenda, submittals, change orders, and clarifications submitted by the contractor and identify those which have the potential to impact other projects in the Program. Perform further evaluation if warranted, and prepare a response. Evaluate changes under consideration for potential impacts on the Program. Identify scope, schedule, and budget impacts, and propose options to mitigate impacts. Attend construction progress meetings as appropriate to support performance of this work. Coordinate ESDC and review contract amendment or change order requests from consultants.
- 2.3 (moved to Task 3)
- 2.4 **Warranty Period Operational Support:** Following the completion of startup and commissioning of Project 1.1 – Primary Treatment–Package 2 and Project 2.2.1–Secondary Treatment–Main Package, the CMC will be responsible for the following during the warranty period:
 - Coordinating with contractors and suppliers when warranty terms are not met;

- Maintaining a warranty file and confirming all necessary guarantee and warranty information has been submitted by contractors;
- Issuing Notice of Completion, Unconditional Final Lien Waivers, release of bonds.

In addition, under the Environmental Service Department's contract with EOA, Inc., they will be responsible for the following:

- Implementing updates to the Plant O&M Manual/Area Management Plans

During the warranty period for these two projects, the PMC will assist the City with the following:

- As-needed operational troubleshooting by PMC I&C staff, e.g., re-start, shutdown, and alarms;
- Miscellaneous operational studies for the new Headworks and Primary treatment facilities, for example, intensive sampling of the primary effluent to inform the following:
 - Performance testing of the primaries under different sludge blanket levels (i.e., solids in-tank thickening)
 - Confirming loading rates and biokinetic modeling assumptions for the CAS and pond system
 - Fine-tuning control loops on CAS and FGRs.
- Considering Owner-preference adjustments to the ACS.
- Documenting lessons learned during the startup and commissioning phase.

Stakeholder Coordination (replaces Funding and Financing)

The PMC shall assist the City in coordinating with third-party stakeholders who have influence over achievement of the Program's objectives or related activities that present an opportunity for collaboration and efficiencies. The City will be the primary point-of-contact with external stakeholders. PMC's role will be to identify external dependencies; evaluate technical, financial, schedule, and statutory relationships with the Program; advise on the process and strategy for engagement; and assist with preparation for and participation in meetings and correspondence.

The activities listed in subtask descriptions below are typical of the type of stakeholder coordination support the City may request. Services will be provided on an as-needed basis, up to the level of effort allocated per Exhibit B-3—Compensation Schedule.

- 1.1 (not used)
- 1.2 (moved to Task 5)
- 1.3 (not used)
- 1.4 (moved to Task F.11)
- 1.5 **Shared Wall Coordination:** Coordinate and prepare material for meetings with Valley Water. Create, maintain, and drive completion of a work plan that identifies decisions, deliverables, dates, responsible party, and relationship to other activities in the Program. Review and comment on draft documents prepared by Valley Water, the City, or other consultants. Draft responses to information requests. The objectives of this subtask include:
 - Execution of agreements required for the life-cycle of a shared wall
 - Fulfillment of agreement requirements (through construction bidding)
 - Technical integration of wall designs
- 1.6 **Power Utility Coordination:** Participate in meetings with PG&E. Confirm designs are consistent with PG&E requirements. Verify that responsibility for all steps required to achieve Program objectives are contractually assigned. Review and advise on service alteration determination and service modification estimate from PG&E. The objectives of this subtask include:
 - Execution of a Service Alteration Agreement for Phase 2 projects
 - Demolition of 4160 kV infrastructure in Carl Road
 - Agreement on 12 kV primary feed relocation
- 1.7 **Property Coordination:** Identify conflicts between planned activities and existing easements or land use restrictions. Identify needs for new land or easements. Define the process and timeline for real estate negotiations and transactions. Review draft documents. The objectives of this subtask include:
 - Acquiring property to build a shared wall north of the existing WPCP parcel boundary
 - Securing a Shared Use Agreement for construction of walls in PG&E's easement
 - Addressing updates to the deed restriction for landfill closure in Recycle Yard

- 1.8 **Regional Partnership Coordination:** Participate in meetings to discuss strategic opportunities. Provide information about the Program's requirements and impacts on regional opportunities. Perform technical assessments to evaluate the feasibility of potential alternatives. The objectives of this subtask include:
- Planning for San Francisco Bay Shoreline Protection in Economic Impact Areas 7 and 8
 - Planning for wholesale of recycled water, effluent, and/or biogas
- 1.9 **Solid Waste Coordination:** Review Solid Waste Division plans for impacts on the Program. Participate in resolution of any issues. Coordinate site and process interfaces between Solid Waste and WPCP activities. The objectives of this subtask include:
- Integrating construction of final cover in Recycle Yard with Program construction activities
 - Receiving organic slurry (food waste) from South Bayside Waste Management Authority
 - Preventing conflicts between the SMaRT Station Master Plan and the Program
 - (Revising and complying with the landfill Corrective Action Plan is covered under Task 6.3.)

PMC Project Management

The PMC shall be responsible for conducting project management activities including leading the program management team; managing PMC resources; managing the scope and budget for the PMC contract; engaging, managing, and administering subcontracts and subconsultants. These tasks shall include:

- 4.1 **Invoicing:** Submit monthly invoices. Invoices shall include complete back-up of all project costs and include a cover page listing the total budget, amount authorized by NTP, previous billed-to-date, current billing, and total billed-to-date for each task and task order. Invoice shall be accompanied by a brief progress report which lists the work accomplished in the previous month and key activities in the subsequent month.
- 4.2 **Contract Management:** Manage PMC contract and subcontracts. CDM Smith shall be responsible for administering the PMC contract with the City, controlling the budget, and preparing PAUs, CCOs, NTPs, and task orders over the course of the contract. CDM Smith shall also be responsible for preparing and managing subcontracts and issuing subconsultant task orders. CDM Smith shall also be responsible for executing and administering contracts with vendors for the products

and services necessary to support a program, including, but not limited to, the program management office and associated expenses, and website services.

- 4.3 **Team Management:** Lead the team. Distribute workload among program staff. Communicate budgets and deadlines. Quickly resolve internal issues and address any bottlenecks.
- 4.4 **Quality Management:** Perform quality assurance. Monitor that deliverables are internally reviewed by senior staff not directly involved in performing the work, prior to being submitted. Monitor that expectations are met.

Program Controls Management

Records Management: The PMC shall be responsible for providing and maintaining a records management system until records management is transitioned to the City's system. This includes being responsible for the management, coordination, logging, tracking, and sharing of all documents. Key correspondence for the project, including official emails, shall also be stored in the records management system. At a minimum, records management responsibilities shall include:

- 5.1 **Program Management Information System (Unifier):** Maintain the electronic records management system in Oracle Primavera Unifier.

Provide training to users who are utilizing Unifier. Respond to user support requests.

Monitor that the system continues to perform as expected. Notify users in advance of planned system outages and during unanticipated downtime. Progressively deploy business processes in project shells as projects enter new phases. Update access and permissions as new teams and users mobilize and demobilize.

- 5.2 **Document Management (Unifier):** Collect, file, and retain electronic copies of key correspondence, consultant deliverables, review comments, and other project documents. Ensure that all documents are searchable and coded with proper metadata.

Distribute and help team members find files when needed.

- 5.3 (not used)

- 5.4 (not used)

- 5.5 **Program Logs:** Maintain the action item tracking system to confirm that responsibilities among the project team are understood and tasks are completed. Regularly update with new items, progress, and resolution of completed items. Prepare printouts for distribution at meetings.

5.6 (not used)

Schedule Management: The PMC shall be responsible for monitoring, tracking, and coordinating the overall Program schedule as well as individual project schedules. The PMC shall coordinate with other consultants working on the various components of the Program and incorporate these schedules into the master schedule. The PMC shall update the schedule on a monthly basis and track key milestones. These tasks shall include:

5.7 (not used)

5.8 **Project Schedules:** Review schedule submittals at design milestones. Provide comments and incorporate into the program schedule. Incorporate designers' and contractors' baseline schedules once approved.

Update the Program schedule on a monthly basis, incorporating actual progress and minor revisions to planned activities for the procurement, permitting, design, bid, construction, commissioning, and close-out of all projects in the Program.

Produce schedule reports showing various levels of information and detail.

Financial Management: The PMC shall be responsible for tracking costs across the Program. This includes the program management contract, the construction management contract, the master planning contract, the condition assessment contract, the design contracts, the construction contracts, and the miscellaneous costs (permit and utility fees, City labor and expenses, legal ads) incurred against the Program and its projects. The PMC shall coordinate with the City and other consultants working on the Program so that all invoices are obtained and conform to approved amounts. The following financial oversight services shall be provided:

5.9 **City Budget Update:** For the FY 2021/2022 and FY 2023/2024 City budget updates, prepare updated City project request forms, accounting for any changes in project timing, cost estimates, or actual expenditures.

5.10 **Cost Tracking:** Obtain monthly reports of City financials and reconcile with Program financial data. Prepare monthly graphs showing base, optional, and contingency budgets and expenditures against each contract and the overall Program.

Review and enter all contracts, amendments, change orders, task orders, NTPs, and invoices in Unifier. Keep and maintain complete records of all expenses by project.

5.11 **Budget Management:** Track contract amounts, engineers' cost estimates, and Program cost projections against Council-approved budgets. Propose corrective changes if needed to maintain the expected Program cost within the amount approved with adoption of the Master Plan and the City project budgets. Provide templates and guidance to consultants preparing estimates for component projects.

Technical review of cost estimates prepared by others is included under Subtask 1.5.

5.12 (not used)

Change Management and Reporting: The PMC shall be responsible for tracking and advising on changes to the Program scope, schedule, budget, and contract packaging. The PMC shall also be responsible for preparing bimonthly reports that show updated schedules, costs, and activities. These tasks shall include:

5.13 **Change Management:** Evaluate program impacts of proposed changes to project schedule milestones, cost, packaging, site layout, or scopes. Lead meetings and provide written evaluations to support City decisions about proposed changes.

Maintain current project descriptions that reflect approved changes. Collect and file justification for each major change.

2.14 **Reporting:** Prepare bimonthly report of program activities, schedules, and budgets.

Regulatory and Environmental Compliance

The PMC shall be responsible for driving the regulatory and environmental compliance effort for the entire Program. This includes planning proactive communication with regulators and verifying that all permits and authorizations necessary are being carried out in accordance with applicable guidelines and requirements. The PMC shall confirm that all necessary items are shown on the schedules and items are tracked and completed on time to avoid any unnecessary delays. The work consists of:

6.1 **Permitting Coordination:** Maintain spreadsheet database of special conditions attached to each permit obtained, and steps for compliance; high-level table listing the permits, deliverables, and touchpoints for each regulator; step-by-step plans for achieving each regulatory objective.

Lead monthly permitting meetings to discuss strategy, issues resolution, and upcoming activities. Prepare agenda, minutes, and rolling look-aheads for each meeting.

Regulatory Strategies: The PMC shall be responsible for supporting the implementation of regulatory strategies by reviewing draft permit applications or compliance documents, checking design plans and specifications for consistency and permissibility, and drafting correspondence and preparing for/participating in meetings with regulators. The City's Environmental Services Department is responsible for compliance with several operational permits; PMC's role on these is to support the Public Works Department in managing impacts of the Program on operational compliance, and vice versa. Regulatory strategies shall include:

- 6.2 **Air Permitting Strategy:** The objectives of this subtask include:
- Permitting sources and abatement devices constructed under Project 2.2
 - Compliance with odor limits
 - Closure of the influent pump engine compliance and enforcement agreement
 - Planning for BAAQMD's Regulation 13 and codigestion at the WPCP
- 6.3 **Water Quality Permitting Strategy:** The objectives of this subtask include:
- Compliance with the NPDES discharge permit, which was renewed in 2020
 - Compliance with a revised landfill Corrective Action Plan, which permits changes to the groundwater capture sink
 - Compliance with an amended Post-Closure Maintenance Plan, which addresses closure of Recycle Yard
 - Compliance with stormwater regulations, during and for completed construction
 - Compliance with the recycled water permit, if the treatment train is modified as a result of Project 2.1
- 6.4 **Resource Permitting Strategy:** The objectives of this subtask include:
- Permitting the perimeter wall, Carl Road sitework, and electrical improvements north of WPCP with BCDC
 - Monitoring that project changes do not trigger 404, 401, or LSAA permits for new construction
 - Closing the 404, 401, and LSAA permits for Project 1.1
 - Addressing special species observed onsite during construction
- 6.5 **CEQA Strategy:** The objectives of this subtask include:
- Completing the CEQA process for all work in Projects 2.1, 2.2, and 8.3
 - Identifying and collecting documentation needed to demonstrate fulfillment of the project-specific MMRPs, checking that all actions are contractually assigned, and monitoring that activities are performed.

Environmental Fieldwork: Environmental compliance measures are typically self-performed by the City, or assigned to construction contractors. Select measures will be performed by the PMC, when a specialized skillset is required, and the work does not fit within the scope or schedule of an individual construction contract. These measures shall include:

- 6.6 **Invasive Species Survey:** Map all invasive species within all areas proposed to be graded, including access roads and staging areas, and within all sensitive habitats (e.g., wetlands) across the project areas. Develop an Invasive Species Management Plan that contractors performing grading outside the fenceline will be responsible for complying with.
- 6.7 **Congdon's Tarplant Survey:** Perform preconstruction Congdon's tarplant survey and prepare letter report, during the blooming season prior to construction of the west perimeter wall.
- 6.8 **Habitat Mitigation Monitoring:** Perform quarterly maintenance inspection visits and annual monitoring visits to the habitat maintenance site. Prepare annual monitoring reports and submit to regulators. Coordinate with CMC and the post-construction maintenance contractor to address any plant vitality issues.

Public Outreach Support

The PMC shall be responsible for public outreach efforts for the Program. This includes developing outreach strategies, approaches, and materials to help communicate the scope, status, and objectives of the Program to stakeholders, residents, and businesses located in the City. Stakeholders include the media, City Council, commissions, other agencies, organizations, and special interest groups. The PMC shall also be responsible for maintaining the Program website. Tasks shall include:

- 7.1 (not used)
- 7.2 **Outreach Coordination:** Maintain task plan for implementing Program outreach strategy. Coordinate Program outreach activities with Environmental Services Department and Communication Department activities, and with Program design, construction, stakeholder, and financing activities.

Review and provide material for outreach efforts relative to public impacts and construction procurements.

Plan, coordinate, attend, lead, and present project/program information to interested stakeholder groups as requested by the City. Prepare necessary handouts, visual aids and presentations; and take photographs at public events. Four (4) public events are anticipated during the 2020-2023 term.

- 7.3 (not used)

- 7.4 (not used)
- 7.5 **Program Website:** Maintain the program webpage. Update an average of once a month with program news, photos, and/or public-facing documents.
- 7.6 **Outreach Publications:** Produce content and graphics for bimonthly blurbs in Sustainable Sunnyvale and annual features in Horizons. Include up-to-date information to highlight key events, opportunities for public input, progress, and accomplishments.
- 7.7 **Project Awards:** Identify and apply for industry awards that would bolster the Program brand. It is assumed that two (2) applications would be completed during the contract term.

Program Coordination

The PMC shall assist the City with coordinating all efforts of the Program. The coordination effort includes:

- 8.1 (not used)
- 8.2 (moved to Task 5)
- 8.3 **Team Coordination Calls:** Hold internal meetings and conference calls and prepare minutes.
- 8.4 **City/PMC Biweekly Meetings:** Lead biweekly meetings with the City's special projects team, to coordinate day-to-day tasks of managing the Program. Prepare agendas, minutes, and handouts.
- 8.5 **Plant Program Meetings:** Participate in biweekly meetings with the City's leadership team, to update internal stakeholders on Program status and discuss strategic issues.
- 8.6 **City Council and Commission Coordination:** Prepare Update Sunnyvale write-ups, Informational Memoranda, Reports to Council and presentations for public hearings and study sessions.
- 8.7 (not used)
- 8.8 (not used)
- 8.9 (not used)
- 8.10 (not used)

Design project management meetings and design workshops are included under Task 1. As-needed attendance at construction meetings is included under Task 2. Third-party stakeholder meetings are included under Task 3. Permitting meetings and presentations to regulators are included under Task 6.

Commissioning

The PMC shall be responsible for commissioning services, including being engaged during the design process to verify all the necessary components of commissioning and start-up are included in the various projects. The PMC shall be responsible for coordinating all aspects of these commissioning services with the design engineer and the CMC. These services shall include:

- 9.1 **Pre-Construction Commissioning Coordination:** Coordinate testing, commissioning, and start-up requirements in design scopes of work, designs, and construction contracts to identify obligations of the designers, CMC, and general construction contractors during the commissioning process for Project 2.2.1–Secondary Treatment Improvements (Site Prep) and Project 2.2.2–Secondary Treatment Improvements (Main Package).
- 9.2 **Planning Phase:** Review and critique commissioning work plans prepared by contractors during the submittal process. Read and become familiar with key equipment and system submittals to prepare for the commissioning and start-up period. These plans and submittals are anticipated to include the owner training plan and schedule, the commissioning and process start-up schedule, testing plans for each subsystem, and the clean water facility testing plan.
It is anticipated that these services will be completed for Project 1.1.2–Headworks and Primary Treatment (Package 2) and Project 2.2.1–Secondary Treatment Improvements (Site Prep), and possibly initiated for Project 2.2.2–Secondary Treatment Improvements (Main Package).
- 9.3 **Commissioning Phase:** Participate in conference calls to coordinate commissioning activities. Resolve field issues as they arise. Participate in vendor training. Perform factory witness testing for major equipment.

Witness instrument field calibration, network installation testing, and loop testing.

Observe system functional testing, including network operational testing, preliminary run testing, process control and instrumentation system demo testing, and start-up and testing for all subsystems and equipment systems. Provide secondary review comments on testing report submittals for the wide area network. Provide secondary review comments on all Manufacturers' Certification of Installation Compliance.

Provide secondary review comments on the test water management final plan. Observe clean water facility testing and provide secondary review of the testing results. Prior to start-up, provide secondary review comments on the

commissioning documentation and data collected to-date to confirm readiness for start-up. Attend meetings and conference calls with the designer, CMC, and contractor to define the start-up sequence of events. Provide secondary review comments on the set-up and functional requirements for temporary facilities needed to support start-up. Cross-check process start-up forms submitted by the contractor to assure that all start-up services have been successfully completed in accordance with the design specifications. Provide secondary review comments on the final operations testing plan, the test water management plan, and the start-up go/no-go decision criteria.

It is anticipated that these services will be completed for Project 1.1.2–Headworks and Primary Treatment (Package 2) and Project 2.2.1–Secondary Treatment Improvements (Site Prep).

- 9.4 **Process Start-Up Phase:** Provide secondary review comments on the test water management final plan. Observe clean water facility testing and provide secondary review of the testing results.

Provide on-site support for initiation of facilities start-up, control loop tuning and optimization, process control system testing, odor control system testing, ancillary system and remaining equipment start-up and testing.

Assist with water quality sampling and troubleshooting during operational testing. Review system-level final testing reports and water quality testing documentation. Remotely troubleshoot performance testing and fine tuning of the process control and instrumentation system. Provide onsite post-acceptance support for process optimization and integration.

It is anticipated that these services will be performed for Project 1.1.2–Headworks and Primary Treatment (Package 2).

Commissioning services for Project 8.3–Cleanwater Center are not included and may be authorized under Additional Reconstruction Program Tasks, if needed.

Automation and Control Systems

The Master Plan includes an Automation Controls Systems (ACS) plan as well as ACS design standards. In addition, the PMC developed ACS Programming Standards to guide all programming activities by the System Integrator for each construction project. The PMC shall be responsible for overseeing that the design and construction projects conform to the established design standards and fit within the framework of the ACS plan.

The PMC shall be responsible for ACS services related to Project 1.1–Headworks and Primary Treatment Improvements, Project 2.1–Existing Plant Rehabilitation and Project 2.2–Secondary Treatment and Dewatering. Specific responsibilities and tasks include:

- 2.15 **ACS Design Workshops:** Attend special ACS workshops, meetings and conference calls facilitated by the Designers for Project 2.1–Existing Plant Rehabilitation and Project 2.2–Secondary Treatment and Dewatering, to provide

advice and guidance to the City and improve conformance to the ACS Master Plan and standards. Attend control strategy narrative development workshops facilitated by the design consultant during the design phase of the projects.

- 2.16 **Control System Algorithms:** Develop process area specific control algorithms that will provide documentation on how each of the process area control systems included in Project 2.1–Existing Plant Rehabilitation and Project 2.2–Secondary Treatment and Dewatering are controlled and monitored. Control algorithms will take the control strategy narrative developed by the design consultant and provide additional detail required by programmers to fully program the system. This includes defining how the software will be structured, the operation of the graphics, the information to be provided on the graphics and in the alarm system, as well as additional detail about the operational logic which is required for programming (what to do in the event of different failure situations, defining software interlocks, identifying any operator access levels, etc.) Workshops will be held with Plant staff and the design consultant to review control strategy narratives and develop detailed control algorithms.
- 2.17 **ACS Report Development:** Assist with developing reports for process control and compliance monitoring and long-term historical storage for the new Headworks and Primary Treatment facilities.
- 2.18 **Headworks and Primary Treatment–Package 2 Algorithm Implementation:** Advise on implementation of alternate influent pump station control algorithms during construction and commissioning of Headworks and Primary Treatment–Package 2.
- 2.19 **Process Optimization and Analysis Development:** Facilitate workshops to discuss and develop optimization opportunities for the processes included in Project 2.2–Secondary Treatment and Dewatering.
- 2.20 **ACS Standards Updates:** Review and update the ACS programming standards, following commissioning of each package.
- 2.21 **Cleanwater Center ACS Support:** Provide review and coordination related to the Cleanwater Center ACS and business networks. Provide input and review related to sequencing, demolition, temporary installations, and permanent tie-in to network segments constructed under other projects.
- 2.22 **ACS Support for Temporary Facilities:** Advise on implementation of sequencing, demolition, and temporary installations.

Other Direct Costs

All expenses are included under this task. This includes travel; Program Management Office rent, utilities, and supplies; shipping and miscellaneous office expenses; field equipment; Unifier licenses; and other allowable expenses as detailed in Exhibit C-2.

FIN Finance

Loan application and administration services are scoped under Amendment 2 to the AGREEMENT. All tasks and budgets from that Amendment remain in effect and include the following:

- F1. Project Management
- F1A. Water Quality Improvement Fund (Green Streets) Grant Administration
- F1B. Additional Work Due to Contractor Error
- F2. WIFIA Loan Application
- F3. Support for WIFIA Closing Activities
- F4. WIFIA Loan Administration
- F5. Project 2.1 (Existing Plant Rehabilitation) CWSRF Loan Application
- F6. Project 2.2 (Secondary Treatment Improvements) CWSRF Loan Re-Application
- F7. Project 2.2 (Secondary Treatment Improvements) CWSRF Loan Administration
- F8. (not used)
- F9. Project 2.1 (Existing Plant Rehabilitation) Predesign Report (*Optional*)
- F10. Project 2.1 (Existing Plant Rehabilitation) CWSRF Loan Administration (*Optional*)
- F11. EDA Grant Application

SRF loan administration for Project 1.1–Headworks and Primary Treatment was scoped under Amendment 1 Base Services. The completion of that work is replaced with the following:

- F11. **Project 1.1 CWSRF Loan Close-out:** Lead the final year of compliance with SRF requirements for Project 1.1–Headworks and Primary Treatment Facility. Address SRF compliance questions and coordinate with State Water Resources Control Board (SWRCB) staff. Assist with variance or waiver filings. Complete Compliance Certifications and prepare disbursement requests. Review MBE/WBE participation and compile the UR-334 reporting form for submittal to SWRCB. Gather records and address any compliance issues identified during the annual field visit.

Prepare Draft and Final Project Completion Report. Transition lead responsibility to the City Finance Department after the Completion Report is accepted and the repayment period begins.

Exhibit B-5 (cont)

Billing Rate Schedule

Effective October 1, 2020

The following rates are applicable for CDM Smith and Black & Veatch.

PROFESSIONAL AND SUPPORT SERVICES	HOURLY RATES
Senior Vice President (Grade 10)	\$300
Vice President (Grade 9)	\$278
Principal, Associate & Senior Engineer/Scientist (Grade 8)	\$266
Senior Engineer/Scientist (Grade 7)	\$254
Senior Engineer/Scientist (Grade 6)	\$236
Engineer/Scientist (Grade 5)	\$214
Engineer/Scientist (Grade 4)	\$174
Staff Engineer/Scientist (Grade 1, 2, & 3)	\$156
Draftsperson/Designer (DNDF1- DNDF8)	\$127
Contract/Project Administrator (FNCA5-8, ASPR8)	\$156
Technical Editor (CDMK5 – CMMK8)	\$156
Secretary/Word Processor (ASWP1-ASWP5)	\$127
Administrative Assistant (ASAD1-ASAD5)	\$115
Technician/Clerk (TEGN1-3)	\$85

Erin McGuire will be billed at her prevailing direct labor rate for hours beyond 1,700 within every 12-month period, commencing with the amendment execution date.

Billing Rate Schedule
Page 2

The following table provides the hourly rates of additional team members/sub-consultants.

Name	Sub-consultant	Hourly Rate
Alex Ekster	Ekster & Associates	\$224

ATS	
Personnel	Hourly Rate
Senior Archaeologist	\$207

Yorke Engineering	
Personnel	Hourly Rate
Principal Engineer/Scientist II	\$211
Principal Engineer/Scientist I	\$204
Senior Engineer	\$188
Senior Scientist/Project Manager	\$176
Engineer	\$166
Scientist	\$147
Staff	\$108
Clerical/Project Staff	\$78

Towill	
Personnel	Hourly Rate
Geodetic Engineer	\$260
Senior Project Manager	\$217
Survey Project Manager	\$207
Project Surveyor	\$172
Associate Surveyor	\$155
Party Chief	\$140
Survey Technician	\$128
Chain Person	\$122
CADD Technician	\$106
Apprentice	\$105

Billing Rate Schedule
Page 3

Environmental Science Associates	
Personnel	Hourly Rate
Senior Director III	\$318
Senior Director II	\$297
Senior Director I	\$281
Director III	\$254
Director II	\$239
Director I	\$222
Managing Associate III	\$217
Managing Associate II	\$202
Managing Associate I	\$185
Senior Associate III	\$180
Senior Associate II	\$170
Senior Associate I	\$160
Associate III	\$143
Associate II	\$133
Project Technicians III	\$128
Associate I	\$111
Project Technicians II	\$106
Project Technicians I	\$91

Kestrel Consulting	
Personnel	Hourly Rate
Principal Director	\$196
Senior Project Manager	\$173
Project Manager	\$155
Financial Analyst	\$144
Grant Manager	\$144
Grants Associate	\$124
Writer/Editor	\$134

Billing Rate Schedule
Page 4

Larry Walker Associates	
Personnel	Hourly Rate
President	\$318
Vice President	\$295
Associates	\$266
Senior Staff	\$238
Project Staff 2A	\$214
Project Staff 2B	\$191
Project Staff 1A	\$174
Project Staff 1B	\$150
Contract Administrator	\$162
Administrative	\$85

Katz Associates	
Personnel	Hourly Rate
CEO	\$278
President	\$266
Executive Vice President	\$243
Vice President	\$232
Senior Director	\$219
Director	\$208
Senior Account Supervisor	\$184
Account Supervisor	\$168
Senior Account Executive	\$150
Account Executive II	\$127
Account Executive I	\$121
Account Assistant	\$99
Graphic Designer	\$99
Account Coordinator	\$80
Project Support	\$70

Billing Rate Schedule
Page 5

HTH	
Personnel	Hourly Rate
Principal	\$242
Senior Associate Ecologist ¹	\$217
Associate Ecologist	\$202
Senior Ecologist 2	\$182
Senior Ecologist 1	\$166
Ecologist 2	\$147
Ecologist 1	\$131
Senior GIS Analyst ¹	\$135
Graphics/GIS Analyst	\$117
Field Biologist 2	\$112
Field Biologist 1 ¹	\$95
Technical Editor ¹	\$112
Admin	\$90
Clerk ¹	\$73

1 New rate category

The above are based on regular rates current at the time of execution of this Agreement. Hourly rates may be increased once each year beginning July 1, 2021 for the duration of the contract. Cumulative rate increase shall be based on the San Francisco-Oakland-Hayward Consumer Price Index (CPI) and not exceed the lesser of:

Maximum rate increase relative to October 1, 2020 rates	July 1, 2021	July 1, 2022	July 1, 2023
Percentage basis	6%	9%	12%
CPI basis	$\frac{\text{June 2021 CPI} - \text{June 2020 CPI}}{\text{June 2020 CPI}}$	$\frac{\text{June 2022 CPI} - \text{June 2020 CPI}}{\text{June 2020 CPI}}$	$\frac{\text{June 2023 CPI} - \text{June 2020 CPI}}{\text{June 2020 CPI}}$

Exhibit B-6

Water Pollution Control Plant Program Management **Additional Reconstruction Program Tasks**

The City is undergoing major efforts to procure, permit, design, bid, construct, and commission the various capital improvements necessary to rebuild the Water Pollution Control Plant. As part of this effort, the City may require that the Program Management Consultant (PMC) provide the additional support services briefly enumerated in the 4 sections below. Should the City decide to utilize the PMC for such services, a separate scope and fee shall be negotiated for each required task, and a task order issued which shall be executed by the City Manager or his/her designee and the PMC. The individual task amounts specified herein are estimates and may change once scope and fee are clearly defined and agreed upon. However, the total amount of \$1,000,000 may not be exceeded without City Council approval.

<u>Task</u>	<u>Est. Not-to-exceed Amount</u>
1. Project and Design Management – This task relates to procurement and oversight of design consultants; independent technical evaluations; preparation of supplemental specifications, design concepts, and technical information; participation in additional workshops; evaluation of major changes on Program implementation; modification of the Program Management Information System; and supplemental estimating, scheduling, and contract administration activities.	\$300,000
2. Construction and Commissioning Support – This task relates to services performed by the PMC for construction and commissioning activities.	\$200,000
3. Outreach and Stakeholder Coordination – This task relates to preparation of public outreach materials, coordination of public outreach events, and interaction with external stakeholders.	\$300,000
4. Regulatory and Environmental Compliance – This task relates activities driven by environmental regulations and compliance with CEQA documents and existing permits.	\$200,000
TOTAL	\$1,000,000

Project Details		Labor - Employee	Labor - Employee	Labor - Employee	Allowance	ODC	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - Labor	SubContract - 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Financial Summary				
Resource Type	Bill Amount		Hours	
Labor	\$6,663,610.00		28721	
ODC	\$328,854.00			
Subcontractor	\$4,873,229.68		19889	
CDM Smith escalation allowance	\$276,862.00			
Project Total	\$12,342,555.68			
Labor Bill Amount	ODC Billable	Sub Billable	Total Billable	
\$2,081,882		\$1,934,880	\$4,046,201	
\$904,858		\$728,312	\$1,671,174	
\$345,644			\$360,161	
\$209,754		\$226,026	\$367,450	
\$137,940			\$143,733	
\$39,754		\$338,775	\$380,199	
\$92,296		\$163,511	\$259,683	
\$249,470			\$259,948	
\$109,750		\$154,060	\$268,448	
\$64,700			\$67,417	
		\$52,934	\$52,934	
\$11,800			\$12,296	
\$6,650		\$19,850	\$26,779	
\$6,650		\$19,850	\$26,779	
\$6,650		\$20,475	\$27,404	
\$13,300		\$40,951	\$54,810	
\$40,080		\$7,940	\$49,703	
\$15,420			\$16,068	
\$8,340		\$7,940	\$16,630	
\$16,320			\$17,005	
\$33,400		\$6,617	\$24,420	
\$12,850			\$13,390	
\$6,950		\$6,617	\$13,859	
\$13,600			\$14,171	
\$39,688		\$425,591	\$834,780	
\$9,906			\$10,322	
\$141,148		\$162,266	\$309,343	
\$65,072			\$67,805	
		\$75,430	\$75,430	
			\$39,636	
\$38,038		\$50,287	\$50,287	
		\$36,549	\$36,549	
\$38,038			\$39,636	
\$276,920		\$209,030	\$497,518	
		\$16,630	\$16,630	
\$75,810		\$216,305	\$299,299	
\$25,270			\$26,331	
		\$75,166	\$75,166	
		\$50,287	\$50,287	
		\$36,387	\$36,387	
		\$54,465	\$54,465	
			\$52,663	
\$50,540			\$16,631	
\$8,160		\$8,128	\$16,631	
\$89,154			\$92,898	
\$76,342		\$259,763	\$339,311	
\$5,320		\$14,411	\$19,296	
\$57,722		\$233,056	\$293,202	
		\$32,554	\$32,554	
		\$83,370	\$83,370	
		\$11,910	\$11,910	
		\$52,611	\$52,611	
		\$52,611	\$52,611	
			\$60,146	
\$57,722			\$60,146	
\$13,300		\$12,296	\$26,155	
\$133,504		\$83,080	\$222,191	
\$48,000		\$16,399	\$66,955	
		\$51,617	\$51,617	
\$15,104		\$14,524	\$30,262	
\$17,792			\$18,539	
\$52,608			\$54,818	
\$430,063		\$269,147	\$769,442	
\$140,590		\$167,672	\$314,172	
\$101,534			\$105,798	
\$194,566		\$101,445	\$304,183	
\$43,368			\$45,189	
\$1,697,004			\$1,757,207	
\$220,886			\$224,762	
\$16,776			\$17,070	
\$4,485			\$4,673	
\$386,568			\$401,471	
\$32,880			\$34,261	
\$372,188			\$383,904	
\$247,646			\$262,247	
\$60,544			\$63,087	
\$255,021			\$265,732	
\$124,866		\$397,092	\$527,203	
\$48,276		\$79,104	\$129,408	
\$30,462		\$33,310	\$65,217	
\$30,996		\$132,978	\$165,276	
\$15,132		\$33,172	\$33,172	
		\$18,017	\$33,785	
		\$66,302	\$66,302	
		\$4,550	\$4,550	
		\$29,658	\$29,658	
\$102,618		\$312,714	\$419,642	
\$52,374		\$200,420	\$254,994	
\$30,420		\$33,137	\$64,835	
\$15,100		\$33,137	\$48,875	
\$4,720		\$46,020	\$50,988	
\$834,441		\$429,247	\$1,298,753	
\$244,125		\$174,989	\$429,367	
\$277,378		\$202,648	\$491,676	
\$108,968			\$113,545	
\$293,970		\$51,610	\$344,147	
\$292,352		\$768,065	\$1,317,585	
\$36,100			\$37,905	
\$3,458		\$57,193	\$60,824	
\$335,510		\$334,723	\$687,009	
\$148,284		\$376,148	\$531,864	
\$484,120		\$236,208	\$749,599	
\$64,638		\$53,627	\$121,497	
\$333,830		\$86,994	\$437,466	
\$14,896		\$22,897	\$38,538	
\$16,750		\$16,733	\$34,875	
\$22,610		\$23,736	\$27,477	
\$15,162		\$15,202	\$31,122	
\$11,704		\$12,268	\$24,557	
\$4,522		\$4,801	\$9,549	
	\$528,854	\$183,065	\$711,919	
	\$248,000		\$385,000	
	\$243,854	\$183,065	\$426,919	
\$125,418			\$130,886	

Exhibit C-2
Compensation for Reimbursable Expenditures/Subconsultant Markups
WPCP Program Management Services

Printing

Printing costs for all project documentation (i.e., meeting notes, technical memos, drawings, etc.) shall be expensed at accepted industry commercial rates.

Postage/Overnight Delivery

Postage/overnight delivery costs for all project documentation shall be expensed at accepted industry commercial rates.

Travel

Expenses for staff assigned to this project required to travel by air (i.e., air travel, lodging, car rental and meals) shall be subject to the following per diem rates and limits:

- Airfare and associated fees shall be reimbursed at the cost of Coach Class only. Business Class or First Class travel costs exceeding the Coach Class fare shall be at no additional cost to the CITY.
- Lodging shall be reimbursed at the current IRS standard per diem rate.
- Rental car expenses, including applicable taxes, fees and fuel, shall be reimbursed at the per diem rate of eighty-five dollars (\$85) per day (assumes rental of mid-size car).
- Meals and incidental expenses, including applicable taxes and gratuities, shall be reimbursed at the current IRS standard per diem rate. Reimbursement for alcoholic beverages or entertainment shall not be permitted.

The maximum allowable rate for mileage expenses for Northern California staff shall be at the current IRS standard mileage rate.

Other travel costs including bridge fares, parking fees and cab fare shall be reimbursed at cost.

Program Management Office

Rent, internet service, and biweekly janitorial services shall be expensed at cost. Annual lease increase in excess of 10% must be pre-approved by the City.

Program Management Information System

Unifier licenses for City, Consultant, and other firms engaged in the Program shall be paid for by Consultant and expensed at cost. Licenses must be purchased on an annual basis. The quantity of licenses purchased must be pre-approved by the City.

Field Supplies

Field supplies required for species surveys and nesting bird deterrence activities to be performed by Consultant shall be expensed at cost.

No other expenses are reimbursable, unless the CITY has pre-approved such expense in writing.

Subconsultant Markups

No markups shall be allowed on reimbursable expenses and the maximum markup on subconsultants shall be 5%.

CITY can reject invoices and/or request additional backup as necessary for these expenses.



City of Sunnyvale

Agenda Item

20-0797

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Adopt the City's Investment Policy for Fiscal Year 2020/21 and Receive Annual Performance Report for Fiscal Year 2019/20

BACKGROUND

The City Council first adopted a policy governing the investment of City funds on July 30, 1985. This policy has been reviewed and adopted on an annual basis since that time.

For the purposes of bringing on investment expertise and supporting the management of an increasingly complex investment environment as well as a portfolio that is growing significantly, Council approved a three-year contract with Chandler Asset Management, Inc. (Chandler) to provide investment management services on April 24, 2018 (RTC No. 18-0281). Chandler investment managers have been managing City investments since July 1, 2018.

EXISTING POLICY

Council Policy 7.1.2 Investment and Cash Management requires that the Investment Policy be reviewed and adopted annually within 120 days of the fiscal year to ensure consistency with the overall objectives of safety, liquidity, and yield and its relevance to current laws as well as financial and economic trends.

The key provisions of the existing Investment and Cash Management Policy are as follows:

1. Safety of principal is the foremost objective of the investment program. The City's portfolio is diversified by type of investment, issuer, and maturity date. Diversification is required to minimize exposure to any potential market and credit risk. The investment policy specifies the percentage of funds that can be invested in each investment type and issuer and the maximum maturity of each investment. The policy allows a maximum maturity of seven years for US Treasury, US Agency and Government Sponsored Enterprises (GSE) investments and shorter maturities for all other investments.
2. Liquidity- the portfolio will remain sufficiently liquid to enable the City to meet all operating requirements, which might be reasonably anticipated. A schedule of major revenues and expenditures for at least 12 months is maintained in order to determine liquidity needs. Liquidity requirements have been met through utilizing the State's Local Agency Investment Fund (LAIF) and the City's interest-bearing bank accounts.
3. Yield- the portfolio will be maintained with the objectives of safety and liquidity first, and then the objective of obtaining a reasonable market rate of return based on economic cycles, taking

into account the City's investment risk approach and cash flow needs.

All investments in the portfolio are in accordance with the California Government Code requirements and authorized by the City's Investment Policy. The City is in compliance with the requirement that all investments be held in safekeeping by a third-party bank trust department. The City currently has a contract with Union Bank to provide this service.

ENVIRONMENTAL REVIEW

This action does not require environmental review because it is not a project that has the potential for causing a significant impact on the environment. (CEQA Guideline 15061(b)(3). Furthermore, the action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b) (4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

DISCUSSION

Funds not immediately needed for disbursement are included in the City investment portfolio. Funds for the City's Deferred Compensation Plan, the City's Retirement Plan, Other Post-Employment Benefits (OPEB) Trust, Pension Trust, and debt issuance proceeds are managed by a third-party administrator and therefore are not covered by this Investment Policy. Funds needed for disbursement are maintained in a liquid checking account.

Annual Performance Reporting for FY 2019/20

The following annual reporting on portfolio performance for FY 2019/20 includes comparisons of the City's performance compared to the investment policy objectives.

For FY 2019/20, total rate of return of the portfolio managed by Chandler was 5.41%. This return represents growth of the portfolio arising from interest earnings and fair value appreciation achieved during the fiscal year. The return compares favorably against the City's performance measuring benchmark ICE BAML 1-5 Years US Treasury Securities/Agency Index, which returned 5.21% for the same period. The average life of the portfolio during this fiscal year was 2.77 years. The annualized interest earning rate of the LAIF account was 2.07%, and the portfolio average life was 191 days.

Interest earnings for FY 2019/20 for all City funds totaled \$16,207,202. Interest earnings are allocated pro rata to each fund throughout the City based on the periodic cash balance held in each fund.

The portfolio balance has increased by 14% from \$ 679.1 million in June 2019 to \$775.7 million in June 2020. This increase is mainly attributed to higher than anticipated revenues (such as development related fees, property tax, transient occupancy tax, and utility fees). Additionally, City expenditures remained under budget during the fiscal year. Additional details on the City's fiscal year ending performance will be provided with the Budgetary Year End Financial Report in December.

Investment Policy

The City's Investment Policy has been reviewed and certified annually by the Association of Public Treasurers of the United States and Canada (APT US&C) since 1999. After assuming the investment management role, Chandler continues to review the Investment Policy. Chandler recommends some modifications to update the Investment Policy with the latest California best practices and to enhance the clarity and readability of the Investment Policy. Recommended changes in summary are listed

below:

- Inclusion of language limiting callable federal agency securities to 20% of the portfolio in order to better manage market risk. Prior language managing call risk excluded callable corporate obligations, whose call features differ greatly from federal agency call features, making them advantageous to hold. The new language is specific to federal agency callable securities.
- Inclusion of a requirement that the City conduct an investigation of any pool investment vehicles it uses to better understand the risks and rewards involved. The new language includes a list of basic questions that should be answered periodically.
- Inclusion of language that places a duty on the City's investment advisor to communicate any actions related to the downgrade of securities below the minimum credit quality requirement to City staff in a timely manner.

Staff met with Chandler managers and reviewed the proposed changes in detail. Staff concurs with the edits and recommends accepting them. Edits are available in the redlined version of the Investment Policy (Attachment 1).

Once approved by Council, staff will submit the Investment Policy for FY 2020/21 to be re-certified by the APT US&C. Once adopted the proposed FY 2020/21 Investment Policy will be incorporated into the Council Policy Manual as Council Policy 7.1.2, replacing the Investment Policy for Fiscal Year 2019/20.

FISCAL IMPACT

There is no fiscal impact associated with adoption of the Investment Policy as recommended.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

RECOMMENDATION

Adopt the City's Investment Policy for FY 2020/21 (Council Policy 7.1.2).

Prepared by: Inderdeep Dhillon, Finance Manager
Reviewed by: Tim Kirby, Director of Finance
Reviewed by: Jaqui Guzmán, Deputy City Manager
Approved by: Kent Steffens, City Manager

ATTACHMENT

1. Proposed Investment Policy for FY 2020/21

COUNCIL POLICY MANUAL

Policy 7.1.2 Investment and Cash Management

POLICY PURPOSE:

The City establishes investment policies that meet its current investment goals. This policy is intended to establish objectives and criteria for the investment of the City's temporarily idle funds and for the City's Redevelopment Successor Agency and to provide guidelines for the City's cash management system.

This policy is set forth by the City of Sunnyvale (City) for the following purposes:

1. To establish a clear understanding for the City Council, City management, responsible employees, citizens and third parties of the objectives, policies and guidelines for the investment of the City's temporarily idle funds;
2. To offer guidance to investment staff on the investment of City funds; and
3. To establish a basis for evaluating investment results.

POLICY STATEMENT:

Objectives

The City's cash management system shall be designed to accurately monitor and forecast expenditures and revenues, to enable the City to invest funds to the fullest extent possible.

Idle funds of the City shall be invested in accordance with principles of sound treasury management and in accordance with the provisions of California Government Code Section 53600 et seq., the City Charter, the City's Municipal Code and this policy.

The objectives of the City's investment program are, in order of priority:

1. Safety – Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
2. Liquidity – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
3. Return on Investment – The City's investment portfolio shall be designed with the objective of attaining the safety and liquidity objectives first, and then attaining a market rate of return throughout the budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

COUNCIL POLICY MANUAL

Standard of Care – Prudent Investor

The governing body of the City and any staff members authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

The Director of Finance or his/her designee is authorized to manage the investment portfolio and act within the intent and scope of the investment policy and other written procedures and exercise due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest

Officers and employees involved with the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The Director of Finance or his/her designee and other designated employees are required to file applicable financial disclosures, as required by the Fair Political Practices Commission.

OPERATIONAL AND PROCEDURAL MATTERS:

Scope

This Investment Policy applies to all funds and investment activities of the City with the following exceptions:

1. The City's Deferred Compensation Plan is excluded because it is managed by a third party administrator and invested by individual plan participants;
2. The City's retirement funds, including any funds invested in a Section 115 Pension Rate Mitigation Trust. These funds are invested pursuant to California code and the Trust's separate long-term investment policy as approved by Council under the Trust Agreement.

COUNCIL POLICY MANUAL

3. Proceeds of debt issuance shall be invested in accordance with the general investment philosophy of the City; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.
4. Funds for the Other Post Employment Benefits (OPEB) Trust; shall be invested in accordance with the general investment philosophy of the City; however, these funds are invested pursuant to California code and the Trust's separate long-term investment policy as approved by Council under the Trust Agreement.

Authorized Financial Dealers and Institutions

1. The Director of Finance or his/her designee shall maintain a list of institutions qualified and authorized to transact investment business with the City. Eligible institutions include:
 - A. Primary government dealers as designated by the Federal Reserve Bank;
 - B. Regional broker/dealers;
 - C. Nationally or state-chartered banks;
 - D. The Federal Reserve Bank; and
 - E. Direct issuers of securities eligible for purchase by the City.
2. Public deposits shall be made only in qualified public depositories within the State of California as established by State law, or as permitted by Section III.A (4-7). Deposits shall be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, shall be collateralized with securities in accordance with state law.
3. A sufficient pool of qualified financial institutions and dealers will be maintained using criteria based on credit worthiness, experience, reference checks, and qualifications under the Securities and Exchange Commission. Unless working with a registered investment adviser, the City will issue a Request for Qualifications once every three years for these services. All broker/dealers who desire to become qualified must be registered with Financial Industry Regulatory Authority (FINRA) and supply the following as appropriate:
 - A. Audited financial statements
 - B. Completed broker/dealer questionnaire
 - C. Certification of having reviewed the City's Investment Policy.
4. It is the policy of the City to require competitive bidding for investment transactions. Whenever possible, at least three authorized financial dealers or institutions will be contacted to provide price quotations on security purchases and sales.
5. Selection of financial institutions and broker/dealers used by the City shall be at the sole discretion of the City, except where the City utilizes an external investment

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adviser in which case the City may rely on the adviser for selection. Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the adviser. The adviser shall make available its list of approved broker/dealers to City staff upon request.

Delivery vs. Payment

All investment transactions of the City shall be conducted using standard delivery vs. payment procedures.

Safekeeping of Securities

To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments, and maturity proceeds, all securities owned by the City shall be held in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement executed by the bank and by the City.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money mutual funds, since the purchased securities are not deliverable.

PERMITTED INVESTMENTS AND GUIDELINES TO ACHIEVE POLICY OBJECTIVES:

Authorized Investments

All investments shall be made in accordance with Sections 53600 *et seq.* of the Government Code of California and as described within this Investment Policy. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

Permitted investments under this policy shall include:

1. **Securities issued by the US Treasury**, provided that:
 - A. There shall be no maximum allowable investment in US Treasury securities; and
 - B. As required by Section 53601 of the California Government Code, the City Council hereby grants express authority to the Director of Finance or his/her

COUNCIL POLICY MANUAL

designee to invest in U.S. Treasury securities with final stated maturities up to seven years.

2. **Securities Issued and fully guaranteed as to payment by a federal agency or issued by a United States Government Sponsored Enterprise**, provided that:

- A. No more than 30% of the total portfolio may be invested in federal agencies or government sponsored enterprises of any single issuer; and
- B. As required by Section 53601 of the California Government Code, the City Council hereby grants express authority to the Director of Finance or his/her designee to invest in U. S. Agency securities with final stated maturities up to seven years.
- C. The maximum percent of agency callable securities in the portfolio will be 20%

3. **Banker's acceptances**, provided that:

- A. No more than 40% of the total portfolio may be invested in banker's acceptances;
- B. No more than 5% of the total portfolio may be invested per issuer;
- C. Their maturity does not exceed 180 days; and
- D. They are issued by institutions with short term debt obligations rated a minimum of P-1 by Moody's or A-1 by Standard and Poors, or the equivalent by a nationally recognized statistical-rating organization (NRSRO).

4. **Federally Insured Bank Deposits** (Non-negotiable certificates of deposit) in state or federally chartered banks, savings and loans, or credit unions in the state of California, provided that:

- A. No more than 20% of the total portfolio may be invested in a combination of federally insured and collateralized time deposits;
- B. The amount per institution is limited to the maximum covered under federal insurance; and
- C. Their maturity does not exceed five years.

5. **Collateralized Bank Deposits** (Non-negotiable certificates of deposit) in California banks in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

- A. No more than 20% of the portfolio shall be invested in a combination of federally insured and collateralized time deposits;
- B. No more than 5% may be invested per issuer; and
- C. The maturity of such deposits does not exceed 365 days.

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6. **Negotiable Certificates of Deposit (NCDs)** issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), or by a federally or state-licensed branch of a foreign bank, provided that:
 - A. No more than 30% of the total portfolio may be invested in investments made in accordance with this section plus deposits made under section III (7) of this policy;
 - B. No more than 5% of the total portfolio may be invested per issuer;
 - C. The maturity does not exceed 5 years;
 - D. The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
 - D. Any amount above the FDIC insured limit must be issued by institutions which have long-term obligations which are rated in the rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization; or have short-term debt obligations rated "A-1" or the equivalent or higher, by a nationally recognized statistical rating organization.
7. **Certificates of Deposit Placement Service** (e.g CDARS or like services) using private sector entity to assist in the placement of deposits above federal insurance amounts in increments less than federal insurance at participating banks, savings and loans, or credit unions nationally through a "selected depository institution" in California, provided that:
 - A. No more than 30% of the City's total portfolio may be invested in such deposits plus negotiable certificates of deposit purchased pursuant to Section III (6) of this policy;
 - B. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate shall at all times be insured by the FDIC or the NCUA;
 - C. The selected depository institution shall be a nationally or state-chartered bank, savings and loan, or credit union in California and shall serve as the custodian for each certificate of deposit issued by the placement service for the City's account;
 - D. At the same time the City's funds are deposited and the certificates of deposit are issued, the selected depository institution shall receive an amount of deposits from other commercial banks, savings banks, savings and loan associations or credit unions that, in total, are equal to or greater than the full amount of the principal that the City initially deposited with the selected depository institution;
 - E. No credit union may act as a selected depository institution unless:
 - I) The credit union offers federal depository insurance through the NCUA; and
 - II) The credit union is authorized by the NCUA in the deposit placement services, and affirms that moneys held by those credit

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unions while participating in a deposit placement service will at all times be insured by a federal government entity.

- F. The maximum maturity does not exceed five (5) years.
8. **Repurchase agreements** collateralized with securities authorized under Sections III (A1-2) of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that:
- A. No more than 10% of the portfolio shall be invested in repurchase agreements;
 - B. The maximum maturity of repurchase agreements shall be 15 days;
 - C. Securities used as collateral for repurchase agreements shall be delivered to the City's custodian bank, except that securities used as collateral for the one to seven day repurchase agreements with the City's depository bank may be held in safekeeping by an independent third party bank trustee in the name of the City, as evidenced by appropriate receipts of trust; and
 - D. The repurchase agreements are the subject of a master repurchase agreement between the City and the provider of the repurchase agreement. The master repurchase agreement shall be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
9. **Commercial paper**, provided that:
- A. No more than 25% of the total portfolio may be invested in commercial paper;
 - B. No more than 5% of the total portfolio may be invested per issuer.
 - C. The City may purchase no more than 10% of the outstanding commercial paper of any single issuer.
 - D. The maturity does not exceed 270 days from the date of purchase;
 - E. The paper is of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):
 - I) Is organized and operating in the United States as a general corporation. Has total assets in excess of five hundred million dollars (\$500,000,000). Has debt other than commercial paper, if any, that is rated in the rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization (NRSRO).

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- II) Is organized within the United States as a special purpose corporation, trust, or limited liability company. Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond. Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

10. **State of California Local Agency Investment Fund (LAIF)**, provided that:

- A. The Agency may invest up to the maximum amount permitted by LAIF.;
- B. It is recognized that LAIF has authority to invest in some instruments that are not permitted for Cities under the California Government Code; and
- C. A thorough investigation of the pool/fund is required prior to investing and on a continual basis. City staff will annually perform due diligence analysis of LAIF based on a standardized questionnaire developed to address investment policy and practices.

11. **Corporate medium-term notes**, provided that:

- A. No more than 30% of the total portfolio may be invested in medium-term notes;
- B. No more than 5% of the total portfolio may be invested per issuer;
- C. Such notes have a maximum maturity of 5 years;
- D. Such notes are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States; and
- E. Such notes are rated in the rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization.

12. **Asset-backed securities, Mortgage-backed, Mortgage pass-through securities, and collateralized mortgage obligations not defined in paragraphs 1 and 2 of the Authorized Investments Section of this policy**, provided that:

- A. No more than 20% of the total portfolio may be invested in Mortgage pass-through, mortgage-backed, collateralized mortgage obligations securities and asset-backed securities;
- B. No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- C. Such securities shall have a maximum legal final maturity of 5 years;
- E. Such securities are rated in the rating category of "AA" or its equivalent or higher by a nationally recognized statistical rating organization.

13. **Money market mutual funds**, provided that:

- A. No more than 20% of the total portfolio may be invested in Money market mutual funds;

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- B. Such funds are registered with the Securities and Exchange Commission and have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations;
 - C. Such funds have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code Section 53601 (a through j) and with assets under management in excess of \$500 million;
 - D. Such funds include in their prospectus the statement that one of the investment fund's investment objectives is to seek to maintain a net asset value of \$1; and
 - E. Such funds invest only in US Treasury and federal agency securities, and in repurchase agreements backed by US Treasury and federal agency securities.
14. **Municipal Securities.** These include obligations of the state of California, the treasuries or agencies of any other 49 states in addition to California, and any local Agency within the state of California including the City of Sunnyvale to the extent permitted by federal law, provided that:
- A. No more than 30% of the portfolio may be in Municipal Securities.
 - B. No more than 5% of the portfolio may be invested in any single issuer.
 - C. The maturity does not exceed 5 years from the date of purchase;
 - D. The rating by a nationally recognized statistical rating organization is in the "A" category or its equivalent or better; and
 - E. For Municipal Obligations in the form of variable rate demand obligations, the obligations shall be supported by a third-party liquidity facility from a financial institution with short-term ratings of at least A-1 by S&P or P-1 by Moody's. The right of the bondholder to tender the obligation converts these obligations to a short term investment.
15. **Local Government Investment Pools (LGIP),** provided that:
- A. The LGIP is organized pursuant to CGC Section 6509.7;
 - B. The Pool invests only in securities and obligations authorized in CGC Section 53601;
 - C. The Pool is managed by an investment adviser registered with the SEC or exempt from registration; and
 - D. Such adviser has not less than five years of experience investing in securities and obligations authorized in CGC Section 53601, and has assets under management in excess of five hundred million dollars (\$500,000,000).
16. **Supranational Securities.** CGC 53601 defines allowable Supranational Securities as United States dollar denominated senior unsecured unsubordinated obligations

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issued or unconditionally guaranteed by: the International Bank for Reconstruction and Development, the International Finance Corporation, or Inter-American Development Bank, provided that:

- A. No more than 30% of the total portfolio may be invested in Supranational securities;
- B. No more than 10% of the portfolio may be invested in any single issuer.
- C. The maturity does not exceed 5 years from the date of purchase;
- D. The instruments are eligible for purchase and resale within the United States; and
- E. The rating by a nationally recognized statistical rating organization is in the "AA" category or its equivalent or better.

Prohibited Investment Vehicles and Practices

- 1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds (other than government money market funds as described in ~~Section III A(12)~~this policy, unregulated and/or unrated investment pools or trusts, and futures and options.
- 2. In accordance with Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- 3. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
- 4. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- 5. Purchasing or selling securities on margin is prohibited.
- 6. No securities subject to rule 144A restrictions that are not required to be registered with the Securities and Exchange Commission (SEC).

Investment Pools/Mutual Funds

The City shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The Treasurer shall develop a questionnaire which will answer the following general questions:

- 1. A description of eligible investment securities, and a written statement of investment policy and objectives.
- 2. A description of interest calculations and how it is distributed, and how gains and losses are treated.

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3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Social and Environmental Responsibility

The City has a desire to encourage investments that support sound environmental, social and governance (ESG) investing. While the portfolio may not be classified as an ESG portfolio, investments in entities that support community well-being through safe and environmentally sound practices and fair labor practices and equality of rights regardless of sex, race, age, disability, or sexual orientation is encouraged. Investments are discouraged in entities that manufacture tobacco products, or firearms or nuclear weapons not used in the national defense of the United States, and are direct or indirect investments to support the production or drilling of fossil fuels.

Risk/Safety

The City recognizes that it is subject to the risks of investing in fixed income securities, especially “market risk” and “call risk” which are risks that the value of the portfolio will fluctuate with changes in the general level of interest rates, and “credit risk,” which is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt.

1. Mitigating market risk in the portfolio

The City recognizes that, over time, longer-term portfolios achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer term investments with funds which are not needed for current cashflow purposes. The City further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options (callable securities), will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

COUNCIL POLICY MANUAL

- A. The City shall maintain a percentage of the portfolio in short term securities to provide for cash flows.
 - ~~B. The maximum percent of callable securities (does not include “make whole call” securities as defined in the Glossary) in the portfolio will be 20%.~~
 - ~~CB.~~ The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
 - ~~DC.~~ The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the City based on the City’s investment objectives, constraints and risk tolerances.
2. Mitigating credit risk in the portfolio
- A. The diversification requirements included in the Authorized Investments section are designed to mitigate credit risk in the portfolio.
 - B. No more than 5% of the total portfolio may be invested in securities of any single issuer unless otherwise specified.
 - C. The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the City’s risk preferences; and
 - D. If a security owned by the City is downgraded to a level below the minimum quality required by this Investment Policy, it will be the City’s policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. If the City employs the services of an investment advisor, it is the duty of the advisor to communicate any actions related to the downgrade to the Treasurer in a timely manner.^{*} ^{*}If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
- ^{*}~~—~~ If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported quarterly to the City Council.

Liquidity

- 1. A schedule of major revenues and expenditures for a rolling 12-month period shall be maintained and coordinated with investments to the extent feasible.
- 2. Investment maturities may be timed to provide funds for scheduled expenditures not met by anticipated major revenue receipts.
- 3. To the extent possible, the Twenty Year Resource Allocation Plan shall be used for the cash flow projection purposes, and shall be taken into account in determining long term investment strategy.

COUNCIL POLICY MANUAL

Return Objectives

1. **Overall objective.** The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.
2. **Specific objective.** The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market

RESPONSIBILITY AND REPORTING:

Delegation of Authority

The City Manager is responsible for directing and supervising the Director of Finance and is also responsible to keep the City Council fully advised as to the financial condition of the City.

The Director of Finance is responsible, by Council delegation, for the custody and investment of City funds and the development of procedures to implement this Investment Policy. This delegation requires that the Director of Finance submit a monthly transaction report to the Council accounting for the investment of funds. The Director of Finance is further responsible for the duties and powers imposed on City Treasurers by the laws of the State of California.

The Director of Finance or his/her designee is responsible for monitoring investment market information, recommending investment strategy for portfolio diversity and timing of maturities, as well as ensuring compliance with the City's Investment Policy. The Investment staff shall maintain current knowledge of technical and legal requirements regarding municipal investments through continued education and maintain active membership in the California Municipal Treasurers Association (CMTA).

The City may employ an investment adviser to invest all or a portion of the City's cash. Such Adviser shall be granted discretion to invest and reinvest the portfolio in accordance with this Investment Policy and must be registered under the Investment Advisers Act of 1940. Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the investment adviser.

Reporting, Disclosure and Program Evaluation

The Director of Finance, as Chief Financial Officer and City Treasurer, shall file a quarterly investment report with the City Council and the City Manager within 30 days following the end of the quarter covered by the report. The report shall include the following information:

COUNCIL POLICY MANUAL

1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest rate;
2. The Director of Finance shall provide a monthly transaction report to the City Council;
3. A statement of compliance with the Investment Policy; and
4. A statement that the City has adequate funds to meet its cash flow requirements for the next six months.

Annual Reports

1. The investment policy shall be reviewed and adopted at least annually within 120 days of the end of the fiscal year to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.
2. A report of portfolio performance for the immediately preceding fiscal year shall be presented as part of the annual investment policy review. This report shall include comparisons of the City's performance compared to the return objectives, and shall include a section on compliance with the investment policy.

INTERNAL CONTROL:

The Director of Finance has established a system of internal controls to ensure compliance with the Investment Policies of the City and the California Government Code. The internal control procedures include segregation of duties in the different phases of an investment transaction, monthly reconciliation of the investment report to the general ledger, and annual policy compliance review by the City's outside auditor. An independent audit is conducted by the City's outside auditors which includes a compliance review of the City's investment activities to the City's Investment Policy, the California Government Code, and Government Accounting Standards Board (GASB) requirements regarding investment disclosures.

The Finance staff has established written investment procedures. These procedures include the process for projecting future cash flows, obtaining and documenting quotes, the review process for purchasing a new investment, how to select a broker when multiple brokers offer the same investment at the same price and other procedures relating to investments. These procedures are reviewed annually.

OVERSIGHT

The Investment Committee consisting of the City Manager, the Assistant City Manager, and the Director of Finance with staff support, will meet at least annually to evaluate the portfolio performance and establish current investment strategies and allocations in accordance with the adopted Policy and its objectives.

COUNCIL POLICY MANUAL

(Adopted: RTC 85-388 (7/30/1985); Amended: RTC 86-387 (7/22/1986), 87-421 (8/11/1987), 88-379 (07-26/88), [No RTC] (7/18/1989), 90-342 (7/17/1990), 91-303 (7/23/1991), 92-370 (7/28/1992), 93-363 (7/27/1993), 94-410 (8/9/1994), 95-301 (7/25/1995), 96-300 (7/23/1996), 97-338 (7/29/1997), 98-273 (8/4/1998), 99-383 (8/17/1999), 00-320 (9/12/2000), 01-272 (7/31/2001), 02-296 (7/23/2002), 03-277 (8/12/2003), 04-290 (8/17/2004), 05-242 (8/16/05), (Clerical/clarity update, Policy Update Project 11/2005), 06-262 (8/22/06), 07-286 (8/21/2007), 08-256 (8/26/2008), 08-307 (10/14/2008) 09-213 (8/11/2009), 10-225 (8/31/2010), 11-176 (8/23/2011), 12-211 (9/11/2012), 13-252 (10/22/2013), 14-0804 (10/28/2014), 15-0864 (10/13/2015), 16-0693 (10/25/2016), 17-0775 (10/3/2017), 18-0609 (8/14/2018), 19-0971 (11/5/2019).

Lead Department: Department of Finance

COUNCIL POLICY MANUAL

GLOSSARY OF INVESTMENT TERMS

Agencies. Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

Asked. The price at which a seller offers to sell a security.

Average Life. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

Banker’s Acceptance. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

Benchmark. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

Bid. The price at which a buyer offers to buy a security.

Broker. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

Callable. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

COUNCIL POLICY MANUAL

Collateral. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

Collateralized Mortgage Obligations (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Commercial Paper. The short-term unsecured debt of corporations.

Cost Yield. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

Coupon. The rate of return at which interest is paid on a bond.

Credit Risk. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

Current Yield. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

Dealer. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

Debenture. A bond secured only by the general credit of the issuer.

Delivery vs. Payment (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

Derivative. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as **discount securities**. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

Diversification. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

Duration. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

Federal Funds Rate. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

Federal Open Market Committee. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

Haircut. The margin or difference between the actual market value of a security and the value assessed by the lending side of a transaction (i.e. a repo).

COUNCIL POLICY MANUAL

Leverage. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

Liquidity. The speed and ease with which an asset can be converted to cash.

Make Whole Call. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

Margin. The difference between the market value of a security and the loan a broker makes using that security as collateral.

Market Risk. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

Market Value. The price at which a security can be traded.

Marking to Market. The process of posting current market values for securities in a portfolio.

Maturity. The final date upon which the principal of a security becomes due and payable.

Medium Term Notes. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

Modified Duration. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

Money Market. The market in which short-term debt instruments (Tbills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

Mortgage Pass-Through Securities. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

Mutual Fund. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

Premium. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

Prepayment Speed. A measure of how quickly principal is repaid to investors in mortgage securities.

Prepayment Window. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

Primary Dealer. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

Prudent Person (Prudent Investor) Rule. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care,

COUNCIL POLICY MANUAL

skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiarity with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes.”

Realized Yield. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

Regional Dealer. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

Repurchase Agreement (RP, Repo). Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller’s point of view, the same transaction is a reverse repurchase agreement.

Safekeeping. A service to bank customers whereby securities are held by the bank in the customer’s name.

Structured Note. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

Supranational Debt. Supranational debt is the term for debt (unsecured unsubordinated obligations issued or unconditionally guaranteed) of an international or multi-lateral financial agency. Supranationals are well capitalized and in most cases have strong credit support from contingent capital calls from their member countries. CGC 53601 was amended effective January 1, 2015 to allow local agencies to invest in the senior debt obligations of three supranational issuers which are eligible for purchase and resale within the United States, specifically the International Bank for Reconstruction and Development, International Finance Corporation, and Inter-American Development Bank.

Total Rate of Return. A measure of a portfolio’s performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. Treasury Obligations. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury Bills. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month Tbills at regular weekly auctions. It also issues “cash management” bills as needed to smooth out cash flows.

Treasury Notes. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

Treasury Bonds. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

Volatility. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

COUNCIL POLICY MANUAL

Yield to Maturity. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.



City of Sunnyvale

Agenda Item

20-0598

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Authorize the Issuance of Blanket Purchase Orders with Graniterock and West Coast Sand & Gravel for Aggregate Base Materials for the Departments of Public Works and Environmental Services (F20-134)

REPORT IN BRIEF

Approval is requested to authorize the issuance of two blanket purchase orders in an amount not to exceed \$425,000 with Graniterock of Redwood City and in an amount not to exceed \$158,000 with West Coast Sand & Gravel of Sacramento for the purchase of aggregate base materials for the Departments of Public Works and Environmental Services for a one-year period. Approval is also requested to authorize the City Manager to modify and renew the purchase orders for two additional one-year periods subject to available budget, if pricing and service remain acceptable to the City.

EXISTING POLICY

Pursuant to Section 2.08.040 of the Sunnyvale Municipal Code, City Council approval is required for the procurement of goods and/or services exceeding \$100,000 in any one transaction.

ENVIRONMENTAL REVIEW

This project is exempt under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301(c), minor alteration of existing facilities, mechanical equipment, highways and streets involving negligible or no expansion of use beyond that which presently exists

BACKGROUND AND DISCUSSION

Aggregate base materials are used by Public Works operations and Environmental Services water and sewer operations to perform regular repair work on City streets and parking lots to fill potholes and repair asphalt as required. Upon completion of repairs, aggregate base rock and cold mix are used to backfill excavated area and compacted to ensure the ongoing integrity of the City streets and parking lots.

The Invitation for Bids was posted on the City's DemandStar public procurement network in April. It was directly provided to known aggregate materials suppliers in the Bay Area. Sealed bids were publicly opened on May 6 with three responsive bids received (see Attachment 1 - Bid Summary). West Coast Sand & Gravel was the lowest responsive bidder. However, after samples of the crushed granite (bid items 1 and 2) were provided and analyzed by City staff, it was determined that these materials did not meet City standards. The next lowest bidder, Graniterock, is the City's current supplier for crushed granite so the product has been determined to meet City standards. While West Coast Sand & Gravel did not meet the standards for crushed granite, its bid for all other bid items were determined as acceptable for use by the City.

The City is recommending awarding multiple contracts based on the varying low bid items. This provides primary and backup suppliers. Staff recommends setting the blanket order for Graniterock at \$425,000 based on it being the low bid and primary vendor for bid items with the highest estimated cost. Staff recommends setting the blanket order for West Coast Sand & Gravel at \$158,000 based on it being the low bid and primary vendor for the remaining bid items. Staff recommends awarding contracts to both bidders, based on bid pricing, flexibility and to ensure the highest level of availability of materials to meet operational needs as they arise.

FISCAL IMPACT

Funding is provided by the General Fund for City streets and parking lots, from the Water Supply and Distribution Fund and the Wastewater Management Fund for utility related work.

Budgeted funds are available in the Department of Public Works operating budget (Program 120 - Pavement Maintenance) and the Environmental Services Department operating budget (Program 360 - Water Resources, and Program 367 - Wastewater Collection Systems).

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

RECOMMENDATION

- Authorize the issuance of a one-year blanket purchase order to Graniterock in substantially the same form as Attachment 2 to the report, in an amount not-to-exceed \$425,000;
- Authorize the issuance of a one-year blanket purchase order to West Coast Sand & Gravel, Inc., in substantially the same form as Attachment 3 to the report, in an amount not-to-exceed \$158,000; and
- Authorize the City Manager to amend and renew the purchase orders for two additional one-year periods, subject to available budget, if pricing and service remain acceptable to the City

Prepared by: Gregory S. Card, Purchasing Officer

Reviewed by: Tim Kirby, Director of Finance

Reviewed by: Ramana Chinnakotla, Director of Environmental Services

Reviewed by: Chip Taylor, Director of Public Works

Reviewed by: Jaqui Guzmán, Deputy City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Bid Summary
2. Draft Purchase Order - Graniterock
3. Draft Purchase Order - West Coast Sand & Gravel

**Invitation for Bids F20-134
Aggregate Based Materials**

Vendor Name				West Coast Sand & Gravel 9411 Elder Creek Rd Sacramento, CA 95829 Rick Santa Cruz 800-522-0282 ext 1		Graniterock 1900 Quarry Rd Aromas, CA 95004 Tom Treanor 831-234-9300		Stevens Creek Quarry 12100 Stevens Canyon Rd Cupertino, CA 95014 Mark Mallin 408-253-2512	
Address									
Contact									
Bid Item No.	Description	UOM	Estimated Annual Quantity	Cost per UOM	Extended Cost	Cost per UOM	Extended Cost	Cost per UOM	Extended Cost
1.	Crushed Granite/Fine 1/4"	TONS	2600	\$34.25	\$89,050.00	\$50.59	\$177,065.00	NO BID	NO BID
2.	Crushed Granite/Medium 3/8"	TONS	3500	\$33.00	\$115,500.00	\$50.59	\$177,065.00	NO BID	NO BID
3.	Aggregate Base (Recycled) ¾ Class 2	TONS	3200	\$17.75	\$56,800.00	\$15.16	\$48,512.00	\$21.33	\$68,256.00
4.	Drain Rock 1 1/2"	TONS	3000	\$33.25	\$99,750.00	\$45.19	\$135,570.00	\$43.67	\$131,010.00
5.	Cold Mix/Cut Back	TONS	300	\$130.00	\$39,000.00	\$147.99	\$44,397.00	NO BID	NO BID
BID TOTAL					\$400,100.00		\$582,609.00		\$199,266.00

Other Bid Items

1.	Permanent Asphalt Cold Patch	50 lb. BAG EA	300	\$0.00	\$0.00	\$17.06	\$5,118.00	NO BID	NO BID
2.	Permanent Asphalt Cold Patch	60 lb. BAG EA	300	\$12.50	\$3,750.00	\$0.00	\$0.00	NO BID	NO BID

Notes *West Coast Sand & Gravel Products supplied samples for City bid items 1 & 2 did not meet City approval.



ORDERED FROM 00161 - 001 Graniterock Co 365 Blomquist St Redwood City, CA 94063 (650) 482-3800	ORDER DATE	BILL TO: City of Sunnyvale Finance Department Accounts Payable PO Box 3707 Sunnyvale, CA 94088-3707
	EFFECTIVE DATE 9/29/2020	
	EXPIRATION DATE 9/28/2021	
	CONTRACT AMOUNT \$425,000.00	
REQUISITIONING DEPARTMENT (9022) DPW/Ops - Streets	FOB DEST	FREIGHT CHARGES Destination, freight included in price
	PAYMENT TERMS N/30	BID NO

ITEM	DESCRIPTION	UNIT	UNIT COST
1	Blanket order for the supply of aggregate materials as required by the Departments of Public Works and Environmental Services for a one-year period in accordance with Request for Invitation (IFB) No. F20-134 specifications and bidders response, which are attached and incorporated herein by this reference. This order may be renewed for two (2) additional one-year periods. PINS Job Code Awarded by Council XX/XX/XX , RTC No. 20-0598 Purchase Requisition No. RQ023335. This purchase order replaces BL009805.	DLR	\$1.0000

AUTHORIZED DEPARTMENT(S)		
NO	DEPT NAME	RELEASE AMT
9020	DPW/Operations	\$425,000.00
9021	ESD/Sewer & Storm	\$425,000.00
9022	DPW/Ops - Streets	\$425,000.00
9023	ESD/Water	\$425,000.00



DOCUMENT TERMS

This purchase order is subject to the City of Sunnyvale Standard Terms and Conditions for the Purchase of Goods, dated 5/14/19, a copy of which is attached and incorporated by reference (Form #TCBPO-G). Invoices must be sent directly to accounts payable by mail to the address above or by e-mail to accountspayable@sunnyvale.ca.gov and MUST REFERENCE THE PURCHASE ORDER NUMBER. Failure to comply will result in a delay in payment processing.

BUYER:

Christiansen, Ingrid

PHONE (408) 730-7627

FAX



ORDERED FROM 29079 - 001 (888) 888-8888 West Coast Sand & Gravel Inc PO Box 5067 Buena Park, CA 90622-5067	ORDER DATE	BILL TO: City of Sunnyvale Finance Department Accounts Payable PO Box 3707 Sunnyvale, CA 94088-3707
	EFFECTIVE DATE 9/29/2020	
	EXPIRATION DATE 9/28/2021	
	CONTRACT AMOUNT \$158,000.00	
REQUISITIONING DEPARTMENT (9022) DPW/Ops - Streets	FOB DEST	FREIGHT CHARGES Destination, freight included in price
	PAYMENT TERMS N/30	BID NO

ITEM	DESCRIPTION	UNIT	UNIT COST
1	Blanket order for the supply of aggregate materials as required by the Departments of Public Works and Environmental Services for a one-year period in accordance with Request for Invitation (IFB) No. F20-134 specifications and bidders response, which are attached and incorporated herein by this reference. This order may be renewed for two (2) additional one-year periods. PINS Job Code DAnudyQe118638 Awarded by Council XX/XX/XX , RTC No. 20-0598 Purchase Requisition No. RQ023335.	DLR	\$1.0000

AUTHORIZED DEPARTMENT(S)		
NO	DEPT NAME	RELEASE AMT
9020	DPW/Operations	\$158,000.00
9021	ESD/Sewer & Storm	\$158,000.00
9022	DPW/Ops - Streets	\$158,000.00
9023	ESD/Water	\$158,000.00



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BUYER:

Christiansen, Ingrid

PHONE (408) 730-7627

FAX



City of Sunnyvale

Agenda Item

20-0810

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Adopt a Resolution Extending the City's Declaration of Local Emergency for COVID-19

DISCUSSION

On March 12, City Manager Kent Steffens declared a local health emergency pursuant to the authority granted to him as the Emergency Services Director in Sunnyvale Municipal Code Chapter 2.16 (Emergency Organization and Functions) and applicable state law. The City Council adopted a resolution ratifying that declaration (Resolution No. 979-20) on March 17, 2020, and resolutions extending the declaration on April 7, 2020 (Resolution No. 981-20), May 26, 2020 (Resolution No. 994-20), July 14, 2020 (Resolution No. 1010-20) and August 25, 2020 (Resolution No. 1016-20).

The emergency conditions related to COVID-19 continue. The State established and revised a phased/tiered framework for gradual reopening based on defined metrics designed to help mitigate the spread of COVID-19. Numerous public health directives from Santa Clara County remain in effect, extensively regulating the ways in which businesses in a variety of different sectors may operate. As of the date this report was written, Santa Clara County was in the state's "red" tier, meaning the County still has a substantial number of COVID-19 cases and is subject to significant restrictions.

Therefore, staff anticipates that the COVID-19 emergency conditions will continue for some time before the public health orders are rescinded. Staff recommends that Council adopt the attached resolution extending the City's declaration of a local emergency, to be reviewed again within 60 days pursuant to Government Code section 8630 (California Emergency Services Act). Extending the local health emergency empowers the City to continue to effectively respond to COVID-19, including staffing the EOC, coordinating with partner agencies, seeking and utilizing mutual aid, and pursuing potential federal and state reimbursement for costs related to response efforts.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines sections 15320, 15378 and 15061 (b)(3) as it is an organizational structure change and does not have the potential to result in either a direct or reasonable foreseeable indirect physical change in the environment.

STAFF RECOMMENDATION

Adopt a Resolution Extending the City Manager/Director of Emergency Services' Proclamation of Existence of a Local Emergency (COVID-19).

Prepared by: David Carnahan, City Clerk

Reviewed by: Jaqui Guzmán, Deputy City Manager

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Draft Resolution Extending Emergency Proclamation
2. Resolution No. 1016-20
3. Resolution No. 1010-20
4. Resolution No. 994-20
5. Resolution No. 981-20
6. Resolution No. 979-20

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF SUNNYVALE EXTENDING THE CITY
MANAGER/DIRECTOR OF EMERGENCY SERVICES'
PROCLAMATION OF EXISTENCE OF A LOCAL
EMERGENCY (COVID-19)**

WHEREAS, on March 12, 2020, the City Manager acting as the Director of Emergency Services proclaimed the existence of a local emergency within the City due to the novel coronavirus (COVID-19), a respiratory disease that may result in serious illness or death and is easily transmissible from person to person; and

WHEREAS, the City Council unanimously ratified and confirmed that proclamation of local emergency on March 17, 2020 by adopting Resolution 979-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on April 7, 2020 by adopting Resolution 981-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on May 26, 2020 by adopting Resolution 994-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on July 14, 2020 by adopting Resolution 1010-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on August 25, 2020 by adopting resolution 1016-20; and

WHEREAS, the City Council has reviewed the need to continue the existence of a local emergency and finds that the conditions supporting the declaration of emergency related to COVID-19 continue to exist, for reasons including, but not limited to:

- (1) All residents of the State of California and Santa Clara County are subject to public health orders that continue to limit or place restrictions on certain activities and require social distancing at all times; and
- (2) As of September 10, 2020, the State of California recorded more than 750,000 cases of COVID-19 and more than 13,900 deaths; and
- (3) As of September 10, 2020, Santa Clara County recorded more than 18,800 cases of COVID-19 and 263 deaths. On September 8, it was placed in the State's "Red Tier," meaning it has significant numbers of COVID-19 cases. Many non-essential indoor operations are required to be closed, and most other activities are subject to health and safety restrictions designed to limit the spread of COVID-19; and

- (4) All of the state and county case and death numbers are expected to continue to rise; and
- (5) The state has ordered that schools in counties on the watch list (now the “Purple Tier” for widespread COVID-19 cases), could not reopen for in-person learning until the counties in which they are located have been in the “Red Tier” for at least fourteen consecutive days; and
- (6) Many Sunnyvale residents have experienced job loss or reduced hours due to COVID-19 closures and shelter-in-place orders, and the unemployment rate in Santa Clara County in June 2020 was 10.8 percent, a substantial increase from pre-pandemic rates of 2.6 percent in January and February of 2020; and
- (7) The City has and continues to experience a loss of revenue from several areas due to closures related to COVID-19; and
- (8) The economic recovery from COVID-19 and its impacts are now estimated to be in terms of years not months; and

WHEREAS, the City Council finds that the COVID-19 situation is still causing conditions of peril to the health, safety, and welfare of persons and property in the City of Sunnyvale and is still deemed to be beyond the control of normal protective services, personnel, equipment and facilities of and within the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1. The City of Sunnyvale hereby proclaims the extension of the period of the Existence of a Local Emergency for an additional 60 days or unless sooner terminated.
2. The local emergency shall be deemed to continue to exist until its termination is proclaimed by the City Council of the City of Sunnyvale.
3. As required by California Government Code section 8630, the City Council shall review the need to continue the state of emergency every sixty (60) days until this resolution is terminated.

Adopted by the City Council at a regular meeting held on _____, by the following
vote:

AYES:
NOES:
ABSTAIN:
ABSENT:
RECUSAL:

ATTEST:

APPROVED:

City Clerk
(SEAL)

Mayor

APPROVED AS TO FORM:

City Attorney

RESOLUTION NO. 1016-20**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF SUNNYVALE EXTENDING THE CITY
MANAGER/DIRECTOR OF EMERGENCY SERVICES'
PROCLAMATION OF EXISTENCE OF A LOCAL
EMERGENCY (COVID-19)**

WHEREAS, on March 12, 2020, the City Manager acting as the Director of Emergency Services proclaimed the existence of a local emergency within the City due to the novel coronavirus (COVID-19), a respiratory disease that may result in serious illness or death and is easily transmissible from person to person; and

WHEREAS, the City Council unanimously ratified and confirmed that proclamation of local emergency on March 17, 2020 by adopting Resolution 979-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on April 7, 2020 by adopting Resolution 981-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on May 26, 2020 by adopting Resolution 994-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on July 14, 2020 by adopting Resolution 1010-20; and

WHEREAS, the City Council has reviewed the need to continue the existence of a local emergency and finds that the conditions supporting the declaration of emergency related to COVID-19 continue to exist, for reasons including, but not limited to:

- (1) All residents of the State of California and Santa Clara County are subject to public health orders that continue to limit or place restrictions on certain activities and require social distancing at all times; and
- (2) As of August 3, 2020, the State of California recorded more than 509,000 cases of COVID-19 and more than 9,000 deaths; and
- (3) As of August 3, 2020, Santa Clara County recorded more than 10,000 cases of COVID-19 and 191 deaths. It has been on the State COVID-19 "watch list" since July 12, in large part due to increased hospitalizations; and
- (4) All of the state and county case and death numbers are expected to continue to rise; and
- (5) On July 17, 2020, Governor Newsom ordered that schools in counties on the watch list, including Santa Clara County, could not reopen for in-person learning until the counties in which they are located are off the watch list for fourteen consecutive days; and
- (6) Many Sunnyvale residents have experienced job loss or reduced hours due to COVID-19 closures and shelter-in-place orders, and the unemployment rate in Santa Clara County in June 2020 was 10.8 percent, a substantial increase from pre-pandemic rates of 2.6 percent in January and February of 2020; and

- (7) The City has and continues to experience a loss of revenue from several areas due to closures related to COVID-19; and
- (8) The economic recovery from COVID-19 and its impacts are now estimated to be in terms of years not months; and

WHEREAS, the City Council finds that the COVID-19 situation is still causing conditions of peril to the health, safety, and welfare of persons and property in the City of Sunnyvale and is still deemed to be beyond the control of normal protective services, personnel, equipment and facilities of and within the City.

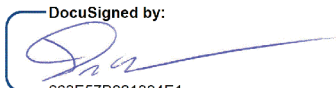
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1. The City of Sunnyvale hereby proclaims the extension of the period of the Existence of a Local Emergency for an additional 60 days or unless sooner terminated.
2. The local emergency shall be deemed to continue to exist until its termination is proclaimed by the City Council of the City of Sunnyvale.
3. As required by California Government Code section 8630, the City Council shall review the need to continue the state of emergency every sixty (60) days until this resolution is terminated.

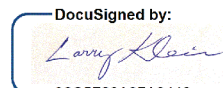
Adopted by the City Council at a regular meeting held on August 25, 2020, by the following vote:

AYES: KLEIN, SMITH, LARSSON, HENDRICKS, MELTON, GOLDMAN, FONG
NOES:
ABSTAIN:
ABSENT:
RECUSAL:

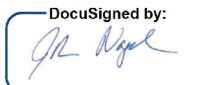
ATTEST:

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DAVID CARNAHAN
City Clerk
(SEAL)

APPROVED:

DocuSigned by:

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LARRY KLEIN
Mayor

APPROVED AS TO FORM:

DocuSigned by:

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JOHN A. NAGEL
City Attorney

RESOLUTION NO. 1010-20

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF SUNNYVALE EXTENDING THE CITY
MANAGER/DIRECTOR OF EMERGENCY SERVICES'
PROCLAMATION OF EXISTENCE OF A LOCAL
EMERGENCY (COVID-19)**

WHEREAS, on March 12, 2020, the City Manager acting as the Director of Emergency Services proclaimed the existence of a local emergency within the City due to the novel coronavirus (COVID-19), a respiratory disease that may result in serious illness or death and is easily transmissible from person to person; and

WHEREAS, the City Council unanimously ratified and confirmed that proclamation of local emergency on March 17, 2020 by adopting Resolution 979-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on April 7, 2020 by adopting Resolution 981-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on May 26, 2020 by adopting Resolution 994-20; and

WHEREAS, the City Council has reviewed the need to continue the existence of a local emergency and finds that the conditions supporting the City's original declaration of emergency still exist because all residents of the State of California and Santa Clara County are subject to public health orders that continue to limit or place restrictions on certain activities and require social distancing at all times; and

WHEREAS, the City Council finds that the COVID-19 situation is still causing conditions of peril to the health, safety, and welfare of persons and property in the City of Sunnyvale and is still deemed to be beyond the control of normal protective services, personnel, equipment and facilities of and within the City.

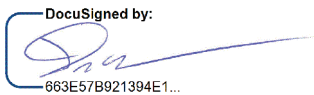
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1. The City of Sunnyvale hereby proclaims the extension of the period of the Existence of a Local Emergency for an additional 60 days or unless sooner terminated.
2. The local emergency shall be deemed to continue to exist until its termination is proclaimed by the City Council of the City of Sunnyvale.
3. As required by California Government Code section 8630, the City Council shall review the need to continue the state of emergency every sixty (60) days until this resolution is terminated.

Adopted by the City Council of the City of Sunnyvale at a regular meeting held on July 14, 2020 by the following vote:

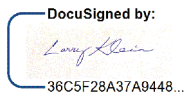
AYES: KLEIN, SMITH, LARSSON, HENDRICKS, MELTON, GOLDMAN, FONG
NOES:
ABSTAIN:
ABSENT:
RECUSAL:

ATTEST:

DocuSigned by:

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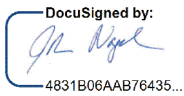
DAVID CARNAHAN
City Clerk
(SEAL)

APPROVED:

DocuSigned by:

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LARRY KLEIN
Mayor

APPROVED AS TO FORM:

DocuSigned by:

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JOHN A. NAGEL
City Attorney

RESOLUTION NO. 994-20**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF SUNNYVALE EXTENDING THE CITY
MANAGER/DIRECTOR OF EMERGENCY SERVICES'
PROCLAMATION OF EXISTENCE OF A LOCAL
EMERGENCY (COVID-19)**

WHEREAS, on March 12, 2020, the City Manager acting as the Director of Emergency Services proclaimed the existence of a local emergency within the City due to the novel coronavirus (COVID-19), a respiratory disease that may result in serious illness or death and is easily transmissible from person to person; and

WHEREAS, the City Council unanimously ratified and confirmed that proclamation of local emergency on March 17, 2020 by adopting Resolution 979-20; and

WHEREAS, the City Council reviewed and unanimously extended the proclamation of local emergency on April 7, 2020 by adopting Resolution 981-20; and

WHEREAS, the City Council has reviewed the need to continue the existence of a local emergency and finds that the conditions supporting the City's original declaration of emergency still exist. Such conditions include, but are not limited to, the fact that all residents of the State of California are subject an executive order issued by Governor Newsom on March 19, 2020 to stay at home, and that all residents of Santa Clara County are subject to a revised public health order to stay at home through May 31, 2020 and practice social distancing at all times; and

WHEREAS, the City Council finds that the COVID-19 situation is still causing conditions of peril to the health, safety, and welfare of persons and property in the City of Sunnyvale and is still deemed to be beyond the control of normal protective services, personnel, equipment and facilities of and within the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1. The City of Sunnyvale hereby proclaims the extension of the period of the Existence of a Local Emergency for an additional 60 days or unless sooner terminated.
2. The local emergency shall be deemed to continue to exist until its termination is proclaimed by the City Council of the City of Sunnyvale.
3. As required by California Government Code section 8630, the City Council shall review the need to continue the state of emergency every sixty (60) days until this resolution is terminated.

Adopted by the City Council at a regular meeting held on May 26, 2020, by the following vote:

AYES: KLEIN, SMITH, LARSSON, HENDRICKS, MELTON, GOLDMAN

NOES:

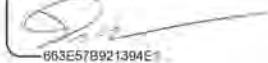
ABSTAIN:

ABSENT: FONG

RECUSAL:

ATTEST:

DocuSigned by:



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DAVID CARNAHAN

City Clerk

(SEAL)

APPROVED:

DocuSigned by:



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LARRY KLEIN

Mayor

APPROVED AS TO FORM:

DocuSigned by:



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JOHN A. NAGEL

City Attorney

RESOLUTION NO. 981-20

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUNNYVALE
EXTENDING THE CITY MANAGER/DIRECTOR OF EMERGENCY SERVICES'
PROCLAMATION OF EXISTENCE OF A LOCAL EMERGENCY (COVID-19)**

WHEREAS, section 2.16.040 of the Sunnyvale Municipal Code empowers the Director of Emergency Services/City Manager to proclaim a local emergency if the City Council is not in session and requires that the City Council shall take action to ratify the proclamation within seven days; and

WHEREAS, on March 12, 2020, the City Manager acting as the Director of Emergency Services proclaimed the existence of a local emergency within the City due to the novel coronavirus (COVID-19), a respiratory disease that may result in serious illness or death and is easily transmissible from person to person; and

WHEREAS, the City Council unanimously ratified and confirmed that proclamation of local emergency on March 17, 2020 by adopting Resolution 979-20; and

WHEREAS, Resolution 979-20 provided that the City would review the emergency declaration 30 days from March 17, 2020, and Section 8630 of the California Emergency Services Act requires that the City Council review, at least every 60 days until such local emergency is terminated, the need for continuing the local emergency; and

WHEREAS, the City Council has reviewed the need to continue the existence of a local emergency and finds that the conditions supporting the City's original declaration of emergency still exist. Such conditions include, but are not limited to, the fact that all residents of the State of California are subject an executive order issued by Governor Newsom on March 19, 2020 to stay at home, and that all residents of Santa Clara County are subject to a revised public health order issued on March 31, 2020 to stay at home through May 3, 2020 and practice social distancing at all times; and

WHEREAS, the City Council finds that the COVID-19 situation is still causing conditions of peril to the health, safety, and welfare of persons and property in the City of Sunnyvale and is still deemed to be beyond the control of normal protective services, personnel, equipment and facilities of and within the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1. The City of Sunnyvale hereby proclaims the extension of the period of the Existence of a Local Emergency for an additional 60 days or unless sooner terminated.
2. The local emergency shall be deemed to continue to exist until its termination is proclaimed by the City Council of the City of Sunnyvale.

3. As required by California Government Code section 8630, the City Council shall review the need to continue the state of emergency every sixty (60) days until this resolution is terminated.

Adopted by the City Council at a regular meeting held on April 7, 2020 by the following vote:

AYES: KLEIN, MELTON, LARSSON, HENDRICKS, SMITH, GOLDMAN, FONG
NOES: NONE
ABSTAIN: NONE
ABSENT: NONE
RECUSAL: NONE

ATTEST:



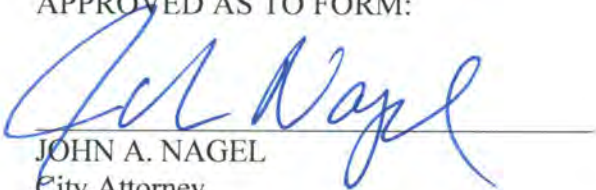
DAVID CARAHAN
City Clerk
(SEAL)

APPROVED:



LARRY KLEIN
Mayor

APPROVED AS TO FORM:



JOHN A. NAGEL
City Attorney

RESOLUTION NO. 979-20

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUNNYVALE
CONFIRMING THE CITY MANAGER/DIRECTOR OF EMERGENCY SERVICES'
PROCLAMATION OF EXISTENCE OF A LOCAL EMERGENCY (COVID-19)**

WHEREAS, section 2.16.040 of the Sunnyvale Municipal Code empowers the Director of Emergency Services/City Manager to proclaim a local emergency if the City Council is not in session and requires that the City Council shall take action to ratify the proclamation within seven days; and

WHEREAS, the novel coronavirus (COVID-19) is a respiratory disease that may result in serious illness or death and is easily transmissible from person to person; and

WHEREAS, on January 31, 2020, the United States Department of Public Health and Human Services Secretary Alex Azar declared a public emergency for the novel coronavirus (COVID-19) beginning on January 27, 2020; and

WHEREAS, on March 4, 2020, Governor Gavin Newsom declared a state of emergency in the State of California due to the number of confirmed cases of COVID-19 in the State; and

WHEREAS, on March 5, 2020, Santa Clara County declared an emergency due to the number of confirmed cases of COVID-19 in the County, thus enabling Santa Clara County to take extraordinary measures; and

WHEREAS, on March 9, 2020, the Santa Clara County Department of Public Health issued a mandatory order prohibiting public gatherings of more than 1000 people, effective March 11, 2020; and

WHEREAS, on March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic; Santa Clara County announced that the number of confirmed COVID-19 cases in the County had increased to 48 from 24 on March 6, 2020; and the CDC and Governor of the State of California issued recommendations to cancel or postpone gatherings of more than 20 people; and

WHEREAS, on March 12, 2020, the City Manager acting as the Director of Emergency Services proclaimed the existence of a local emergency within the City; and

WHEREAS, as of March 12, 2020, more than 120,000 people in more than 100 countries have been infected by COVID-19, and Santa Clara County was among jurisdictions in the United States with the highest case numbers; and

WHEREAS, COVID-19 therefore has and will continue to cause conditions of peril to the health, safety, and welfare of persons and property in the City of Sunnyvale; and

WHEREAS, preparing for, responding to, mitigating, and recovering from the spread of COVID-19 requires the City to divert resources from normal day-to-day operations, and has and will continue to impose extraordinary requirements on and expenses to the City; and

WHEREAS, the City Council hereby finds that the above described conditions related to the COVID-19 outbreak did warrant and necessitate the proclamation of the existence of a local emergency in Sunnyvale.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1. The Proclamation of Existence of a Local Emergency, as issued by the Director of Emergency Services/City Manager, and attached as Exhibit A to this Resolution, is hereby ratified and confirmed.
2. The local emergency shall be deemed to continue to exist until its termination is proclaimed by the City Council of the City of Sunnyvale.
3. As required by law, the City Council shall review the need to continue the state of emergency every thirty (30) days until this resolution is terminated.

Adopted by the City Council at a regular meeting held on March 17, 2020, by the following vote:

AYES: KLEIN, SMITH, LARSSON, HENDRICKS, SMITH, GOLDMAN, FONG

NOES:

ABSTAIN:

ABSENT:

RECUSAL:

ATTEST:




City Clerk
(SEAL)

APPROVED:



Mayor

APPROVED AS TO FORM:



City Attorney

EXHIBIT A

**PROCLAMATION OF A LOCAL EMERGENCY
BY THE CITY OF SUNNYVALE CITY MANAGER/EMERGENCY SERVICES DIRECTOR
REGARDING COVID-19**

WHEREAS, Chapter 2.16 of the Sunnyvale Municipal Code empowers the Director of Emergency Services to proclaim the existence or threatened existence of a local emergency when the City is affected by or likely to be affected by a public calamity and the City Council is not in session; and

WHEREAS, the novel coronavirus (COVID-19) is a respiratory disease that may result in serious illness or death and is easily transmissible from person to person; and

WHEREAS, on January 31, 2020, the United States Department of Public Health and Human Services Secretary Alex Azar declared a public emergency for the novel coronavirus (COVID-19) beginning on January 27, 2020; and

WHEREAS, on March 4, 2020, Governor Gavin Newsom declared a state of emergency in the State of California due to the number of confirmed cases of COVID-19 in the State; and

WHEREAS, on March 5, 2020, Santa Clara County declared an emergency due to the number of confirmed cases of COVID-19 in the County, thus enabling Santa Clara County to take extraordinary measures; and

WHEREAS, on March 11, the World Health Organization declared the novel coronavirus outbreak a global pandemic; and

WHEREAS, the health, safety and welfare of Sunnyvale residents, businesses, visitors and staff is of utmost importance to the City and additional future measures may be needed to protect the community; and

WHEREAS, the City may require additional assistance in the future, and a formal declaration of emergency allows additional resources to flow to the City in a timely fashion; and

WHEREAS, existing conditions related to the COVID-19 warrant the proclamation of emergency, as defined by Sunnyvale Municipal Code Chapter 2.16; and

WHEREAS, the Director of Emergency Services of the City of Sunnyvale does hereby find that extraordinary measures are required to protect the public health, safety, and of persons and property within the City of Sunnyvale, that are or are likely to be beyond the control or capability of the services, personnel, equipment, and facilities of the City; and

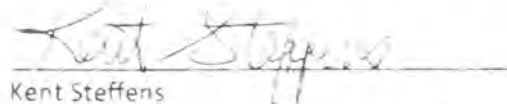
WHEREAS, the City Council is not in session and cannot be immediately called into session

NOW, THEREFORE, IT IS HEREBY PROCLAIMED that a local emergency now exists throughout the City of Sunnyvale due to the outbreak of COVID-19; and

IT IS FURTHER PROCLAIMED AND ORDERED that during the existence of the local emergency the powers, functions, and duties of the Director of Emergency Services and the emergency organization of this City shall be those prescribed by state law, by the Charter, by ordinances and resolutions of this City, and by the City of Sunnyvale Emergency Plan, as approved by the City Council; and

IT IS FURTHER PROCLAIMED AND ORDERED that this emergency proclamation shall expire in 7 days after issuance unless confirmed and ratified by the City Council of the City of Sunnyvale

Date Nov 8, 2020



Kent Steffens

Director of Emergency Services/City Manager



City of Sunnyvale

Agenda Item

20-0855

Agenda Date: 10/13/2020

SUBJECT

Approve the Joint City Council and Sunnyvale Financing Authority Meeting Minutes of June 23, 2020

RECOMMENDATION

Approve the Joint City Council and Sunnyvale Financing Authority Meeting Minutes of June 23, 2020 as submitted.



City of Sunnyvale

Meeting Minutes - Draft City Council

Tuesday, June 23, 2020

7:00 PM

Telepresence Meeting: City Web Stream |
Comcast Channel 15

**Regular Meeting - 7 PM | Special Joint Meeting of the City Council and the Sunnyvale
Financing Authority - 7 PM (or as soon thereafter as the matter may be heard)**

ADJOURNMENT TO SPECIAL JOINT MEETING OF THE CITY COUNCIL AND SUNNYVALE FINANCING AUTHORITY

CALL TO ORDER

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the meeting was conducted telephonically.

Authority Chair / Mayor Klein called the Sunnyvale Financing Authority meeting to order at 7:21 p.m. via teleconference.

ROLL CALL

Present: 7 - Authority Chair / Mayor Larry Klein
Authority Vice Chair / Vice Mayor Nancy Smith
Authority Member / Councilmember Gustav Larsson
Authority Member / Councilmember Glenn Hendricks
Authority Member / Councilmember Russ Melton
Authority Member / Councilmember Michael S. Goldman
Authority Member / Councilmember Mason Fong

Authority Chair / Mayor Klein, Authority Vice Chair / Vice Mayor Smith and all Authority Members / Councilmembers attended via teleconference.

PUBLIC COMMENT (ON SPECIAL MEETING ITEMS ONLY)

Public Comment opened at 7:22 p.m.

No speakers.

Public Comment closed at 7:22 p.m.

CONSENT CALENDAR

CONSENT CALENDAR

MOTION: Authority Vice Chair Smith moved and Authority Member Melton seconded the motion to approve agenda item 2.A.

The motion carried with the following vote:

Yes: 7 - Authority Chair Klein
Authority Vice Chair Smith
Authority Member Larsson
Authority Member Hendricks
Authority Member Melton
Authority Member Goldman
Authority Member Fong

No: 0

2.A [20-0379](#) Approve the Joint City Council and Sunnyvale Financing
Authority Meeting Minutes of June 9, 2020

PUBLIC HEARINGS/GENERAL BUSINESS

3 [20-0351](#) City Council Adoption of the FY 2020/21 Budget, Fee
Schedule and Appropriations Limit, Approve Budget
Modification No. 29 to Appropriate Community Development
Block Grant CARES Funding, and Sunnyvale Financing
Authority Adoption of the FY 2020/21 Budget

Finance Director Tim Kirby provided the staff report.

Public Hearing opened at 7:28 p.m.

Benjamin Hertzberg voiced support for shifting funds away from the Department of Public Safety (DPS). He inquired regarding the recommended budget including funds for DPS recruitment and selection; he believes that the Department announced a hiring freeze for the year.

Frank Tavares communicated support for amending the budget to defund DPS.

Max Joyner voiced support for defunding DPS.

Jessica Salans shared support for defunding DPS. She spoke about upcoming vacancies on the City Council.

Megan King communicated support for defunding and dismantling DPS. She suggested investing in community resources such as housing, health care and education.

Martin Pyne voiced support for Council to agendize a discussion of a budget modification or study issue addressing DPS funding.

Public Hearing closed at 7:43 p.m.

City Council

MOTION: Councilmember Hendricks moved and Councilmember Melton seconded the motion to approve alternatives 1 and 4:

1. adopt the resolutions presented as Attachment 1 to the report (including Exhibit A), Attachment 2 (including Exhibits A through D), and Attachment 3 (including Exhibit A) to the report that provide for the adoption of the Fiscal Year (FY) 2020/21 Fee Schedule, Budget and Appropriations Limit; and
4. approve Budget Modification No. 29.

The motion carried with the following vote:

Yes: 7 - Mayor Klein
Vice Mayor Smith
Councilmember Larsson
Councilmember Hendricks
Councilmember Melton
Councilmember Goldman
Councilmember Fong

No: 0

Sunnyvale Financing Authority

MOTION: Authority Member Melton moved and Authority Member Hendricks seconded the motion to approve alternative 2: adopt the FY 2020/21 Budget Resolution (Sunnyvale Financing Authority) presented as Attachment 4 to the report.

The motion carried with the following vote:

Yes: 7 - Authority Chair Klein
Authority Vice Chair Smith
Authority Member Larsson
Authority Member Hendricks
Authority Member Melton
Authority Member Goldman
Authority Member Fong

No: 0

ADJOURN SPECIAL MEETING

Authority Chair / Mayor Klein adjourned the Sunnyvale Financing Authority meeting at 8:31 p.m.



City of Sunnyvale

Agenda Item

20-0811

Agenda Date: 10/13/2020

REPORT TO COUNCIL AND SUNNYVALE FINANCING AUTHORITY

SUBJECT

Adopt Resolutions to Authorize Issuance of Lease Revenue Bonds to Finance the Civic Center Phase I Project in an Amount not to exceed \$160 Million Including Financing and Closing Costs; Approve Financing Team, and Authorize the City Manager/Executive Director or the Finance Director/Treasurer to Execute all Related Documents

REPORT IN BRIEF

Staff is recommending the City Council and the Sunnyvale Financing Authority (the "Authority") authorize the issuance of bonds to finance \$150 million of the costs of the Civic Center Phase I Project (the "Project"), approve the financing team that implements the issuance of the Bonds, and Authorize the City Manager/Executive Director or the Finance Director/Treasurer to execute all related documents.

BACKGROUND

The Sunnyvale Civic Center, located at the corner of El Camino Real and Mathilda Avenue, is home to the City's primary administrative facilities: City Hall, Library, and Department of Public Safety Headquarters. Civic Center buildings range in age between 30 and 60 years old.

In early 2015, the City began an extensive community engagement process to evaluate how facilities at the Civic Center could be renovated or replaced. Through this process, the City developed a Needs Assessment, Vision Statement, and Success Criteria for the Project that were intended to guide further planning efforts.

On October 25, 2016, Council approved a scope of services for the Civic Center Modernization Project Master Plan (RTC No. 16-0072). The scope outlined specific consulting services needed to complete a long-term Master Plan for the Civic Center and further defined what elements of the Project would be implemented as part of the first phase of construction.

A multi-step public procurement process was used to solicit interest and select a consultant to complete the Civic Center Master Plan. On May 23, 2017, Council awarded a contract to SmithGroup JJR (now SmithGroup Inc.) for master planning services (RTC No. 17-0136). SmithGroup Inc. (SmithGroup) is an architecture firm with extensive experience preparing campus master plans and designing modern, sustainable and attractive buildings.

On July 25, 2017 Council reviewed options for expanding the existing Public Safety Building and considered whether the City Hall Annex Building could be renovated and used for NOVA Workforce Services (RTC No. 17-0617). After considering the options, Council gave direction to pursue an addition to the existing Public Safety Building of approximately 11,000 square feet as part of Phase 1 of the Civic Center Project. Also, that the City Hall Annex Building be replaced and space for NOVA

Workforce Services be included in City Hall.

In 2017, two Master Plan options for the Civic Center were developed for building placement, site circulation, parking facilities, and open space features. In November 2017, the City Council selected Option 1 - Plaza as the alternative for further environmental analysis (RTC No. 17-0835).

On September 25, 2018, Council adopted a resolution to certifying a Program Environmental Impact Report ("EIR") for the Civil Center Master Plan, including a Mitigation Monitoring and Reporting Program (MMRP) and a Statement of Overriding Considerations and directed City Staff to proceed with design for a Net Zero City Hall Building (RTC No. 18-0799).

On December 4, 2018, Council voted to award the Phase 1 design contract to SmithGroup (RTC No. 18-1008).

Phase I comprises the following building and site components:

- A new City Hall building which locates staff currently in the Main City Hall, South Annex, Annex, and Sunnyvale Office Center in one building;
- An addition to the Department of Public Safety Building, housing an emergency operations center (EOC) and detectives' bureau;
- Renovation of portions of the Public Safety Building supporting the current needs and technical functions of the Public Safety Officers; and
- Demolition of the existing City Hall, South Annex, Annex, and Sunnyvale Office Center and creation of approximately six acres of plazas and open space.

On August 27, 2019 Council approved the Schematic Design, the Highly Recommended and Recommended Cost Saving Strategies, and directed Staff to proceed with the design and construction procurement for the Civic Center Phase 1 project (RTC No. 19-0592).

On February 25, 2020 Council awarded the Civic Center Phase 1 construction management services to Jacobs Project Management Co (RTC No. 20-0168).

On July 14, 2020, Council approved changes to the Project as described in the Addendum to the EIR.

EXISTING POLICY

Council Fiscal Policy 7.1.8 - Debt Management

ENVIRONMENTAL REVIEW

On September 25, 2018, the City Council certified a Program EIR for the Civil Center Master Plan, including a Mitigation Monitoring and Reporting Program (MMRP) and a Statement of Overriding Considerations for two significant and unavoidable impacts (cultural resources and noise) (RTC No. 18-0799). On July 14, 2020, Council considered an Addendum to the Program EIR when it approved changes to the Civic Center Modernization Project as described in the Addendum to the Program EIR. The proposed action is a financing mechanism that does not involve any changes to the Project analyzed in the EIR and Addendum. Therefore, no additional environmental review is required pursuant to the California Environmental Quality Act ("CEQA") Guidelines 15168(c)(2).

DISCUSSION

The City has been reserving and planning for the renovation or replacement of its aging Civic Center facilities for many years, accumulating \$130 million in cash funding with the anticipation of borrowing for the remaining project needs. The funds represent a portion of the costs of the Project. The City will need to fund the remaining cost through the issuance of the Bonds. In the current market, rates are near historic lows. This issuance would enable the City to spread the cost of the new facilities on a long-term basis to the taxpayers and users of the facility over its useful life.

The Project is proposed to be funded by the issuance of Bonds in an amount not to exceed \$160 million. The expected issuance amount is anticipated to be lower to yield \$152 million in Bond proceeds, but the higher limit provides flexibility in dynamic market conditions. Financing these costs on a long-term basis at current interest rates would result in approximately \$7.7 million in average annual debt service and total debt service of \$240.6 million over the entire term of the financing. The Bonds would be issued by the Authority.

Staff recommends that the Bonds have a final maturity of April 1, 2052. The Bonds would pay interest only for the first three years during construction with 29 years of level debt service (principal and interest payments) thereafter. Based on current market conditions, the all-in true interest cost of the Bonds will be less than 3.0 percent, including transaction costs.

Staff also recommends that the Bonds be designated as “Green Bonds.” The basis for this designation is that the new City Hall will be a net-zero energy facility and has been designed as LEED Platinum-certified. In addition, the Emergency Operations Center addition has been designed to LEED Gold-certified. By being designated as “Green Bonds”, the Bonds may attract a specific universe of socially motivated investment funds and other investors.

Use of Negotiated Sale

There are two ways that the City can sell bonds: competitive and negotiated. The City has generally issued bonds on a negotiated basis. Staff is recommending a negotiated sale for the bonds due to the complexity of the transaction, market volatility surrounding the Presidential election and the competing supply of bonds expected from other public agencies. In a negotiated sale, the City works with an underwriting team to pre-market the bonds to investors, allowing an opportunity to educate investors about the City’s credit and to obtain investor feedback that will inform important bond structuring matters.

With a competitive sale, the City would set a date and time at which any underwriting firm may submit a bid to purchase the bonds and the City would award the bonds to the firm that offers the lowest true interest cost. A competitive sale is best suited under more stable market conditions with more limited competing supply as the demand for the bonds from underwriting firms and investors would be higher.

Approval of Financing Team

The Financing Team consists of the bond counsel, disclosure counsel, municipal advisor, and underwriters. Staff is recommending that the bond counsel, disclosure counsel, municipal advisor, and underwriters be approved by Council and the Authority.

Municipal Advisor

Ross Financial, San Francisco, CA. Ross Financial is a San Francisco-based financial advisory firm

that is focused solely on municipal bonds. Its principal, Peter Ross, has more than forty years of experience in the municipal bond market, having served in the capacities of bond counsel, underwriter, and financial advisor over the course of his career. Ross Financial performs work for many prominent municipalities in California, including the Cities of San Jose, San Francisco, Burbank, Whittier, the Santa Clara Valley Transportation Authority, SamTrans, and Peninsula Corridor Joint Powers Board. Mr. Ross has been the City's municipal advisor for over twenty years, most recently supporting the City on the Sunnyvale Clean Water Program Water Infrastructure Financing and Innovation Act (WIFIA) Loan negotiations as well as with the issuance of the City's 2017 Water and Wastewater Revenue Refunding Bonds, the 2010 Solid Waste revenue bonds and the 2009 Variable Rate Certificates of Participation.

Ross Financial proposes a fee of \$75,000 plus out-of-pocket expenses (likely minimal, if any). This fee will be paid from the proceeds of the Bonds and is contingent upon their sale and closing.

Bond Counsel and Disclosure Counsel

Bond counsel is responsible for drafting legal documents and ensuring that the Bonds are issued in compliance with all applicable state and federal tax laws. Bond counsel delivers an opinion that the Bonds are legally issued and interest on the Bonds is tax-exempt for Federal and California income tax purposes. Disclosure Counsel drafts the Official Statement and provides the opinion that the Official Statement is accurate in all material respects.

The law firm of Jones Hall is recommended as legal counsel. Jones Hall is a leading public finance law firm in the State and serves local governments throughout California. The firm has served as bond and/or disclosure counsel on several previous financings including the Sunnyvale Clean Water Program WIFIA Loan negotiations, 2017 Water and Wastewater Revenue Refunding Bonds, Variable Rate Certificates of Participation financing for the Government Center Site Acquisition Project, the Mello-Roos financing for the Downtown Parking Project, and the 2001 Utilities Bonds.

Jones Hall proposes a fee of \$175,000 for both bond counsel services and disclosure counsel services. This fee will be paid from the proceeds of the bonds and is contingent on their sale and closing.

Underwriters

Staff conducted a request for proposals ("RFP") process for underwriting services for the bonds. The City distributed the RFP to 16 firms and received 10 proposals. Based on the responses, Stifel, Nicolas was selected as the Senior Manager and J.P Morgan Securities, BofA Securities, and Raymond James as co-managers (collectively the "Underwriters").

Stifel is one of the most active underwriting firms in the California municipal bond market, particularly with respect to lease revenue bonds and certificates of participation.

The co-managers bring strong California financing experience and distribution capabilities in support of Stifel's efforts.

The underwriters will be compensated by purchasing the Bonds at discount to which they sell the Bonds to investors. The expected underwriters' discount (including expenses) for the underwriting team is approximately 0.25% to 0.30% times the par amount of bonds issued.

Trustee

Staff is recommending U.S. Bank National Association, San Francisco, CA as the Trustee for this transaction. The Trustee is responsible for holding the bond proceeds, repaying the bonds on behalf of the City and enforcing rights and remedies on behalf of the bondholders.

Overview of the Lease Revenue Bond Financing Structure

Staff is proposing a lease-leaseback financing in which the City will lease certain assets to the Authority and then lease back the assets from the Authority; the Bonds will be secured by lease payments made by the City for use and occupancy of the assets. The leased assets will initially include the existing City Hall, the Public Safety Building, and the Corporation Yard and the underlying land of each parcel (the "Initial Assets"). Once constructed and occupied, the new City Hall and the expanded Public Safety Building, and underlying land, will remain subject to the lease and other assets will be released. The approach, also common with California public agencies in their lease financings, obviates the need to fund approximately three years of capitalized interest from bond proceeds, reducing the issue size by approximately \$15 million. Investors like this approach as it eliminates the potential impacts of construction risks.

Documents to Approve

Site Lease (Attachment 1)

To effectuate the asset transfer structure, the Authority will lease the Initial Assets from the City in consideration of issuing the Bonds.

Lease Agreement (Attachment 2)

The Authority will lease the Initial Assets back to the City pursuant to the Lease Agreement. The City will covenant in the Lease Agreement to budget and appropriate funds for the scheduled lease payments in an amount sufficient to pay debt service on the Bonds on an annual basis. If the City fails to make the scheduled lease payments, US Bank, as Trustee for the Bonds (the "Trustee") could sue the City to make the scheduled lease payments or the Trustee could take possession of and re-let the leased assets.

Assignment Agreement (Attachment 3)

Under the Assignment, payments received by the Authority under the Lease Agreement will be assigned to the Trustee.

Indenture of Trust

The Bonds will be issued under the terms of an Indenture of Trust (the "Indenture"), between the Authority and the Trustee. The Indenture contains provisions relating to the terms of the Bonds, the funds in which Bond proceeds and lease payments will be held, the security for the Bonds, events of default, remedies that the Trustee may pursue on behalf of Bondholders and related provisions.

Official Statement

This is the disclosure document, like a prospectus, that describes the plan of finance, the terms of the Bonds, security features, City financial and demographic information, any potential risks, and other information relevant to a bondholder's decision to purchase the Bonds. During the pre-marketing period, the Official Statement is distributed in preliminary form. After pricing, when the final Bond terms are known, the Official Statement is distributed to investors in final form.

Continuing Disclosure Certificate

In the Continuing Disclosure Certificate, the City will covenant to the underwriters that it will provide annual updates to certain information provided in the Official Statement and immediate updates to certain material events (e.g., rating changes, Bond redemptions). The City will cause these updates to be posted to a website ("Electronic Municipal Market Access") that is accessible by anyone.

Bond Purchase Agreement

On a "pricing date," the Underwriters, the City and the Authority will enter into the Bond Purchase Agreement that will set forth the final purchase price of the Bonds, final interest rates and redemption features and the conditions under which the Underwriters will purchase the 2020 Lease Revenue Bonds.

Variable Rate Demand Certificates of Participation

The City has approximately \$9.65 million of outstanding certificates of participation secured by a lease of the Government Center site (Sunnyvale Office Center). The City will be using this site as a staging area during the construction of Phase I. After construction, the Government Center will be demolished. The City currently has set aside approximately \$7.5 million in various reserve funds for debt repayment. To avoid potential state law and Federal tax law complications associated with maintaining this debt outstanding, the City will be contributing approximately \$2.1 million from the cash that has been accumulated for the Civic Center project to repay the Government Center certificates of participation. Because of this contribution, the City will be financing approximately \$152 million of Project costs rather than \$150 million.

Authority and City Resolutions

Two resolutions approving the sale need to be approved, one by the City and one by the Authority. The resolutions approve the sale, the indenture and other related documents needed to complete the transaction.

Sunnyvale Financing Authority

The Authority was originally established as a Joint Powers Authority between the City and the Sunnyvale Redevelopment Agency (now the Sunnyvale Redevelopment Successor Agency). The Successor Agency will be dissolved once it has repaid all its enforceable obligations, removing one of the partners to the JPA. The earliest this could occur is in 2022 when the 1998 Certificates of Participation (Parking Facility) debt is retired will requiring the dissolution of the Successor Agency. Staff has consider establishing alternate authorities and will most likely establish a Parking Authority to manage the City's parking structures and overall parking in the downtown. This would also give the City a mechanism to issue debt for the downtown if needed.

FISCAL IMPACT

The City recently publicly opened bids for the Project, receiving one bid. This bid has been deemed responsive and responsible and is planned for award by Council on October 27. The bid is substantially under the engineers estimate for the construction on the project. Staff is recommending Council approve financing the original full \$152 million in project costs and reserving the savings in the project budget for unanticipated costs (e.g. unknown issues uncovered during the public safety building remodel). Following completion of the Project, those funds will be reserved for future infrastructure needs such as the renovation or replacement of the City's aged fire stations, Civic Center Phase 2 improvements, or the Corporation Yard Renovation.

Senate Bill 450 - (Chapter 625 of the 2017-2018 Session of the California Legislature) ("SB 450") requires that the governing body of a public body obtain prior to authorizing the issuance of bonds or other obligations with a term of greater than 13 months, a good faith estimate of the following information in a meeting open to the public. This staff report, which is informed by debt service schedules generated by Stifel as senior managing underwriter, satisfies SB 450.

The estimated true interest cost of the Bonds, based on interest rates as of October 5, 2020 (plus a cushion of 0.50%) is 2.9%.

Estimated transaction costs for the Bonds are approximately \$720,000 and will be paid from Bond proceeds. These costs primarily include rating agency fees, the underwriters' discount, the City's municipal advisor, bond and disclosure counsel fees, title insurance costs.

Total annual debt service on the Bonds, based on current market conditions, is estimated at \$7.7 million assuming no prepayments. Additionally, the City will be responsible for paying the Trustee an annual fee of approximately \$5,000 per year.

The FY 2020/21 Budget includes estimated debt service in the General Fund of approximately \$9 million per year, with offsetting rental payments of \$6.2 million per year from NOVA and the various enterprise funds that use the facility. The rent from NOVA is planned to be subsidized by the general fund by about \$850,000 annually. While debt service on the Bonds will not escalate, the offsetting rental payments (and the subsidy) are scheduled to escalate by 3% per year. It is estimated that the net rental payments (including operating costs) will exceed the annual debt service by FY 2030/31.

The preliminary results of the bidding process indicate a bid that is approximately \$50M less than anticipated. Given the complexity of the funding sources for this project (General Fund, Park Dedication Fund Revenues), staff is presenting a second alternative to finance an amount of not to exceed \$135 million that would yield proceeds of \$125 million. Given that some of the funding sources are restricted, it is too early in the bid evaluation process to determine the final amount needed for financing a lower amount.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website. Additionally, a Notice of Public Hearing Regarding Financing of Public Capital Improvements was published in the San Jose Mercury News on October 8, 2020 and in the Sunnyvale Sun on October 9, 2020.

ALTERNATIVES

City Council:

1. Adopt Resolution to Authorize Issuance of Lease Revenue Bonds (the "Bonds") to Finance the Civic Center Phase I Project in an Amount not to exceed \$160 Million Including Financing and Closing Costs; Approve the Financing Team that implements the issuance of the Bonds, and Authorize the City Manager or the Finance Director to Execute all Documents related to, which include the Bond Purchase Agreement, the Preliminary Official Statement (and ultimately the Official Statement), the Continuing Disclosure Certificate, the Sunnyvale Lease, and the Sunnyvale Site Lease, the issuance of the Bonds and retaining the Financing Team.

2. Adopt Resolution to Authorize the Issuance of the Bonds to Finance the Civic Center Phase I Project but in an amount not to exceed \$135 million Including Financing and Closing Costs and Authorize the City Manager or the Finance Director to Execute all Documents related to, which include the Bond Purchase Agreement, the Preliminary Official Statement (and ultimately the Official Statement), the Continuing Disclosure Certificate, the Sunnyvale Lease, and the Sunnyvale Site Lease, the issuance of the Bonds and retaining the Financing Team.
3. Do not authorize the issuance of the Bonds.

Sunnyvale Financing Authority:

1. Adopt Resolution to Authorize Issuance of Lease Revenue Bonds (the "Bonds") to Finance the Civic Center Phase I Project in an amount not to exceed \$160 million Including Financing and Closing Costs and Authorize the Executive Director or the Treasurer to Execute all Documents related to, which include the Bond Purchase Agreement, the Assignment Agreement, the Indenture of Trust, the Sunnyvale Lease, and the Sunnyvale Site Lease, the issuance of the Bonds and retaining the Financing Team.
2. Adopt Resolution to Authorize Issuance of Lease Revenue Bonds (the "Bonds") to Finance the Civic Center Phase I Project in an amount not to exceed \$135 million Including Financing and Closing Costs and Authorize the Executive Director or the Treasurer to Execute all Documents related to, which include the Bond Purchase Agreement, the Assignment Agreement, the Indenture of Trust, the Sunnyvale Lease, and the Sunnyvale Site Lease, the issuance of the Bonds and retaining the Financing Team.
3. Do not authorize the issuance of the Bonds.

STAFF RECOMMENDATION

City Council:

1. Adopt Resolution to Authorize Issuance of Lease Revenue Bonds (the "Bonds") to Finance the Civic Center Phase I Project in an Amount not to exceed \$160 Million Including Financing and Closing Costs; Approve the Financing Team that implements the issuance of the Bonds, and Authorize the City Manager or the Finance Director to Execute all Documents related to, which include the Bond Purchase Agreement, the Preliminary Official Statement (and ultimately the Official Statement), the Continuing Disclosure Certificate, the Sunnyvale Lease, and the Sunnyvale Site Lease, the issuance of the Bonds and retaining the Financing Team.

Sunnyvale Financing Authority:

1. Adopt Resolution to Authorize Issuance of Lease Revenue Bonds (the "Bonds") to Finance the Civic Center Phase I Project in an amount not to exceed \$160 million Including Financing and Closing Costs and Authorize the Executive Director or the Treasurer to Execute all Documents related to, which include the Bond Purchase Agreement, the Assignment Agreement, the Indenture of Trust, the Sunnyvale Lease, and the Sunnyvale Site Lease, the issuance of the Bonds and retaining the Financing Team.

Prepared by: Tim Kirby, Director of Finance/Treasurer

Reviewed by: Teri Silva, Assistant City Manager/Assistant Executive Director

Approved by: Kent Steffens, City Manager/Executive Director

ATTACHMENTS

1. Sunnyvale Site Lease
2. Sunnyvale Lease Agreement

3. Sunnyvale Assignment Agreement
4. Sunnyvale Financing Authority Indenture of Trust
5. Preliminary Official Statement
6. Bond Purchase Agreement
7. Continuing Disclosure Certificate
8. Sunnyvale Draft Resolution
9. Sunnyvale Financing Authority Draft Resolution

RECORDING REQUESTED BY:
Stewart Title Guaranty Company
Commercial Services San Francisco

TO BE RECORDED MAIL TO:
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Scott R. Ferguson, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

SITE LEASE

This SITE LEASE (this "Site Lease"), dated for convenience as of October 1, 2020, is between the CITY OF SUNNYVALE, a municipal corporation and charter city duly organized and existing under the laws of the State of California, as lessor (the "City"), and the SUNNYVALE FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessee (the "Authority").

BACKGROUND:

1. The Authority is a joint powers authority duly organized and existing under a Joint Exercise of Powers Agreement dated September 29, 1992, by and between the City and the Redevelopment Agency of the City of Sunnyvale, under Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") and is authorized pursuant to Article 4 (commencing with section 6584) of the Act (the "Bond Law") to borrow money to provide financing or refinancing for public capital improvements of public entities such as the City.

2. The City desires to finance public capital improvements for the City consisting generally of Phase 1 of the City's Civic Center Modernization Project, and any other public improvements selected by the City (collectively, the "2020 Project").

3. To that end, under this Site Lease, the City has proposed to lease to the Authority the following real property and improvements located and to be located thereon, as more particularly described in Appendix A attached hereto and by this reference incorporated herein (the "Leased Property"), in consideration of the payment by the Authority of an upfront rental payment (as described in Section 3 hereof, the "Site Lease Payment") that is sufficient to provide funds to finance the 2020 Project:

(i) the City Hall located within the City's Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, Assessor's Parcel Number 165-03-007, as currently exists and as the City Hall will be reconstructed as part of the 2020 Project,

(ii) the City's Public Safety Building located within the City's Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, Assessor's Parcel Number 165-02-003 (the "Public Safety Building"), and

(iii) the City's Corporation Yard located at 221 Commercial Street, Sunnyvale, California (the "Corporation Yard").

4. The Authority has authorized the issuance of its bonds captioned "Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Project)" in the aggregate original principal amount of \$_____ (the "Bonds") under an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with this Site Lease.

5. In order to provide revenues that are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property back to the City under a Lease Agreement dated as of October 1, 2020 (the "Lease Agreement"), which has been recorded concurrently herewith, under which the City has agreed to pay semiannual Lease Payments (as defined in the Lease Agreement) as the rental for the Leased Property thereunder.

6. The Lease Payments made by the City under the Lease Agreement have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of October 1, 2020, between the Authority as assignor and the Trustee as assignee, which has been recorded concurrently herewith.

7. The City and the Authority have found and determined that all acts and proceedings required by law necessary to make this Site Lease, when executed by the City and the Authority, the valid, binding and legal obligations of the City and the Authority, and to constitute this Site Lease a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Site Lease have been in all respects duly authorized.

A G R E E M E N T :

In consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

SECTION 1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Site Lease have the respective meanings given them in the Indenture.

SECTION 2. *Lease of Property to Authority.* The City hereby leases the Leased Property to the Authority, and the Authority hereby leases the Leased Property from the City, on the terms and conditions hereinafter set forth.

SECTION 3. *Term; Possession.* The term of this Site Lease shall commence on the Closing Date, and the Authority shall be entitled to possession of the Leased Property hereunder on said date. The term of this Site Lease shall terminate, and the right of the Authority hereunder to possession of the Leased Property shall thereupon cease, on April 1, 20__, or such earlier or later date on which the Lease Payments are paid in full or provisions made for such payment, but in no event later than April 1, 20__, being ten years after the stated maturity date of the Bonds. The provisions of this Section 2 are subject in all respects to any other provisions of this Site Lease relating to the termination hereof.

SECTION 4. *Rental.* The Authority shall pay to the City, as and for rental of the Leased Property hereunder, the sum of \$_____ (the "Site Lease Payment"). The Site Lease Payment is due and payable upon the issuance of the Bonds and the execution and delivery hereof, and will be paid from the proceeds of the Bonds. The Authority and the City hereby find and determine that the total amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the Leased Property that is conveyed hereunder by the City to the Authority. No other amount of rental is due and payable by the Authority for the use and occupancy of the Leased Property under this Site Lease.

The Site Lease Payment shall be applied to make the deposits set forth in the Indenture.

SECTION 4. *Leaseback to City.* The Authority shall lease the Leased Property back to the City under the Lease Agreement.

SECTION 5. *Assignments and Subleases.* Unless the City is in default under the Lease Agreement, the Authority may not assign its rights under this Site Lease or sublet all or any portion of the Leased Property, except as provided in the Lease Agreement, without the prior written consent of the City.

SECTION 6. *Substitution or Release of Property.* If the City exercises its option under Section 3.3 of the Lease Agreement to substitute property for the Leased Property in whole or in part, such substitution shall also operate to substitute property for the Leased Property which is leased hereunder. If the City exercises its option under Section 3.4 of the Lease Agreement to release a portion of the Leased Property from the Lease Agreement, such substitution shall also operate to release such portion of the Leased Property hereunder. The description of the Leased Property which is leased hereunder shall conform at all times to the description of the Leased Property which is leased under the Lease Agreement.

SECTION 7. *Right of Entry.* The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property, or any portion thereof, at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 8. *Termination.* The Authority agrees, upon the termination of this Site Lease, to quit and surrender the Leased Property in the same good order and condition as the Leased Property was in at the time of commencement of the term hereof, reasonable wear and tear excepted, and agrees that all buildings, improvements and structures then existing upon the Leased Property shall remain thereon and all right, title and interest of the Authority thereto shall vest thereupon in the City for no additional consideration.

SECTION 9. *Default.* If the Authority defaults in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of this Site Lease and the Lease Agreement shall be deemed to occur as a result thereof and no such remedy may include termination hereof; *provided, however*, that so long as the Lease Agreement remains in effect, the Lease Payments payable by the City under the Lease Agreement shall continue to be paid to the Trustee.

SECTION 10. *Quiet Enjoyment.* The Authority at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property, subject to the provisions of the Lease Agreement and subject only to Permitted Encumbrances.

SECTION 11. *Waiver of Personal Liability.* All liabilities under this Site Lease on the part of the Authority are solely liabilities of the Authority, and the City hereby releases each and every member and officer of the Authority of and from any personal or individual liability under this Site Lease. No member or officer of the Authority or its governing board shall at any time or under any circumstances be individually or personally liable under this Site Lease for anything done or omitted to be done by the Authority hereunder.

SECTION 12. *Taxes.* The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Leased Property and any improvements thereon.

SECTION 13. *Eminent Domain.* If the whole or any part of the Leased Property or any improvements thereon is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid principal components of the Lease Payments payable under the Lease Agreement and the balance of the award, if any, shall be paid to the City.

SECTION 14. *Partial Invalidity.* If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 15. *Notices.* All notices or communications to be given under this Site Lease shall be given by first class mail or personal delivery to the party entitled thereto at or by email transmission or other form of electronic communication, at its address set forth below. Notice shall be effective either (a) upon transmission by email transmission or

other form of electronic communication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City: City of Sunnyvale
456 W. Olive Avenue
Sunnyvale, CA 94086
Attention: City Manager
Email: finance@sunnyvale.ca.gov

If to the Authority: Sunnyvale Financing Authority
456 W. Olive Avenue
Sunnyvale, CA 94086
Attention: Executive Director
Email: finance@sunnyvale.ca.gov

If to the Trustee: U.S. Bank National Association
One California Street, Suite 1000
San Francisco, CA 94111
Attn: Global Corporate Trust

SECTION 16. *Amendment of this Site Lease.* The Authority and the City may at any time amend or modify any of the provisions of this Site Lease, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to make cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds;
- (ii) to amend any provision hereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds under the Tax Code, in the opinion of Bond Counsel;
- (iii) to conform to any amendment of the Indenture which is made thereto in accordance with applicable provisions of the Indenture; or
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property under Section 6.

SECTION 17. *Governing Law.* This Site Lease shall be construed in accordance with and governed by the Constitution and laws of the State of California.

SECTION 18. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary under this Site Lease with all rights of a third party beneficiary.

SECTION 19. *Binding Effect.* This Site Lease inures to the benefit of and is binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 20. *Section Headings.* All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

SECTION 21. *Execution in Counterparts.* This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same lease. It is also agreed that separate counterparts of this Site Lease may be separately executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

IN WITNESS WHEREOF, the City and the Authority have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF SUNNYVALE, as lessor

By _____
City Manager

Attest:

City Clerk

**SUNNYVALE FINANCING AUTHORITY,
as lessee**

By _____
Executive Director

Attest:

Secretary

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property which is situated in the County of Santa Clara, State of California, and is more particularly described as follows:

CITY HALL

PUBLIC SAFETY BUILDING

CORPORATION YARD

RECORDING REQUESTED BY:
Stewart Title Guaranty Company
Commercial Services San Francisco

TO BE RECORDED MAIL TO:
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Scott R. Ferguson, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

LEASE AGREEMENT

This LEASE AGREEMENT (this "Lease"), dated for convenience as of October 1, 2020, is between the SUNNYVALE FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessor (the "Authority"), and the CITY OF SUNNYVALE, a municipal corporation and charter city duly organized and existing under the laws of the State of California, as lessee (the "City").

BACKGROUND:

1. The Authority is a joint powers authority duly organized and existing under a Joint Exercise of Powers Agreement dated September 29, 1992, by and between the City and the Redevelopment Agency of the City of Sunnyvale, under Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") and is authorized pursuant to Article 4 (commencing with section 6584) of the Act (the "Bond Law") to borrow money to provide financing or refinancing for public capital improvements of public entities such as the City.

2. The City desires to finance public capital improvements for the City consisting generally of Phase 1 of the City's Civic Center Modernization Project, and any other public improvements selected by the City (collectively, the "2020 Project").

3. To that end, under a Site Lease dated as of October 1, 2020 (the "Site Lease"), and recorded concurrently herewith, the City has proposed to lease to the Authority the following real property and improvements located and to be located thereon, as more particularly described in Appendix A attached hereto and by this reference incorporated herein (the "Leased Property"), in consideration of the payment by the Authority of an upfront rental payment (as described in the Site Lease, the "Site Lease Payment") that is sufficient to provide funds to finance the 2020 Project:

(i) the City Hall located within the City's Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, Assessor's Parcel Number 165-03-007, as currently exists and as the City Hall will be reconstructed as part of the 2020 Project,

(ii) the City's Public Safety Building located within the City's Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, Assessor's Parcel Number 165-02-003 (the "Public Safety Building"), and

(iii) the City's Corporation Yard located at 221 Commercial Street, Sunnyvale, California (the "Corporation Yard").

4. The Authority has authorized the issuance of its bonds captioned "Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Project)" in the aggregate original principal amount of \$_____ (the "Bonds") under an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues that are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property back to the City under this Lease Agreement, under which the City has agreed to pay semiannual Lease Payments (as defined herein) as the rental for the Leased Property hereunder.

6. The lease payments made by the City under this Lease Agreement have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of October 1, 2020, between the Authority as assignor and the Trustee as assignee, which has been recorded concurrently herewith.

7. The City and the Authority have found and determined that all acts and proceedings required by law necessary to make this Lease Agreement, when executed by the City and the Authority, the valid, binding and legal obligations of the City and the Authority, and to constitute this Lease Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Lease Agreement have been in all respects duly authorized.

A G R E E M E N T :

In consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease Agreement have the respective meanings given them in the Indenture.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular includes the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Lease Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Lease Agreement as a whole and not to any particular Article, Section or subdivision hereof.

(d) Whenever the term "may" is used herein with respect to an action by one of the parties hereto, such action shall be discretionary and the party who "may" take such action shall be under no obligation to do so.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Covenants, Representations and Warranties of the City.* The City makes the following covenants, representations and warranties to the Authority and the Trustee as of the date of the execution and delivery of this Lease Agreement:

- (a) Due Organization and Existence. The City is a municipal corporation and charter city duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under the laws of the State of California to enter into the Site Lease and this Lease Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action the City has duly authorized the execution and delivery of the Site Lease and this Lease Agreement.
- (b) Due Execution. The representatives of the City executing the Site Lease and this Lease Agreement have been fully authorized to execute the same under a resolution duly adopted by the City Council of the City.

- (c) Valid, Binding and Enforceable Obligations. The Site Lease and this Lease Agreement have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of the Site Lease and this Lease Agreement, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions thereof and hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease Agreement or the financial condition, assets, properties or operations of the City.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Site Lease and this Lease Agreement, or the consummation of any transaction therein and herein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Site Lease and this Lease Agreement, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease Agreement or the financial conditions, assets, properties or operations of the City.

SECTION 2.2. *Covenants, Representations and Warranties of the Authority.* The Authority makes the following covenants, representations and warranties to the City and the Trustee as of the date of the execution and delivery of this Lease Agreement:

- (a) Due Organization and Existence. The Authority is a joint exercise of powers authority duly organized and existing under a joint powers agreement and the laws of the State of California; has power to enter into this Lease Agreement, the Site Lease, the Assignment Agreement and the Indenture; is possessed of full power to own and hold, improve and equip real and personal property, and to lease the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.
- (b) Due Execution. The representatives of the Authority executing this Lease Agreement, the Site Lease, the Assignment Agreement and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Authority.
- (c) Valid, Binding and Enforceable Obligations. This Lease Agreement, the Site Lease, the Assignment Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of this Lease Agreement, the Site Lease, the Assignment Agreement and the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease, the Assignment Agreement and the Indenture or the financial condition, assets, properties or operations of the Authority.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease Agreement, the Site Lease, the

Assignment Agreement or the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease Agreement, the Site Lease, the Assignment Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease, the Assignment Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority.

ARTICLE III

LEASE TO THE CITY; ISSUANCE OF BONDS AND APPLICATION OF PROCEEDS; SUBSTITUTION AND RELEASE OF LEASED PROPERTY

SECTION 3.1. *Lease of Leased Property*. The Authority hereby leases the Leased Property to the City and the City hereby leases the Leased Property from the Authority, upon the terms and conditions set forth in this Lease Agreement.

SECTION 3.2. *Issuance of Bonds; Application of Proceeds*. In consideration for the agreement by the City to lease the Leased Property under this Lease Agreement as provided herein, the Authority hereby agrees to issue the Bonds under the Bond Law for the purpose of providing funds to finance the 2020 Project. The proceeds received by the Authority from the sale of the Bonds to the Original Purchaser shall be applied on the Closing Date in the amounts and for the purposes set forth in Section 3.02 of the Indenture.

SECTION 3.3. *Substitution of Property*. The City has the option at any time and from time to time to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Santa Clara County Recorder

sufficient memorialization of, an amendment hereof and an amendment of the Site Lease and the Assignment Agreement which removes the Former Property from this Lease Agreement and the Site Lease and which adds the Substitute Property to this Lease and the Site Lease.

- (c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate hereunder in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- (d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to serve a governmental function of the City.
- (e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made herein.
- (f) The City and the Authority have filed with the Trustee a written certificate stating that (a) based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property, taking into consideration the factors set forth in Section 4.2(d), and (b) the useful life of the Substitute Property at least extends to April 1, 20__.
- (g) The City has mailed written notice of such substitution to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement and the term of the Site Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property herein and therein will apply with full force and effect to the Substitute Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this Section. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease Agreement and the Assignment Agreement of record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site Lease, this Lease Agreement and the Assignment Agreement.

SECTION 3.4. *Release of Property.*

(a) *General.* The City has the option at any time and from time to time to release any portion of the Leased Property from this Lease Agreement and the Site Lease (the "Released Property"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such release:

- (i) No Event of Default has occurred and is continuing.

- (ii) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Santa Clara County Recorder sufficient memorialization of, an amendment hereof and an amendment of the Site Lease which removes the Released Property from this Lease Agreement and the Site Lease.
- (iii) The City and the Authority have filed with the Trustee a written certificate stating that based on the estimated value of the property which remains subject to this Lease Agreement following such release, the remaining Lease Payments constitute fair rental value for the use and occupancy of such property, taking into consideration the factors set forth in Section 4.2(d).
- (iv) The City has mailed written notice of such release to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement and the term of the Site Lease will thereupon end as to the Released Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease Agreement and the Assignment Agreement of record against the Released Property.

(b) *Release of Public Safety Building and Corporation Yard.* Notwithstanding the foregoing, upon the completion of the 2020 Project, the City shall have the absolute right to release from this Lease Agreement, the Site Lease and the Assignment Agreement the portion of the Leased Property consisting of the Public Safety Building and Corporation Yard without meeting the conditions set forth in subsection (a) above, and upon satisfaction of the following conditions:

- (i) The City shall deliver a certificate to the Trustee certifying that the 2020 Project has been completed and that the City has full use and occupancy of the 2020 Project.
- (ii) The City and the Authority shall execute a Notice of Release substantially in the form attached hereto as Appendix C, and the City shall record the Notice of Release in the real property records of Santa Clara County.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement will thereupon end as to the Public Safety Building and Corporation Yard. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

SECTION 3.5. *No Merger.* It is the express intention of the Authority and the City that this Lease Agreement and the obligations of the parties hereunder shall be and remain separate and distinct from the Site Lease and the obligations of the parties thereunder, and that during the term of the Site Lease and this Lease Agreement no

merger of title or interest shall occur or be deemed to occur as a result of the respective positions of the Authority and the City thereunder and hereunder.

ARTICLE IV

TERM OF THIS LEASE AGREEMENT; LEASE PAYMENTS

SECTION 4.1. *Term.* The Term of this Lease Agreement shall commence on the Closing Date and end on the date on which the Indenture is discharged in accordance with Section 10.01, unless such term is extended as hereinafter provided. If on April 1, 20__, the Indenture has not been discharged by its terms, or if the Lease Payments payable hereunder have been abated at any time and for any reason, then the Term of this Lease Agreement shall be extended until the Indenture has been discharged by its terms, but not to exceed April 1, 20__, being 10 years after the final scheduled Lease Payment hereunder.

SECTION 4.2. *Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Sections 6.2 and 6.3, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in Appendix B attached to this Lease Agreement, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in Appendix B, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in Appendix B.

Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid hereunder. The City shall not be required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

The Lease Payments payable in any Bond Year are for the use of the Leased Property during that Bond Year.

(b) Effect of Prepayment. If the City prepays all Lease Payments in full under Sections 9.2 or 9.3, the City's obligations under this Section will thereupon cease and terminate. If the City prepays the Lease Payments in part but not in whole under Sections 9.2 or 9.3, the principal and interest components of the remaining Lease Payments will be reduced to correspond to the payments of principal of and interest on the Bonds coming due and payable following the resulting redemption of the Bonds under the Indenture.

(c) Rate on Overdue Payments. If the City fails to make any of the payments required in this Section, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding Bond.

(d) Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period shall constitute the total rental for the Leased Property for such Rental Period, and shall be payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during such Rental Period. The parties hereto have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under this Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

(e) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust under the Assignment Agreement, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay all amounts due under this Section to the Trustee at its Office.

SECTION 4.3. *Source of Payments; Covenant to Budget and Appropriate*. The Lease Payments shall be payable from any source of available funds of the City, subject to the provisions of Sections 6.2 and 6.3. The City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of this Lease Agreement and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. The foregoing covenant of the City contained constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City.

SECTION 4.4. *Additional Rental Payments*. In addition to the Lease Payments, the City shall pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority hereunder:

- (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due;
- (b) compensation to the Trustee for its services rendered under the Indenture and for all expenses, charges, costs, liabilities, legal fees and other disbursements incurred by the Trustee in and about the performance of its powers and duties under the Indenture;
- (c) all fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Lease Agreement or the Indenture;
- (d) all amounts coming due and payable as Excess Investment Earnings in accordance with Section 7.6(e); and

- (e) all out-of-pocket expenses of the Authority in connection with the execution and delivery of this Lease Agreement or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving this Lease Agreement, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of this Lease Agreement.

SECTION 4.5. *Quiet Enjoyment.* Throughout the Term of this Lease Agreement, the Authority shall provide the City with quiet use and enjoyment of the Leased Property and the City will peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease Agreement. The Authority will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority has the right to inspect the Leased Property as provided in Section 7.2.

SECTION 4.6. *Title.* Upon the termination of this Lease Agreement (other than as a result of the occurrence of an Event of Default under Article VIII), all right, title and interest of the Authority in and to the Leased Property shall transfer to and vest in the City. The Authority shall take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

SECTION 5.1. *Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Authority agrees to provide only the Leased Property. The City waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the City under the terms of this Lease Agreement.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of

years, the City shall pay only such installments as are required to be paid during the Term of this Lease Agreement as and when the same become due.

The City may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority notifies the City that, in its reasonable opinion, by nonpayment of any such items the interest of the Authority in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

SECTION 5.2. *Modification of Leased Property.* The City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of this Lease Agreement. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this Section, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The City will not permit any stop notice, mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this Section; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

SECTION 5.3. *Liability Insurance.* The City shall maintain or cause to be maintained throughout the Term of this Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 5.7, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which it has been paid.

SECTION 5.4. *Casualty Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; provided that earthquake insurance shall not be required under any circumstances. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance shall be applied as provided in Section 6.1.

SECTION 5.5. *Rental Interruption Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

SECTION 5.6. *Recordation Hereof; Title Insurance.* On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and this Lease Agreement, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Santa Clara County Recorder, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy shall be deposited with the Trustee and applied in accordance with the provisions of the Indenture.

SECTION 5.7. *Insurance Net Proceeds; Form of Policies.* Each policy of insurance maintained under Sections 5.4, 5.5 and 5.6 shall name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The City shall file with the Trustee, upon the written request of the Trustee, a certificate of the City stating that all policies of insurance required hereunder are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or

amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any insurance maintained under Section 5.3 is provided in the form of self-insurance, the City shall file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

SECTION 5.8. *Installation of City's Personal Property.* The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of the City, in which neither the Authority nor the Trustee has any interest, and may be modified or removed by the City at any time, provided that the City shall repair all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement prevents the City from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, so long as no such lien or security interest attaches to any part of the Leased Property.

SECTION 5.9. *Liens.* The City may not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than as herein contemplated and except for such encumbrances as the City certifies in writing to the Trustee do not materially and adversely affect the leasehold estate of the City in the Leased Property hereunder. If any such mortgage, pledge, lien, charge, encumbrance or claim does materially and adversely affect the leasehold estate of the City in the Leased Property hereunder, the City will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible; provided that the City is not required to do so prior to the time when such mortgage, pledge, lien, charge, encumbrance or claim actually causes such material adverse effect. The City will reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

SECTION 5.10. *Advances.* If the City fails to perform any of its obligations under this Article, the Authority may take such action as it deems necessary to cure such failure, including the advancement of money, and the City shall repay all such advances as Additional Rental Payments hereunder, with interest at the rate set forth in Section 4.2(c).

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

SECTION 6.1. *Application of Net Proceeds.* The Trustee, as assignee of the Authority under the Assignment Agreement, shall have the right to receive all Net Proceeds. As provided in the Indenture, the Trustee shall deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in Section 5.05 of the Indenture.

SECTION 6.2. *Termination or Abatement Due to Eminent Domain.* If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) this Lease Agreement shall continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and
- (b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

SECTION 6.3. *Abatement Due to Damage or Destruction.* The Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. Notwithstanding the foregoing provisions of this Section, the Lease Payments may be paid with proceeds of rental interruption insurance during any period in which the Lease Payments would otherwise be subject to abatement, it being hereby declared that such proceeds constitute a special fund for the payment of the Lease Payments. In the event of any such damage or destruction, this Lease Agreement continues in full force and effect and the City waives any right to terminate this Lease Agreement by virtue of any such damage and destruction.

ARTICLE VII

OTHER COVENANTS OF THE CITY

SECTION 7.1. *Disclaimer of Warranties.* THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE LEASED PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. The Authority has no liability for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease Agreement for the existence, furnishing, functioning or use of the Leased Property by the City.

SECTION 7.2. *Access to the Leased Property.* The City agrees that the Authority and any Authorized Representative of the Authority, and the Authority's successors or assigns, have the right at all reasonable times to enter upon and to examine and inspect the Leased Property or any part thereof. The City further agrees that the Authority, any Authority Representative and the Authority's successors or assigns may have such rights of access to the Leased Property or any component thereof as reasonably necessary to cause the proper maintenance of the Leased Property if the City fails to perform its obligations hereunder; *provided, however*, that neither the Authority nor any of its assigns has any obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The City agrees to indemnify the Authority, the Trustee and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of any of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the City,
- (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement,
- (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property,
- (d) any intentional misconduct or negligence of any sublessee of the City with respect to the Leased Property,
- (e) the acquisition, construction, improvement and equipping of the Leased Property, or the authorization of payment of the costs thereof, or

- (f) the acceptance and performance of the duties of the Trustee under the Indenture and under this Lease Agreement.

No indemnification is made under this Section or elsewhere in this Lease Agreement for willful misconduct or negligence under this Lease Agreement by the Authority, the Trustee or their respective officers, agents, employees, successors or assigns.

SECTION 7.4. *Assignment and Subleasing by the City.* The City may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

- (a) this Lease Agreement and the obligation of the City to make Lease Payments hereunder shall remain obligations of the City;
- (b) the City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;
- (c) no such sublease by the City may cause the Leased Property to be used for a purpose which is not authorized under the provisions of the laws of the State of California; and
- (d) the City shall furnish to the Authority and the Trustee a written opinion of Bond Counsel stating that such sublease does not cause the interest components of the Lease Payments to become included in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State of California.

SECTION 7.5. *Amendment Hereof.* The Authority and the City may at any time amend or modify any of the provisions of this Lease Agreement, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement this Lease Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in

connection with any substitution or release of property under Sections 3.3 or 3.4;

- (v) to obligate the City to pay Supplemental Lease Payments that constitute additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such Supplemental Lease Payments are pledged or assigned for the payment of any bonds, notes or other obligations, including without limitation an issue of Additional Bonds under the Indenture, the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, (B) the City has filed with the Trustee a Written Certificate of the City stating that, based on the estimated value of the Leased Property at the time of such amendment or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations, the Lease Payments and the Supplemental Lease Payments together constitute fair rental value for the use and occupancy of such property, taking into consideration the factors set forth in Section 4.2(d), (C) the City has filed with the Trustee written evidence that the amendments made under this clause (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Bonds; or
- (vi) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment shall (a) extend or have the effect of extending any Lease Payment Date or reducing any Lease Payment, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

SECTION 7.6. *Tax Covenants*

(a) Private Business Use Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The City shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the City from any source of legally available funds of the City, and shall constitute Additional Rental Payments hereunder.

The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the City of any of the requirements under this subsection (e).

SECTION 7.7. *Continuing Disclosure.* The City shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Lease Agreement, failure of the City to comply with such Continuing Disclosure Certificate will not constitute an Event of Default, although any Participating Underwriter (as that term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section, including seeking mandate or specific performance by court order.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. *Events of Default Defined.* Any one or more of the following events constitute an Event of Default hereunder:

- (a) Failure by the City to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the City commences to cure the

failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under this Lease Agreement. Notwithstanding anything herein or in the Indenture to the contrary, neither the Authority nor the Trustee may accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted hereunder; except that no termination of this Lease Agreement may be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Authority may exercise each and every one of the following remedies, subject in all respects to the limitations set forth in Section 8.3.

- (a) Enforcement of Payments Without Termination. If the Authority does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property, or, if the Authority is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Authority. The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place the Leased Property in storage or other suitable place in the County of Santa Clara for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of the Leased Property by the Authority or its duly authorized agents in

accordance with the provisions herein contained. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City agrees to surrender and quit possession of the Leased Property upon demand of the Authority for the purpose of enabling the Leased Property to be re-let under this paragraph, and the City further waives the right to any rental obtained by the Authority in excess of the Lease Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Property.

- (b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Authority at its option may terminate this Lease Agreement and re-lease all or any portion of the Leased Property. If the Authority terminates this Lease Agreement at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Rental Payments. Any surplus received by the Authority from such re-leasing shall be deposited in the Bond Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.
- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy is cumulative and in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article it is not necessary to give any notice, other than as expressly required in this Article or by law.

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If the Authority or the City defaults under any of the provisions of this Lease Agreement and the non-defaulting party employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party.

SECTION 8.5. *No Additional Waiver Implied by One Waiver.* If the Authority or the City breaches any agreement in this Lease Agreement and thereafter the other party waives the breach, such waiver is limited to the particular breach so waived and does not operate to waive any other breach hereunder.

SECTION 8.6. *Application of Proceeds.* All net proceeds received from the re-lease of the Leased Property under this Article, and all other amounts derived by the Authority or the Trustee as a result of the occurrence of an Event of Default, shall be paid to and applied by the Trustee in accordance with Section 7.03 of the Indenture.

SECTION 8.7. *Trustee and Bond Owners to Exercise Rights.* Such rights and remedies as are given to the Authority under this Article have been assigned by the Authority to the Trustee under the Assignment Agreement for the benefit of the Bond Owners. The Trustee and the Bond Owners shall exercise such rights and remedies in accordance with the Indenture.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease Agreement, the City may on any date secure the payment of the Lease Payments allocable to the Leased Property in whole or in part by depositing with the Trustee or an escrow agent an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Indenture, is either:

- (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Appendix B, or

- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, (which opinion must be addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due under Section 4.2(a), as the City instructs at the time of said deposit.

If the City makes a security deposit under this Section with respect to all unpaid Lease Payments, and notwithstanding the provisions of Section 4.2, (a) the Term of this Lease Agreement will continue, (b) all obligations of the City under this Lease Agreement, and all security provided by this Lease Agreement for said Lease Payments, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of said Lease Payments from such security deposit, and (c) under Section 4.6, title to the Leased Property will vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said security deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of this Lease Agreement.

SECTION 9.2. *Optional Prepayment.* The City has the option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of \$5,000, from any source of legally available funds, on any date on or after April 1, 20__, at a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such Interest Payment Date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of Bonds under Section 4.01 of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the redemption of Bonds under Section 4.01 of the Indenture. The City shall give written notice to the Trustee of its intention to prepay the Lease Payments under this Section at least 45 days prior to the date fixed for such prepayment.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The City shall prepay the principal components of the Lease Payments in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or eminent domain award with respect to the Leased Property which is required to be used for that purpose under Article VI hereof and Section 5.05 of the Indenture. Such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be deposited by the Trustee in the Redemption Fund to be applied to the corresponding redemption of Bonds under Section 4.03 of the Indenture.

SECTION 9.4. *Credit for Amounts on Deposit.* If the principal components of the Lease Payments are prepaid in full under Sections 9.2 or 9.3, such that the Indenture is discharged by its terms as a result of such prepayment, at the written election of the City filed with the Trustee any or all amounts then on deposit in the Bond Fund (and the accounts therein) and in the Insurance and Condemnation Fund, will be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. *Notices.* All notices or communications to be given under this Lease Agreement shall be given by first class mail or personal delivery to the party entitled thereto, or by email transmission or other form of electronic communication, at its address set forth below. Notice shall be effective either (a) upon transmission by email transmission or other form of electronic communication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City: City of Sunnyvale
456 W. Olive Avenue
Sunnyvale, CA 94086
Attention: City Manager
Email: finance@sunnyvale.ca.gov

If to the Authority: Sunnyvale Financing Authority
456 W. Olive Avenue
Sunnyvale, CA 94086
Attention: Executive Director
Email: finance@sunnyvale.ca.gov

If to the Trustee: U.S. Bank National Association
One California Street, Suite 1000
San Francisco, CA 94111
Attn: Global Corporate Trust

SECTION 10.2. *Binding Effect.* This Lease Agreement inures to the benefit of and binds the Authority, the City and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Lease Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the City hereby agrees that the Lease Payments are an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.6. *Further Assurances and Corrective Instruments.* The Authority and the City shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect

description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

SECTION 10.7. *Execution in Counterparts.* This Lease Agreement may be executed in several counterparts, each of which is an original and all of which constitute but one and the same instrument.

SECTION 10.8. *Applicable Law.* This Lease Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 10.9. *Authority and City Representatives.* Whenever under the provisions of this Lease Agreement the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given for the Authority and for the City by an Authorized Representative thereof, and any party hereto may conclusively rely upon any such approval or request.

SECTION 10.10. *Captions.* The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

IN WITNESS WHEREOF, the Authority and the City have caused this Lease Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

**SUNNYVALE PUBLIC FINANCING
AUTHORITY, as lessor**

By _____
Executive Director

Attest:

Secretary

CITY OF SUNNYVALE, as lessee

By _____
City Manager

Attest:

City Clerk

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property which is situated in the County of Santa Clara, State of California, and is more particularly described as follows:

CITY HALL

PUBLIC SAFETY BUILDING

CORPORATION YARD

APPENDIX B

SCHEDULE OF LEASE PAYMENTS

<u>Lease Payment Date*</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Aggregate Lease Payment</u>
April 1, 2021			
October 1, 2021			
April 1, 2022			
October 1, 2022			
April 1, 2023			
October 1, 2023			
April 1, 2024			
October 1, 2024			
April 1, 2025			
October 1, 2025			
April 1, 2026			
October 1, 2026			
April , 2027			
October 1, 2027			
April 1, 2028			
October 1, 2028			
April 1, 2029			
October 1, 2029			
April 1, 2030			
October 1, 2030			
April 1, 2031			
October 1, 2031			
April 1, 2032			
October 1, 2032			
April 1, 2033			
October 1, 2033			
April 1, 2034			
October 1, 2034			
April 1, 2035			
October 1, 2035			
April 1, 20__			
October 1, 20__			
April 1, 20__			
October 1, 20__			

* Lease Payment Dates are the 5th Business Day immediately preceding each date listed in the schedule

APPENDIX C
NOTICE OF RELEASE

RECORDING REQUESTED BY:
Stewart Title Guaranty Company
Commercial Services San Francisco

TO BE RECORDED MAIL TO:
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Scott R. Ferguson, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this "Assignment Agreement"), dated for convenience as of October 1, 2020, is between the SUNNYVALE FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority") and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Trustee (the "Trustee").

BACKGROUND:

1. The Authority is a joint powers authority duly organized and existing under a Joint Exercise of Powers Agreement dated September 29, 1992, by and between the City of Sunnyvale (the "City") and the Redevelopment Agency of the City of Sunnyvale, under Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") and is authorized pursuant to Article 4 (commencing with section 6584) of the Act (the "Bond Law") to borrow money to provide financing or refinancing for public capital improvements of public entities such as the City.
2. The City desires to finance public capital improvements for the City consisting generally of Phase 1 of the City's Civic Center Modernization Project, and any other public improvements selected by the City (collectively, the "2020 Project").
3. To that end, under a Site Lease dated as of October 1, 2020 (the "Site Lease"), and recorded concurrently herewith, the City has proposed to lease to the Authority the following real property and improvements located and to be located thereon, as more particularly described in Appendix A attached hereto and by this reference incorporated herein (the "Leased Property"), in consideration of the payment by the

Authority of an upfront rental payment (as described in the Site Lease, the "Site Lease Payment") that is sufficient to provide funds to finance the 2020 Project:

(i) the City Hall located within the City's Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, Assessor's Parcel Number 165-03-007, as currently exists and as the City Hall will be reconstructed as part of the 2020 Project,

(ii) the City's Public Safety Building located within the City's Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, Assessor's Parcel Number 165-02-003, and

(iii) the City's Corporation Yard located at 221 Commercial Street, Sunnyvale, California.

4. The Authority has authorized the issuance of its bonds captioned "Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Project)" in the aggregate original principal amount of \$_____ (the "Bonds") under an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), between the Authority and the Trustee, for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues that are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property back to the City under a Lease Agreement dated as of October 1, 2020 (the "Lease Agreement"), and recorded concurrently herewith, under which the City has agreed to pay semiannual Lease Payments (as defined therein) as the rental for the Leased Property thereunder.

6. The Authority has requested the Trustee to enter into this Assignment Agreement for the purpose of assigning certain of its rights under the Lease Agreement to the Trustee for the benefit of the Bond owners.

A G R E E M E N T :

In consideration of the material covenants contained in this Assignment Agreement, the parties hereto hereby formally covenant, agree and bind themselves as follows:

SECTION 1. *Defined Terms.* All capitalized terms not otherwise defined herein have the respective meanings given those terms in the Indenture.

SECTION 2. *Assignment.* The Authority hereby assigns to the Trustee, for the benefit of the Owners of all Bonds which are issued and Outstanding under the Indenture, all of the Authority's rights under the Lease Agreement (excepting only the Authority's rights under Sections 4.4, 5.10, 7.3 and 8.4 of the Lease Agreement), including but not limited to:

- (a) the right to receive and collect all of the Lease Payments from the City under the Lease Agreement;

- (b) the right to receive and collect any proceeds of any insurance maintained thereunder with respect to the Leased Property, or any eminent domain award (or proceeds of sale under threat of eminent domain) paid with respect to the Leased Property; and
- (c) the right to exercise such rights and remedies conferred on the Authority under the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any amounts required to be deposited in the Insurance and Condemnation Fund established under Section 5.06 of the Indenture, or (ii) otherwise to protect the interests of the Bond Owners in the event of a default by the City under the Lease Agreement.

The Trustee shall administer all of the rights assigned to it by the Authority under this Assignment Agreement in accordance with the provisions of the Indenture, for the benefit of the Owners of Bonds. The assignment made under this Section is absolute and irrevocable, and without recourse to the Authority.

SECTION 3. *Acceptance.* The Trustee hereby accepts the assignments made herein for the purpose of securing the payments due under the Lease Agreement and Indenture to, and the rights under the Lease Agreement and Indenture of, the Owners of the Bonds, all subject to the provisions of the Indenture. The recitals contained herein are those of the Authority and not of the Trustee, and the Trustee assumes no responsibility for the correctness thereof.

SECTION 4. *Conditions.* This Assignment Agreement confers no rights and imposes no duties upon the Trustee beyond those expressly provided in the Indenture. The assignment hereunder to the Trustee is solely in its capacity as Trustee under the Indenture.

SECTION 5. *Execution in Counterparts.* This Assignment Agreement may be executed in any number of counterparts, each of which is an original and all together constitute one and the same agreement. Separate counterparts of this Assignment Agreement may be separately executed by the Trustee and the Authority, both with the same force and effect as though the same counterpart had been executed by the Trustee and the Authority.

SECTION 6. *Binding Effect.* This Assignment Agreement inures to the benefit of and binds the Authority and the Trustee, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 7. *Governing Law.* This Assignment Agreement shall be governed by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Assignment Agreement by their officers thereunto duly authorized as of the day and year first written above.

SUNNYVALE FINANCING AUTHORITY

By _____
Executive Director

Attest:

Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property which is situated in the County of Santa Clara, State of California, and is more particularly described as follows:

CITY HALL

PUBLIC SAFETY BUILDING

CORPORATION YARD

INDENTURE OF TRUST

Dated as of October 1, 2020

between

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

and the

SUNNYVALE FINANCING AUTHORITY

Authorizing the Issuance of

\$ _____
2020 Lease Revenue Bonds
(Civic Center Project)

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INDENTURE OF TRUST

This INDENTURE OF TRUST (this “Indenture”), dated for convenience as of October 1, 2020, is between the SUNNYVALE FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the “Trustee”).

BACKGROUND:

1. The Authority is a joint powers authority duly organized and existing under a Joint Exercise of Powers Agreement dated September 29, 1992, by and between the City of Sunnyvale (the “City”) and the Redevelopment Agency of the City of Sunnyvale, under Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”) and is authorized pursuant to Article 4 (commencing with section 6584) of the Act (the “Bond Law”) to borrow money to provide financing or refinancing for public capital improvements of public entities such as the City.

2. The City desires to finance public capital improvements for the City consisting generally of Phase 1 of the City’s Civic Center Modernization Project, and any other public improvements selected by the City (collectively, the “2020 Project”).

3. To that end, under a Site Lease dated as of October 1, 2020 (the “Site Lease”), the City has proposed to lease to the Authority the following real property and improvements located and to be located thereon, as more particularly described in Appendix A attached hereto and by this reference incorporated herein (the “Leased Property”), in consideration of the payment by the Authority of an upfront rental payment (as described in Section 3 hereof, the “Site Lease Payment”) that is sufficient to provide funds to finance the 2020 Project:

(i) the City Hall located within the City’s Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, Assessor’s Parcel Number 165-03-007, as currently exists and as the City Hall will be reconstructed as part of the 2020 Project,

(ii) the City’s Public Safety Building located within the City’s Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, Assessor’s Parcel Number 165-02-003 (the “Public Safety Building”), and

(iii) the City’s Corporation Yard located at 221 Commercial Street, Sunnyvale, California (the “Corporation Yard”).

4. The Authority wishes to authorize the issuance of its bonds captioned “Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Project)” in the aggregate original principal amount of \$_____ (the “Bonds”) under this

Indenture for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues that are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property back to the City under a Lease Agreement dated as of October 1, 2020 (the "Lease Agreement"), under which the City has agreed to pay semiannual Lease Payments (as defined in the Lease Agreement) as the rental for the Leased Property thereunder.

6. The Lease Payments made by the City under the Lease Agreement have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of October 1, 2020, between the Authority as assignor and the Trustee as assignee.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

8. The Authority has found and determined, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(d) Whenever the term "may" is used herein with respect to an action by one of the parties hereto, such action shall be discretionary and the party who "may" take such action shall be under no obligation to do so.

ARTICLE II

THE BONDS

SECTION 2.01. *Authorization of Bonds.* The Authority has reviewed all proceedings heretofore taken and, as a result of such review, hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of Bonds under the Bond Law for the purpose of providing funds to finance the 2020 Project. The Bonds shall be designated the "Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Project)" and shall be issued in the aggregate principal amount of \$_____. The Bonds are authorized and issued under and subject to the terms of this Indenture and the Bond Law.

SECTION 2.02. *Terms of the Bonds.*

(a) Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds shall mature on April 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (April 1)	Principal Amount	Interest Rate
20__		

20__ T
20__ T

T = Term Bond.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such

account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. The provisions of this Section are subject in all respects to the provisions of Section 2.04 relating to the payment of the principal of and interest on the Bonds held in book-entry form.

SECTION 2.03. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds. Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis report obligations under Section 6045 of the Tax Code. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.04. *Book-Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, each of the Authority and the Trustee has no responsibility or obligation to

any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, each of the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal of or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal and interest under this Indenture. Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another

Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Registration Books.* The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

SECTION 2.06. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chairperson of the Authority shall execute, and the Secretary of the Authority shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Issuance of the Bonds.* Concurrently with the execution of this Indenture, the Authority shall execute and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser, upon the Written Request of the Authority.

SECTION 3.02. *Application of Proceeds of Sale of Bonds .* Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall deposit the net proceeds thereof into a temporary account, which shall be disbursed in full on the Closing Date (whereupon said temporary account shall be closed) as follows:

- (a) The Trustee shall deposit \$_____ into the Costs of Issuance Fund.
- (b) The Trustee shall deposit \$_____ into the Acquisition and Construction Fund.

SECTION 3.03. *Establishment and Application of Costs of Issuance Fund.*

(a) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02.

(b) The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance of the Bonds upon submission of Written Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon.

(c) On the date falling 90 days after the Closing Date, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Acquisition and Construction Fund and shall thereupon close the Costs of Issuance Fund.

Section 3.04. *Acquisition and Construction Fund.*

(a) The Trustee shall establish a special fund designated as the "Acquisition and Construction Fund," which the Trustee shall keep separate and apart from all other funds and moneys held by the Trustee, and which the Trustee shall administer as provided herein. There shall be deposited into the Acquisition and Construction Fund from the proceeds of the Bonds the amounts required to be deposited therein pursuant to Section 3.02, together with any other amounts from time to time deposited with the Trustee for such purpose as may be identified in writing to the Trustee.

(b) Amounts in the Acquisition and Construction Fund shall be disbursed for Acquisition and Construction Costs. Disbursements from the Acquisition and Construction Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by an Authorized Representative of the City – such requisition shall:

(i) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Acquisition and Construction Costs and the person or persons to whom said amounts are to be disbursed; and

(ii) state that the amounts to be disbursed constitute Acquisition and Construction Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the Authority, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment.

The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 5.07 hereof) of the moneys held in the Acquisition and Construction Fund, and the payment thereof in accordance with this Section 3.04, but the Trustee shall not be responsible for the truth or accuracy of such requisitions and shall be under no duty to investigate or verify any statements made therein.

(c) Upon completion (or otherwise when the Authority determines that it no longer needs amounts in the Acquisition and Construction Fund for payment of Acquisition and Construction Costs), the Authority shall file a certificate of completion with the Trustee, and the Trustee shall transfer any moneys in the Acquisition and Construction Fund to the Bond Fund for the payment of interest next coming due on the Bonds.

SECTION 3.05. *Issuance of Additional Bonds.* Notwithstanding anything herein to the contrary, the Authority has the right to issue Additional Bonds pursuant to a Supplemental Indenture, which are payable from and secured by a pledge of and lien on the Revenues on a parity with the pledge and lien which secure the Bonds, subject to the following conditions precedent:

- (a) no Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) the City and the Authority have entered into an amendment or supplement to the Lease Agreement under Section 7.5(b)(v) thereof, pursuant to which the City has agreed to pay Supplemental Lease

Payments for the use and occupancy of the Leased Property under the Lease Agreement, which provide additional Revenues sufficient to pay the principal of and interest on such Additional Bonds when due;

- (c) the City has filed with the Trustee a Written Certificate of the City stating that, based on the estimated value of the Leased Property at the time of such amendment or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such Additional Bonds, the Lease Payments and the Supplemental Lease Payments together constitute fair rental value for the use and occupancy of such property, taking into consideration the factors set forth in Section 4.2(d) of the Lease Agreement;
- (d) interest on such Additional Bonds shall be payable solely on April 1 and October 1, and the principal of such Additional Bonds shall be payable solely on April 1; and
- (e) the Authority shall deliver to the Trustee a Written Certificate of the Authority certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Additional Bonds set forth in this Section have been satisfied.

SECTION 3.06. *Validity of Bonds.* The recital contained in the Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. *Optional Redemption.* The Bonds maturing on or before April 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates.

The Bonds maturing on or after April 1, 20__, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after April 1, 20__, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium. The Authority shall give the Trustee written notice of its intention to redeem the Bonds under this Section, and the manner of selecting such Bonds for redemption from among the maturities thereof, at least 45 days prior to the proposed redemption date.

SECTION 4.02. *Mandatory Sinking Fund Redemption of Term Bonds.* The Term Bonds are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under Section 5.02(b), at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following table:

Payment Date
(April 1)

Payment
Amount

If some but not all of the Term Bonds have been redeemed under Sections 4.01 or 4.03, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which shall notify the Trustee in writing of such determination.

SECTION 4.03. *Special Mandatory Redemption From Insurance or Condemnation Proceeds.* The Bonds are subject to redemption as a whole, or in part by lot on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in Section 5.06, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

As provided in Section 5.05, if any Additional Bonds are then outstanding, the Additional Bonds shall also be subject to special mandatory redemption from such Net Proceeds, on a pro rata basis among maturities with the outstanding Bonds.

SECTION 4.04. *Selection of Bonds for Redemption.* Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

SECTION 4.05. *Right to Rescind Notice of Optional Redemption.* The Authority has the right to rescind any notice of the optional redemption of Bonds under Section 4.01 by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall cause notice of such rescission to be given to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

SECTION 4.06. *Notice of Redemption.* The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Information Services. Each notice of redemption shall

state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

SECTION 4.07. *Partial Redemption of Bonds.* Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

SECTION 4.08. *Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. *Security for the Bonds; Bond Fund.*

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds and Additional Bonds in accordance with their terms and the provisions of this Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease Agreement (other than the rights of the Authority under Sections 4.4, 5.10, 7.3 and 8.4 thereof). The Trustee shall be entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease Agreement.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Lease Agreement to be deposited in the Insurance and Condemnation Fund or the Redemption fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds and Additional Bonds, or provision therefore under Article X, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

SECTION 5.02. *Allocation of Revenues.* On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

- (a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

- (b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under Section 4.02.

SECTION 5.03. *Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased prior to maturity).

SECTION 5.04. *Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption under Section 4.02.

SECTION 5.05. *Redemption Fund.* Upon the receipt of any funds which are required to be applied to the redemption of Bonds under Sections 4.01 or 4.03, the Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit such funds, in accordance with a Written Request of the Authority. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed under Section 4.01 and under Section 4.03.

SECTION 5.06. *Insurance and Condemnation Fund.*

(a) Establishment of Fund. Upon the receipt of proceeds of insurance or eminent domain with respect to the Leased Property, the Trustee shall establish and maintain the Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section.

(b) Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction shall be paid to the Trustee under Section 6.3 of the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds and Additional Bonds on the next available redemption date under Section 4.03. Notwithstanding the foregoing sentence, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance shall be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to defease Outstanding Bonds and outstanding Additional Bonds, on a pro rata basis, equal in aggregate principal amount to the unpaid Lease Payments and Supplemental Lease Payments allocable to the Leased Property.

All proceeds deposited in the Insurance and Condemnation Fund and not so applied to redeem the Outstanding Bonds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of a Written Request of the City which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund and has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Request of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City. The Trustee shall be entitled to conclusively rely on any Written Request or Written Certificate received under this subsection (b) of this Section and in each case, shall be fully protected in relying thereon.

(c) Application of Eminent Domain Proceeds. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Authority shall deposit or cause to be deposited with the Trustee the Net Proceeds therefrom, which the Trustee shall deposit in the Insurance and Condemnation Fund, to be applied and disbursed by the Trustee as follows:

- (i) If the City has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall deposit such Net Proceeds in the Redemption Fund, to be applied to redeem Outstanding Bonds and Additional Bonds under Section 4.03.
- (ii) If the City has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

In each case, the Trustee may conclusively rely upon any notice received under this subsection (c)(ii) of this Section and is protected in relying thereon.

(d) Reliance on Independent Advice. In making any such determination whether to repair, replace or rehabilitate the Leased Property under this Section, the City may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant. Any such determination by the City shall be final.

SECTION 5.07. *Investments.* All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely

in Permitted Investments. Such investments shall be directed by the Authority in a Written Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall hold such funds uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments shall be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority a periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

SECTION 5.08. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Authority shall inform the Trustee which funds are subject to a yield restriction.

(c) Except for funds or accounts described in subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least

annually on or before April 15. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it is necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal of and interest on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. *Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this Section limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. *Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this

limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes. Nothing herein limits or affects the ability of the Authority to issue or incur Additional Bonds under Section 3.05.

SECTION 6.04. *Power to Issue Bonds and Make Pledge and Assignment.* The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture and under the Assignment Agreement in the manner and to the extent provided in this Indenture and the Assignment Agreement. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. *Accounting Records.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. *Limitation on Additional Obligations.* The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 6.07. *Tax Covenants.*

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from amounts paid by the City for that purpose under Section 4.4(d) of the Lease Agreement. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

SECTION 6.08. *Enforcement of Lease Agreement.* The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Lease Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease Agreement.

SECTION 6.09. *Waiver of Laws.* The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. *Further Assurances.* The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. *Events of Default.* The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and

requiring the same to be remedied, has been given to the Authority by the Trustee; provided, however, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Lease Agreement.

SECTION 7.02. *Remedies Upon Event of Default.* If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. *Application of Revenues and Other Funds After Default.* If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal

attorneys) incurred in and about the performance of its powers and duties under this Indenture;

- (b) To the payment of the principal of and interest then due on the Bonds and Additional Bonds (upon presentation of the Bonds and Additional Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds and Additional Bonds that have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds and Additional Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds and Additional Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

SECTION 7.04. *Trustee to Represent Bond Owners.* The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.05. *Limitation on Bond Owners' Right to Sue.* Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Lease Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Lease Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. *Absolute Obligation of Authority.* Nothing herein or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. *Termination of Proceedings.* In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee, to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. *No Waiver of Default.* No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

SECTION 7.10. *Notice to Bond Owners of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall promptly give

written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. *Appointment of Trustee.* U.S. Bank National Association is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article, so long as any Bonds are Outstanding.

SECTION 8.02. *Acceptance of Trusts; Removal and Resignation of Trustee.* The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee.
- (b) The Authority, with 30 days' prior notice, may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.
- (c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.
- (d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (d),

respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority, to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to the Leased Property held by such predecessor Trustee under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

- (e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If

such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.03. *Merger or Consolidation.* Any bank, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Lease Agreement (including any right to receive moneys thereunder or the value of or title to the premises upon which the Leased Property is located), nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it under the Assignment Agreement.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Lease Agreement or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Lease Agreement, other than the covenants of the City to make Lease Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section and Section 8.05, and shall be applicable to the assignment of any rights under the Lease Agreement to the Trustee under the Assignment Agreement.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality,

durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease Agreement or this Indenture for the existence, furnishing or use of the Leased Property.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee is authorized and directed to execute the Assignment Agreement in its capacity as Trustee hereunder.

SECTION 8.05. *Right to Rely on Documents.* The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.06. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. *Compensation and Indemnification.* The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under

this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Assignment Agreement or the Lease Agreement. As security for the performance of the obligations of the Authority under this Section and the obligation of the Authority to make Additional Rental Payments to the Trustee, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Lease Agreement.

ARTICLE IX

MODIFICATION OR AMENDMENT HEREOF

SECTION 9.01. *Amendments Permitted.*

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of

such Supplemental Indenture do not materially adversely affect the interests of the Bond Owners, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;
 - (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
 - (iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;
 - (iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
 - (v) to facilitate the issuance of additional obligations of the City under the Lease Agreement as provided in Section 7.5(b)(v) thereof;
 - (vi) to facilitate the release or substitution of property under Sections 3.3 or 3.4, respectively, of the Lease Agreement; or
 - (vii) to facilitate the issuance of any Additional Bonds in accordance with Section 3.05.
- (c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's rights, duties or immunities hereunder or otherwise.
- (d) Bond Counsel Opinion. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.
- (e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section.

SECTION 9.02. *Effect of Supplemental Indenture.* Upon the execution of any Supplemental Indenture under this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. *Amendment of Particular Bonds.* The provisions of this Article do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

ARTICLE X

DEFEASANCE

SECTION 10.01. *Discharge of Indenture.* Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee or an escrow agent, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

SECTION 10.02. *Discharge of Liability on Bonds.* Upon the deposit with the Trustee or with an escrow agent, at or before maturity, of money or securities in the necessary

amount (as provided in Section 10.03) to pay any Outstanding Bonds (upon the maturity of such Bonds), then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee or such escrow agent as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. *Deposit of Money or Securities with Trustee.* Whenever in this Indenture it is provided or permitted that there be deposited with or held by the Trustee or an escrow agent money or securities in the necessary amount to pay any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest on the Bonds to be paid, as such principal and interest become due;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal and interest with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. *Unclaimed Funds.* Notwithstanding any provisions of this Indenture, any moneys held by the Trustee for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. *Liability of Authority Limited to Revenues.* Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. *Limitation of Rights to Parties and Bond Owners.* Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

SECTION 11.03. *Funds and Accounts.* Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.04. *Waiver of Notice; Requirement of Mailed Notice.* Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.05. *Destruction of Bonds.* Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and at the written request of the Authority the Trustee shall deliver a certificate of such destruction to the Authority.

SECTION 11.06. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be

invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. *Notices.* All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto, or by email transmission or other form of electronic communication, at its address set forth below. Notice shall be effective either (a) upon transmission by email transmission or other form of electronic communication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City: City of Sunnyvale
456 W. Olive Avenue
Sunnyvale, CA 94086
Attention: City Manager
Email: finance@sunnyvale.ca.gov

If to the Authority: Sunnyvale Financing Authority
456 W. Olive Avenue
Sunnyvale, CA 94086
Attention: Executive Director
Email: finance@sunnyvale.ca.gov

If to the Trustee: U.S. Bank National Association
One California Street, Suite 1000
San Francisco, CA 94111
Attn: Global Corporate Trust

SECTION 11.08. *Evidence of Rights of Bond Owners.* Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in

exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority shall specify to the Trustee those Bonds disqualified under this Section.

SECTION 11.10. *Money Held for Particular Bonds.* The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, *subject, however*, to the provisions of Section 10.04 but without any liability for interest thereon.

SECTION 11.11. *Waiver of Personal Liability.* No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.12. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Indenture either the Authority, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.13. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. *Payment on Non-Business Day.* In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall

be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.15. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the SUNNYVALE FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

SUNNYVALE FINANCING AUTHORITY

By _____
Executive Director

Attest:

Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

“Additional Bonds” means any notes, bonds or other obligations of the Authority issued under Section 3.05, which are payable from and secured by a pledge of and lien on the Revenues on a parity with the Bonds.

“Additional Rental Payments” means the amounts of additional rental payable by the City under Section 4.4 of the Lease Agreement or which are otherwise identified as Additional Rental Payments under the Lease Agreement.

“Assignment Agreement” means the Assignment Agreement dated as of October 1, 2020, between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended.

“Acquisition and Construction Fund” means the fund by that name established and held by the Trustee under Section 3.04.

“Authority” means the Sunnyvale Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

“Authorized Representative” means: (a) with respect to the Authority, its Chair, Vice Chair, Executive Director, Auditor and Treasurer, or Secretary, or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, City Manager, Director of Finance or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its Mayor, City Manager or Finance Director and filed with the Authority and the Trustee.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under Section 5.01.

“Bond Law” means Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code.

“Bond Year” means each twelve-month period extending from April 2 in one calendar year to April 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including April 1, 2021.

“Bonds” means the \$_____ aggregate principal amount of bonds captioned “Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Project)” authorized by and at any time Outstanding under this Indenture. The term “Bonds”

includes any Additional Bonds to the extent set forth in the Supplemental Indenture authorizing the issuance thereof.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

“City” means the City of Sunnyvale, a municipal corporation and charter city organized and existing under the laws of the State of California.

“Closing Date” means October __, 2020, being the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and their respective counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for title insurance; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events specified in Section 7.01.

“Excess Investment Earnings” means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any

other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee under Section 5.06.

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Interest Payment Date” means each April 1 and October 1, commencing April 1, 2021, so long as any Bonds remain unpaid.

“Lease Agreement” means the Lease Agreement dated as of October 1, 2020, between the Authority as lessor and the City as lessee of the Leased Property, as amended from time to time in accordance with its terms.

“Lease Payment Date” means, with respect to any Interest Payment Date, the 5th Business Day immediately preceding such Interest Payment Date.

“Lease Payments” means the amounts payable by the City under Section 4.2(a) of the Lease Agreement, including any early payment thereof and including any amounts payable upon a delinquency in the payment thereof.

“Leased Property” means the real property described in Appendix A to the Lease Agreement, together with all improvements and facilities at any time situated thereon, consisting generally of the land and improvements which constitute the existing civic center of the City.

“Net Proceeds” means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means such office or offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated, as representative of the bond underwriters that will purchase the Bonds on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture.

“Owner”, whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article V of the Lease Agreement; (b) the Site Lease, the Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following:

- (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged.
- (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (d) Bank deposit products and interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee) which may include the Trustee and its affiliates, provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or

better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or are collateralized by Permitted Investments described in clauses (a), (b) or (c) above.

- (e) Commercial paper rated, at the time of purchase, “A-1+” or better by S&P.
- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 5.05.

“Registration Books” means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the Bonds.

“Revenues” means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source); (b) all Supplemental Lease Payments to the extent such Supplemental Lease Payments are pledged to the payment of Additional Bonds; and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in written notice filed with the Trustee.

“Site Lease” means the Site Lease dated as of October 1, 2020, between the City as lessor and the Authority as lessee, as amended from time to time in accordance with its terms.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, of New York, New York, its successors and assigns.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Supplemental Lease Payments” means the amounts payable by the City under Section 7.5(b)(v) of the Lease Agreement, including any prepayment thereof and including any amounts payable upon a delinquency in the payment thereof.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Term” means, with reference to the Lease Agreement, the time during which the Lease Agreement is in effect, as provided in Section 4.2 thereof.

“Term Bonds” means the Bonds maturing on April 1, 20__.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

APPENDIX B

BOND FORM

NO. R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

**SUNNYVALE FINANCING AUTHORITY
2020 Lease Revenue Bonds
(Civic Center Project)**

INTEREST RATE: _____% MATURITY DATE: April 1, _____ ORIGINAL ISSUE DATE: _____ 2020 CUSIP: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** ***

The Sunnyvale Financing Authority, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before March 15, 2021, in which event it shall bear interest from the Original Issue Date specified above, or (iii) interest on this Bond is in default as of the date of authentication hereof, in which event interest hereon shall be payable from the date to which interest has been paid in full. Interest on this Bond shall accrue at the Interest Rate per annum specified above, and shall be payable semiannually on April 1 and October 1 in each year, commencing April 1, 2021 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof is payable upon presentation and surrender hereof at the corporate trust office of U.S. Bank National Association in San Francisco, California (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee mailed to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth

day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Sunnyvale (the "City"), the County of Santa Clara, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Project)" (the "Bonds"), in an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates) and all issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, and under an Indenture of Trust dated as of October 1, 2020, between the Authority and the Trustee (the "Indenture") and a resolution of the Authority adopted on _____, 2020, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance certain public capital improvements of the City. This Bond and the interest hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of lease payments made by the City under a Lease Agreement dated as of October 1, 2020 (the "Lease Agreement"), between the Authority as lessor and the City as lessee. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before April 1, 20____, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after April 1, 20____, are subject to redemption in whole, or in part at the written request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after April 1, 20____, from any

available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

The Bonds maturing on April 1, 20__, are subject to mandatory sinking fund redemption in whole or in part by lot, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following table:

Payment Date (April 1)	Payment Amount
---------------------------	-------------------

The Bonds are subject to redemption as a whole, or in part by lot, on any date, from the net proceeds or eminent domain or insurance award with respect to the property which is leased under the Lease Agreement and which are required to be used for such purpose under the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 20 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other

name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

Attest: _____
Secretary

By _____
Executive Director

SPECIMEN

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably _____ constitute(s) _____ and _____ appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

Note: Signature(s) shall be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment shall correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2020

NEW ISSUE - FULL BOOK-ENTRY

Moody's: "____"
S&P: "____"
See "RATINGS."

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

[DAC LOGO]

\$ _____ *

SUNNYVALE FINANCING AUTHORITY
2020 Lease Revenue Bonds
(Civic Center Project)(Green Bonds)

Dated: Date of Delivery

Due: April 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the "2020 Bonds") are being issued by the Sunnyvale Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on October 13, 2020, and an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). See "THE 2020 BONDS – Authority for Issuance."

Use of Proceeds. The 2020 Bonds are being issued to (i) finance the first phase of the City of Sunnyvale (the "City") Civic Center Modernization Project, including a portion of the costs of (a) a new City Hall, (b) renovation of the City's Public Safety Building and addition of a new Emergency Operations Center, and (c) a public plaza and open space, and (ii) pay the costs of issuing the 2020 Bonds. See "FINANCING PLAN."

Green Bonds. The City and Authority are designating the Improvements as a "Green Project" and the 2020 Bonds as "Green Bonds." See "GREEN BONDS."

Security for the 2020 Bonds. Under the Indenture, the 2020 Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Lease Agreement dated as of October 1, 2020 (the "Lease"), by and between the Authority, as lessor, and the City, as lessee, consisting primarily of payments (the "Lease Payments") made by the City under the Lease with respect to the lease of certain real property, as further described in this Official Statement. The leased property includes the parcel on which the Improvements will be constructed. See "THE LEASED PROPERTY." The 2020 Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE 2020 BONDS."

No Reserve Fund. No reserve fund will be established and maintained with respect to the 2020 Bonds.

Bond Terms; Book-Entry Only. The 2020 Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2021, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The 2020 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2020 Bonds will not receive certificates representing their interests in the 2020 Bonds. Payments of the principal of, premium, if any, and interest on the 2020 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2020 Bonds. See "THE 2020 BONDS – General Provisions."

Redemption. The 2020 Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from insurance or condemnation proceeds prior to maturity. See "THE 2020 BONDS – Redemption."

NEITHER THE 2020 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2020 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2020 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

MATURITY SCHEDULE
(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF 2020 BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2020 BONDS.

The 2020 Bonds are offered when, as and if issued and received by the Underwriters and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2020 Bonds will be delivered in book-entry form through the facilities of DTC on or about November 12, 2020.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful.

BofA Securities **Stifel**
J.P. Morgan **Raymond James**

The date of this Official Statement is: _____, 2020

** Preliminary; subject to change.*

MATURITY SCHEDULE*

\$ _____ Serial Bonds
(Base CUSIP†: _____)

<u>Maturity</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
-------------------------------------	-----------------------------------	--------------------------------	--------------	--------------	---------------

\$ _____ - _____ % Term Bonds due April 1, 20____; Yield _____ %; Price _____ %;
CUSIP† No. _____

* *Preliminary; subject to change*

† CUSIP Copyright CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. None of the City, the Authority nor the Underwriters assume any responsibility for the accuracy of these CUSIP data.

**SUNNYVALE FINANCING AUTHORITY
CITY OF SUNNYVALE
SANTA CLARA COUNTY, CALIFORNIA**

**BOARD OF DIRECTORS
OF THE AUTHORITY AND MEMBERS OF THE CITY COUNCIL**

Larry Klein, *Chairperson and Mayor, Seat #4*
Nancy Smith, *Vice-Chairperson and Vice Mayor, Seat #6*
Gustav Larsson, *Member and Councilmember, Seat #1*
Glenn Hendricks, *Member and Councilmember, Seat #2*
Russ Melton, *Member and Councilmember, Seat #5*
Michael S. Goldman, *Member and Councilmember, Seat #7*
Mason Fong, *Member and Councilmember, Seat #3*

CITY OFFICERS

Kent Steffens, *City Manager*
Teri Silva, *Assistant City Manager*
Tim Kirby, *Director of Finance*

FINANCING SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall,
A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

Ross Financial
San Francisco, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2020 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2020 Bonds.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

Limited Scope of Information. The City has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City.

Preparation of Official Statement. The information set forth in this Official Statement has been furnished by the Authority and the City, and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Involvement of Underwriter. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Stabilization of Prices. In connection with this offering, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the 2020 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2020 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The 2020 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The 2020 Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2020 Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, the Authority, the other parties described in this Official Statement.

Website. The City maintains a website; however, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2020 Bonds.

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OFFICIAL STATEMENT

\$ _____ *

SUNNYVALE FINANCING AUTHORITY
2020 Lease Revenue Bonds
(Civic Center Project) (Green Bonds)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2020 Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Authority for Issuance. The Sunnyvale Financing Authority (the "**Authority**") is issuing the bonds captioned above (the "**2020 Bonds**") under the following:

- (a) Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 (the "**Law**");
- (b) resolutions adopted by the Board of Directors (the "**Board**") of the Authority on October 13, 2020 (the "**Authority Resolution**"), and by the City Council (the "**City Council**") of the City of Sunnyvale (the "**City**") on October 13, 2020 (the "**City Resolution**"); and
- (c) an Indenture of Trust (the "**Indenture**") dated as of October 1, 2020, by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**").

The Authority. The Authority was created by a Joint Exercise of Powers Agreement, dated September 29, 1992 (the "**JPA Agreement**"), between the City and the Redevelopment Agency of the City of Sunnyvale (the "**Former Agency**"), now succeeded by the City as Successor Agency to the Former Agency. The JPA Agreement was entered into pursuant to the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California.

* Preliminary; subject to change.

The Authority was created to facilitate the financing of public improvements and facilities within the City.

The Authority is administered by a governing board composed of the Mayor and the members of the City Council, and City staff members serve as staff to the Authority. The Authority has no independent staff.

The State adopted ABx1 26 on June 28, 2011, pursuant to which the Former Agency was dissolved and the City acts as the Successor Agency. Pursuant to Section 34178(b)(3) of the Community Redevelopment Law, as amended by ABx1 26, the JPA Agreement is not invalid as a result of the dissolution of the Former Agency.

The City. The City was incorporated on December 24, 1912 and its charter first became effective on May 18, 1949. The City is located 44 miles south of San Francisco on the San Francisco Bay peninsula, 10 miles northwest of San José.

The City is home to Silicon Valley high-tech industry leaders (such as Apple, Google and LinkedIn, among others) in fields ranging from advanced satellite construction to pioneering biotechnology; from semiconductor research, design and manufacturing to leading edge telecommunications systems.

See “APPENDIX D – GENERAL INFORMATION ABOUT THE CITY OF SUNNYVALE AND SANTA CLARA COUNTY.”

Form of Bonds; Book-Entry Only. The 2020 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“**DTC**”), or its nominee, which will act as securities depository for the 2020 Bonds. Purchasers of the 2020 Bonds will not receive certificates representing the 2020 Bonds that are purchased. See “THE 2020 BONDS - Book-Entry Only System” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Purpose of the 2020 Bonds. The 2020 Bonds are being issued to:

- finance the acquisition and construction of the first phase of the City’s Civic Center Modernization Project, including a portion of the costs of (a) a new City Hall, (b) renovation of the City’s Public Safety Building and addition of a new Emergency Operations Center, and (c) a public plaza and open space (collectively, the “**Improvements**”), and
- to pay the costs of issuing the 2020 Bonds.

See “FINANCING PLAN.”

Green Bonds. The City and Authority are designating the Improvements as a “Green Project” and the 2020 Bonds as “Green Bonds.” See “GREEN BONDS.”

Security for the 2020 Bonds and Pledge of Revenues. Under the Indenture, the 2020 Bonds are payable from and secured by a first pledge of and lien on “**Revenues**” (as defined in this Official Statement) received by the Authority under the Lease Agreement dated as of October 1, 2020, between the Authority, as lessor, and the City, as lessee (the “**Lease**”), consisting primarily of payments (the “**Lease Payments**”) made by the City under the Lease. The 2020

Bonds are also secured by certain funds held under the Indenture. See “SECURITY FOR THE 2020 BONDS.”

The City and the Authority will enter into a Site Lease dated as of October 1, 2020 (the “**Site Lease**”), under which the City will lease certain real property to the Authority, consisting of the City’s civic center (the “**Leased Property**”), as described in “THE LEASED PROPERTY,” in return for an upfront payment under the Site Lease. Concurrently, the City and the Authority will enter into the Lease, under which the Authority will lease the Leased Property back to the City in return for the annual Lease Payments. See “SECURITY FOR THE 2020 BONDS.”

No Reserve Fund. No reserve fund will be established and maintained with respect to the 2020 Bonds.

Redemption. The 2020 Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from insurance or condemnation proceeds prior to their stated maturity dates. See “THE 2020 BONDS – Redemption.”

Abatement. The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease, the 2020 Bond Owners would receive less than the full amount of principal of and interest on the 2020 Bonds. To the extent proceeds of rental interruption insurance are available, Lease Payments (or a portion thereof) may be made from those proceeds during periods of abatement. See “SECURITY FOR THE 2020 BONDS – Abatement” and “BOND OWNERS’ RISKS.”

Impact of COVID-19 Pandemic. In its fiscal year 2020-21 adopted budget, the City has budgeted for certain revenue declines, relative to its fiscal year 2018-19 results, including declines in Sales Tax and Transient Occupancy Tax revenues (historically, two of the City’s largest sources of revenues), due to the impacts of the COVID-19 pandemic. In addition, the City has incorporated certain cost-savings measures, including expenditure reductions (including freezing vacant positions) and funding reallocations, into its adopted fiscal year 2020-21 budget to offset the anticipated revenue loss and economic uncertainty related to the COVID-19 crisis.

The City currently has four General Fund reserves, which are discussed under the heading “CITY FINANCIAL INFORMATION – General Fund Reserves.” In its adopted fiscal year 2020-21 budget, the City has budgeted these reserves to total \$75.2 million.

An overview of the City’s finances, including its adopted fiscal year 2020-21 budget, is provided under the heading “CITY FINANCIAL INFORMATION.”

The spread of the COVID-19 coronavirus pandemic, and responses intended to slow its spread, may result in further negative impacts to the financial results of the General Fund. For a discussion of this risk, and an overview of actions taken by the State and County to limit the spread of COVID-19, see “BOND OWNERS’ RISKS – Potential Impact of COVID-19.”

Risks of Investment. Debt service on the 2020 Bonds is payable only from Lease Payments and other amounts payable by the City to the Authority under the Lease. For a discussion of some of the risks associated with the purchase of the 2020 Bonds, see “BOND OWNERS’ RISKS.”

NEITHER THE 2020 BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2020 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2020 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

FINANCING PLAN

General

The 2020 Bonds are being issued to finance the Improvements and pay the costs of issuing the 2020 Bonds.

The Improvements: Phase One of the Civic Center Modernization Project

The Improvements form the first phase of the City's Civic Center Modernization Project to guide modernization of the City's Civic Center, in phases over the next 20 years. The Civic Center is located at 456 West Olive Avenue (bounded by West Olive Avenue to the north, South Mathilda Avenue to the east, El Camino Real to the south and South Pastoria Avenue to the west) in the City and houses the City's primary administrative facilities (City Hall), Library and Department of Public Safety Headquarters. The first phase is designed to improve the City's primary administrative facilities, alleviate space constraints for the City's Department of Public Safety Headquarters, provide a new emergency operations center, create a new public plaza and increase open space. The buildings are designed to enhance their energy efficiency. Specifically, phase one includes the following elements.

City Hall. A new, 119,874-square-foot, four-story City Hall (the "**New City Hall**") will be the first building built on the campus. The following elements will be included:

- NOVA Workforce Services Department;
- One-Stop Permit Center;
- City staff offices;
- One level of underground parking below City Hall; and
- Net-zero energy and certified LEED Platinum.

Certain City departments accounted for as enterprise funds are expected to occupy space in the New City Hall, and the City anticipates that the General Fund will receive annual rent from these occupants in the aggregate amount of approximately \$6.2 million, beginning in 2024 and escalating at 3% annually thereafter. The rent payable is not pledged as security for the Lease Payments.

Public Safety Headquarters Renovations. Partial renovations of the existing public safety building will include:

- 11,137 square-feet of tenant improvements; and
- New entry and lobby.

Emergency Operations Center Addition. A two-story, 12,946-square-foot Emergency Operations Center will be built next to the existing Department of Public Safety Headquarters building. The addition will:

- Provide dedicated space for a detectives' bureau;
- Relieve overcrowding in the existing Public Safety building; and
- Be designed for LEED Gold with sustainable features such as low flow fixtures and LED lighting. It will be all electric (except for back-up generators).

Overall Site. Following completion of the New City Hall, the existing City Hall complex (as described under “THE LEASED PROPERTY”) will be demolished. The overall site will include:

- Approximately 6 acres of open space;
- More walkable Olive Avenue;
- Frontage improvements along Mathilda Ave from W. Olive up to El Camino Real to include a new multiuse pathway and walkways for public use;
- Civic plaza; and
- An outdoor amphitheater.

Later Phases. The second phase, which is not yet in the planning phase, includes the relocation and construction (on the Civic Center Site) of a new Sunnyvale Public Library. Planning for the second phase is anticipated to begin in fiscal year 2022. The third, and final, phase is a new Public Safety Headquarters and is anticipated between fiscal year 2029-30 and 2034-35. The plan of finance for these phases has not been determined but could include long-term financing.

Construction bids for the Improvements were received on September 30, 2020, award of the construction contract for the Improvements is expected to occur on October __, 2020, and construction is scheduled to start in January 2021. The City Hall and Public Safety structures and renovation are anticipated to be complete by late calendar year 2022 with the entire project to be completed by the end of calendar year 2023.

The overall cost of the Improvements is expected to be approximately \$280 million. The City expects to contribute to the project approximately \$128 million of funds, primarily generated from property sales of land owned by its former redevelopment agency, which amounts are held outside the General Fund in the City’s Infrastructure Fund. The balance of cost of the Improvements is expected to be funded from proceeds of the 2020 Bonds, as shown below under “– Estimated Sources and Uses of Proceeds.”

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2020 Bonds are as follows:

Sources:

Principal Amount of 2020 Bonds	\$
Plus (Less): Original Issue Premium (Discount)	_____
TOTAL SOURCES	\$

Uses:

Deposit to Improvement Fund	\$
Costs of Issuance [1]	
Underwriters’ Discount	_____
TOTAL USES	\$

[1] Represents funds to be used to pay Costs of Issuance, which include legal fees, municipal advisor fees, printing costs, rating agency fees and other costs of issuing the 2020 Bonds.

GREEN BONDS

The City is designating the Improvements as a “Green Project” and the 2020 Bonds as “Green Bonds.” The terms “Green Project” and “Green Bonds” are neither defined in nor related to provisions in the Indenture. Owners of the 2020 Bonds do not have any security other than as provided in the Indenture, nor do such owners of the Green Bonds assume any specific project risk related to any of the projects funded thereby. Neither the City nor the Authority assumes any obligation to ensure that those projects it has defined as Green Projects comply with any legal or other standards or principles that relate to Green Projects.

As described under the heading “FINANCING PLAN,” the New City Hall will be a net-zero energy facility and has been designed to be LEED Platinum-certified. In addition, the Emergency Operations Center addition has been designed to be LEED Gold-certified with sustainable features such as low flow fixtures and LED lighting. These attributes form the basis of the City’s “Green Project” designation.

Once the proceeds of the 2020 Bonds have been spent, no further updates regarding the Improvements will be provided or filed.

THE LEASED PROPERTY

General

The initial Leased Property is described below; however, the City plans to release a portion of the initial Leased Property upon completion of the phase 1 projects and satisfaction of all the conditions of release described under the heading “– Release of Leased Property,” as described further below.

Leased Property. Lease Payments will be made by the City under the Lease for the use and occupancy of the Leased Property, which, initially, consists of the facilities described below.

City Hall: The current City Hall is located within the City’s Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, on Assessor’s Parcel Number 165-03-007. It consists of the following facilities:

- City Hall Building (34,672 square feet, built in 1961, joisted masonry);
- City Hall Annex Building (17,950 square feet, built in 1970, joisted masonry);
- Portable South Annex Building (5,048 square feet, built in 2001, frame construction);

The New City Hall will be constructed on this same parcel and will become part of the Leased Property. Once the New City Hall is completed and occupied, the old City Hall facilities will be demolished.

Public Safety Building: The Public Safety Building is located within the City’s Civic Center complex at 456 West Olive Avenue, Sunnyvale, California, on Assessor’s Parcel Number 165-02-003. It consists of the following facilities:

- Public Safety Building (40,869 square feet, built in 1985, joisted masonry); and
- DPS Biological Evidence Building (400 square feet, built in 2005, non-combustible construction).

The new Emergency Operations Center addition (and renovation of the Public Safety Building) will be constructed on this same parcel. Upon completion of the Improvements, the Public Safety Building and new Emergency Operations Center are expected to be released from Lease, as described below.

Corporation Yard: The Corporation Yard is located at 221 Commercial Street in the City. It consists of the following facilities:

- Fleet and Shop Building (20,540 square feet, built in 1950, joisted masonry);
- Administration Wing (7,230 square feet, built in 1953, fire resistive construction);
- Warehouse (11,160 square feet, built in 1950, joisted masonry);
- Evidence Storage Building (4,242 square feet, built in 1985, frame construction);
- Portable Office (2,331 square feet, built in 1994, frame construction);
- Exercise Room Building (1,360 square feet, built in 1992, frame construction);
- Landscaping Building (731 square feet, built in 1996, frame construction); and
- Sign Shop (544 square feet, built in 1950, frame construction).

Upon completion of the Improvements, the Corporation Yard is expected to be released from the Lease, as described below.

Estimated Value. The City's estimate of land value and the insured building value of the existing City Hall, Public Safety Building and Corporation Yard as shown in the table below.

Leased Assets (Dollars in Millions)			
	Estimated Land Value	Insured Building Value	Total
City Hall	\$71.98	\$16.33	\$88.31
Public Safety Building	31.67	15.14	46.81
Corporation Yard	<u>40.00</u>	<u>7.94</u>	<u>47.94</u>
Total	\$143.65	\$39.41	\$183.06

Asset Transfer. Upon completion of the Improvements and satisfaction of all the conditions of release described under the heading "– Release of Leased Property," the City expects to release the Public Safety Building (including the new Emergency Operations Center) and underlying land and the Corporation Yard from the Leased Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

Changes to Leased Property

Under the Lease, the City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications

and improvements made thereto, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

The City will not permit any stop notice, mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this provision of the Lease; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

Substitution

Under the Lease, the City has the option at any time and from time to time to substitute other real property (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), upon satisfaction of all of the conditions set forth in the Lease, which include (among others) the following:

- The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Santa Clara County Recorder sufficient memorialization of, an amendment of the Site Lease and the Lease that removes the legal description of the Former Property and adds the legal description of the Substitute Property.
- The City must obtain a CLTA policy of title insurance insuring the City's leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- The City must certify in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to serve a governmental function of the City.
- The City and the Authority must file with the Trustee a written certificate stating that (a) based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property, taking into consideration the factors set forth in the Lease and (b) the useful life of the Substitute Property at least extends to April 1, 20__.

See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Release of Leased Property

Under the Lease, the City has the option at any time and from time to time to release any portion of the Leased Property from the Lease (the "**Released Property**") provided that the City has satisfied all of the requirements under the Lease that are conditions precedent to such removal, which include (among others) the following:

- The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Santa Clara County Recorder sufficient memorialization of, an amendment of the Site Lease and the Lease that removes the Released Property from the Site Lease and the Lease.

- The City and the Authority have filed with the Trustee a written certificate stating that based on the estimated value of the property which remains subject to the Lease following such release, the remaining Lease Payments constitute fair rental value for the use and occupancy of such property, taking into consideration the factors set forth in the Lease.

See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Upon the satisfaction of all the conditions precedent set forth in the Lease, the term of the Lease and the Site Lease will end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

Notwithstanding the foregoing, upon the completion of the Improvements, the City shall have the absolute right to release from the Lease, the Site Lease and the Assignment Agreement the portion of the Leased Property consisting of the Public Safety Building and Corporation Yard without meeting the conditions described above and upon satisfaction of the following conditions:

- (i) The City will deliver a certificate to the Trustee certifying that the Improvements have been completed and that the City has full use and occupancy of the Improvements.
- (ii) The City and the Authority will execute a Notice of Release substantially in the form attached to the Lease, and the City will record the Notice of Release in the real property records of County.

Upon the satisfaction of all such conditions precedent, the Term of the Lease will thereupon end as to the Public Safety Building and Corporation Yard. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

THE 2020 BONDS

This section provides summaries of the 2020 Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The 2020 Bonds are being issued under the Law, the Authority Resolution (which was adopted by the Board of the Authority on October 13, 2020), the City Resolution (which was adopted by the City Council on October 13, 2020), and the Indenture. Under the Authority Resolution and the City Resolution, the 2020 Bonds may be issued in a principal amount not to exceed \$_____.

General Provisions

Bond Terms. The 2020 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000, so long as no 2020 Bond has more than one maturity date. The 2020 Bonds will mature in the amounts and on the dates, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the annual rates, set forth on the inside cover page of this Official Statement.

Calculation of Interest. Interest on the 2020 Bonds is payable from the Interest Payment Date next preceding the date of its authentication unless:

- (a) a 2020 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a 2020 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Record Date. Under the Indenture, “Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

Payments of Principal and Interest. Interest on the 2020 Bonds will be payable on April 1 and October 1 in each year, beginning April 1, 2021 (each an “**Interest Payment Date**”).

While the 2020 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the 2020 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2020 Bonds. See “– Book-Entry Only System” below.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2020 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any 2020 Bond

which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2020 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2020 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2020 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2020 Bonds in an aggregate principal amount of at least \$1,000,000, which is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2020 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner.

The Trustee will pay principal of the 2020 Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Transfer, Registration and Exchange

The following provisions regarding the exchange and transfer of the 2020 Bonds apply only during any period in which the 2020 Bonds are not subject to DTC's book-entry system. While the 2020 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Bond Register. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2020 Bonds, which will upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2020 Bonds as provided in the Indenture.

Transfer. Any 2020 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such 2020 Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will collect any tax or other governmental charge on the transfer of any 2020 Bonds under this provision of the Indenture.

Whenever any 2020 Bond is or 2020 Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new 2020 Bond or 2020 Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority will pay the cost of printing 2020 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of 2020 Bonds.

Prior to any transfer of the 2020 Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will be required to

provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis report obligations under Section 6045 of the Internal Revenue Code of 1986, as amended. The Trustee will conclusively rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

Exchange. The 2020 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2020 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will collect any tax or other governmental charge on the exchange of any 2020 Bonds under this provision of the Indenture. The Authority will pay the cost of printing 2020 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of 2020 Bonds.

Limitations. The Trustee may refuse to transfer or exchange, under the provisions of the Indenture described above, any 2020 Bonds selected by the Trustee for redemption under the Indenture, or any 2020 Bonds during the period established by the Trustee for the selection of 2020 Bonds for redemption.

Redemption

Optional Redemption. The 2020 Bonds maturing on or before April 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates.

The 2020 Bonds maturing on or after April 1, 20__, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after April 1, 20__, from any available source of funds, at a redemption price of the principal amount of the 2020 Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

The Authority shall give the Trustee written notice of its intention to redeem the 2020 Bonds under this provision of the Indenture, and the manner of selecting such 2020 Bonds for redemption from among the maturities thereof, at least 45 days prior to the proposed redemption date.

Mandatory Sinking Fund Redemption of Term Bonds. The 2020 Bonds maturing on April 1, 20__ (the “**20__ Term Bonds**”) are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following table:

20__ Term Bonds	
Payment Date (April 1)	Payment Amount
(maturity)	

If some but not all of the 20__ Term Bonds have been redeemed through optional or special mandatory redemption, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the 20__ Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which will notify the Trustee in writing of such determination.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 2020 Bonds are subject to redemption as a whole, or in part by lot on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the 2020 Bonds of a single maturity, the Trustee will select the 2020 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each 2020 Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate 2020 Bond.

Notice of Redemption. The Trustee will mail notice of redemption of the 2020 Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories. In addition, the Trustee shall file a copy of each redemption notice electronically with the Information Services.

Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of 2020 Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

However, while the 2020 Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Authority and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the 2020 Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.

Rescission of Redemption. The Authority has the right to rescind any notice of the optional redemption of 2020 Bonds under the Indenture by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2020 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Authority and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall cause notice of such rescission to be given to the respective Owners of any 2020 Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

Partial Redemption. Upon surrender of any 2020 Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2020 Bond or 2020 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2020 Bonds surrendered.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the 2020 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2020 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2020 Bonds so called for redemption will cease to accrue, said 2020 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2020 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The 2020 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the 2020 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a 2020 Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2020 Bonds. Purchasers of the 2020 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the 2020 Bonds, assuming no optional or special mandatory redemption prior to maturity.

Year Ending April 1	Principal	Interest	Total Debt Service
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Total:

SECURITY FOR THE 2020 BONDS

The principal of and interest on the 2020 Bonds are not a debt of the Authority or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the 2020 Bonds and certain provisions of the Indenture, the Lease and the Site Lease. See “APPENDIX A – Summary of Principal Legal Documents” for a more complete summary of the Indenture, the Lease and the Site Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Revenues; Pledge of Revenues

Pledge of Revenues and Other Amounts. Under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the 2020 Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest on the 2020 Bonds in accordance with their terms and the provisions of the Indenture. This pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Definition of Revenues. “Revenues” are defined in the Indenture as follows:

- (a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source); and
- (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Assignment to Trustee

Under the Assignment Agreement, the Authority will transfer to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under the provisions of the Lease regarding Additional Rental Payments, repayment of advances, indemnification, and the payment of attorneys’ fees). The Trustee will be entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will immediately be paid by the Authority to the Trustee. The Trustee is also entitled to and will, subject to the provisions of the Indenture regarding duties of the Trustee, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease.

Allocation of Revenues by Trustee; Application of Funds

Deposit of Revenues in Bond Fund. Under the Indenture, all Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “**Bond Fund**”

which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease Agreement to be deposited in the Insurance and Condemnation Fund or the Redemption fund will be promptly deposited in such funds.

All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the 2020 Bonds, or provision therefore under the Indenture, and (ii) any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the City.

Transfers from the Bond Fund. Under the Indenture, on or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) *Deposit to Interest Account.* The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all 2020 Bonds then Outstanding.

(b) *Deposit to Principal Account.* The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2020 Bonds coming due and payable on such Interest Payment Date, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date.

Application of Accounts.

Application of Interest Account. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2020 Bonds as it comes due and payable (including accrued interest on any 2020 Bonds purchased or redeemed prior to maturity).

Application of Principal Account. All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the 2020 Bonds at their respective maturity dates, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption.

Lease Payments

Requirement to Make Lease Payments. Under the Lease, subject to the provisions of the Lease concerning rental abatement and prepayment of Lease Payments, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in the Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in the Lease (defined as the 5th Business Day immediately preceding each Interest Payment Date).

Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts required for payment of past due principal or interest on any 2020 Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid under the Lease.

The City will not be required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

Rate on Overdue Payments. If the City fails to make any of the payments of Lease Payments required in the Lease, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding 2020 Bond.

Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The Authority and the City have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under the Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

Limited Obligation

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Source of Payments; Covenant to Budget and Appropriate Funds for Lease Payments

The Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease regarding abatement.

Under the Lease, the City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. This covenant of the City constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

Additional Rental Payments

Under the Lease, in addition to the Lease Payments, the City is required to pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority thereunder:

- (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due;
- (b) compensation to the Trustee for its services rendered under the Indenture and for all expenses, charges, costs, liabilities, legal fees and other disbursements incurred by the Trustee in and about the performance of its powers and duties under the Indenture;
- (c) all fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease or the Indenture;
- (d) all amounts coming due and payable as Excess Investment Earnings in accordance with the Lease; and
- (e) all out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease or the Indenture, or in connection with the issuance of the 2020 Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the 2020 Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease, the 2020 Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of the Lease.

Abatement

Termination or Abatement Due to Eminent Domain. Under the Lease, if the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) the Lease will continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and
- (b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Abatement Due to Damage or Destruction. Under the Lease, the Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof.

The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction.

Notwithstanding the foregoing, the Lease Payments may be paid with proceeds of rental interruption insurance during any period in which the Lease Payments would otherwise be subject to abatement, it being hereby declared in the Lease that such proceeds constitute a special fund for the payment of the Lease Payments.

In the event of any such damage or destruction, the Lease continues in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction.

Property Insurance

Liability and Property Damage Insurance. Under the Lease, the City is required to maintain or cause to be maintained throughout the Term of the Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns.

Such policy or policies must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies must provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease regarding self-insurance, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

Casualty Insurance. Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding 2020 Bonds.

Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; provided that earthquake insurance shall not be required under any circumstances. Such insurance may be subject to such deductibles as the City deems adequate and prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance;

provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in the Lease.

Rental Interruption Insurance. Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the casualty insurance requirements described above, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as they become due and payable.

Insurance Net Proceeds; Form of Policies. Each policy of casualty insurance, rental interruption insurance and title insurance maintained under the Lease must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby.

The City is required to file with the Trustee, upon the written request of the Trustee, a certificate of the City stating that all policies of insurance required under the Lease are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance required under the Lease and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any liability and property damage insurance maintained under the Lease is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

Amendment of Lease to Provide for Additional Rental

Under the Lease, the City has the right to amend the Lease for the purpose of providing for the payment of additional amounts of rental for the use and occupancy of the Leased Property, but only if

- (a) such additional rent payments are pledged or assigned for the payment of any bonds, notes or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control,

(b) the City has filed with the Trustee a Written Certificate of the City stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate original principal amount of the 2020 Bonds and all such other bonds, notes or other obligations, and

(c) the City has filed with the Trustee written evidence that the amendments made under this provision of the Lease will not of themselves cause a reduction or withdrawal of any rating then assigned to the 2020 Bonds.

Issuance of Additional Bonds

The Authority has the right to issue Additional Bonds pursuant to a Supplemental Indenture, which are payable from and secured by a pledge of and lien on the Revenues on a parity with the pledge and lien which secure the Bonds, subject to the following conditions precedent:

(a) no Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing;

(b) the City and the Authority have entered into an amendment or supplement to the Lease, pursuant to which the City has agreed to pay Supplemental Lease Payments for the use and occupancy of the Leased Property under the Lease, which provide additional Revenues sufficient to pay the principal of and interest on such Additional Bonds when due;

(c) the City has filed with the Trustee a Written Certificate of the City stating that, based on the estimated value of the Leased Property at the time of such amendment or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such Additional Bonds, the Lease Payments and the Supplemental Lease Payments together constitute fair rental value for the use and occupancy of such property, taking into consideration the factors set forth in the Lease;

(d) interest on such Additional Bonds shall be payable solely on April 1 and October 1, and the principal of such Additional Bonds shall be payable solely on April 1; and

(e) the Authority shall deliver to the Trustee a Written Certificate of the Authority certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Additional Bonds set forth in this Section have been satisfied.

No Reserve Fund

No reserve fund will be established and maintained with respect to the 2020 Bonds.

CITY FINANCIAL INFORMATION

General

The City was incorporated on December 24, 1912, and its charter first became effective on May 18, 1949. The City is located 44 miles south of San Francisco on the San Francisco Bay peninsula, 10 miles northwest of San José.

The City is home to Silicon Valley high-tech industry leaders (such as Apple, Google and LinkedIn, among others) in fields ranging from advanced satellite construction to pioneering biotechnology; from semiconductor research, design and manufacturing to leading edge telecommunications systems.

The City operates under a Council-Manager form of government. The City is managed by a City Manager, who is appointed by the City Council (the “**City Council**”). All municipal departments operate under the supervision of the City Manager, except for the City Attorney who is appointed by the Council. Seven Councilmembers are elected at-large for numbered seats and serve staggered four-year terms. The City Council elects one of its members to serve as mayor. The City Charter limits members of the Council to serving two consecutive terms. See “APPENDIX D - GENERAL INFORMATION ABOUT THE CITY OF SUNNYVALE AND SANTA CLARA COUNTY.”

The City is a full-service city and has 11 operating departments, the heads of which are appointed by the City Manager.

City Budgeting and Planning Process

General. Budgeting and planning for the General Fund occurs within the framework of the City’s Performance Based Budgeting and Planning and Management process. Key elements include:

- Long-term financial planning (includes projections over a Twenty-Year Resource Allocation Plan for revenues, operations, projects, debt and reserves);
- Short-term allocation of resources (the two-year action budget); and
- Performance measurement of service delivery.

The City’s integrated framework has enabled the City, over time, to accomplish the long-range strategic goals established by the City Council in the General Plan and through City Council Policy. This framework has assisted the City in maintaining, and even expanding, services during times of numerous federal/State mandates and revenue restrictions or reductions because the focus is on long-term fiscal management. The City’s performance-based approach has also served as a valuable tool in producing and capturing remarkable gains in efficiency and productivity. It supports the City’s mission of building community trust by providing excellent services.

The City uses long-term financial planning to ensure stability through ups and downs in economic cycles. The City Charter requires that the City Manager annually submit a budget that is balanced for 10 years, and City Council fiscal policy requires that the budget be balanced for

the entire Twenty-Year Resource Allocation Plan. A Twenty-Year Resource Allocation Plan is developed each year for each of the City's major funds, most notably the General Fund.

The long-term nature of the City's financial planning system allows decision-makers to better understand the true effect of policy decisions and effectively requires that decisions made today guarantee that the resources will be available to provide quality services in the future. This long-term planning horizon prevents wild swings in service levels during the upturns and downturns of economic cycles by enabling the recognition of trends over time. The long-term financial planning process also includes an update of the 20-year project budget. This also includes a review of project operating costs, which are those ongoing costs that will need to be included in future years upon completion of a given project.

The long-term financial planning process provides the opportunity to begin consideration of the necessary steps to alter the long-term forecasted position of a particular fund should that appear necessary.

The performance-based management system is an important part of the City's budgeting and planning process. The City began to implement this management concept in the late 1970s and has consistently refined the system over the years. In recognition of the tremendous effort needed to develop operating budgets under a performance management system, the City implemented a two-year operating budget concept in the early 1980s. The City's two-year operating budget focuses on identifying and quantifying the value created from the efficient and effective provision of City services. This allows decisions to be made by Council on levels of service desired and allows staff to measure and evaluate performance. Annual results of the City's efforts are reported to Council and the citizens, so they are aware of what they are receiving for their tax dollars.

Budget Calendar. The City's annual budget development process begins in September each year with the initial planning of the development cycle and culminates with the adoption of the budget by the City Council in June. In January, the City Council specifically discusses important fiscal issues which may have short- term or long-term effects on how the City provides and maintains services to its citizens and customers. Consistent with the City Charter, no later than 35 days prior to June 30, the City Manager submits a recommended budget to the City Council. The City Council holds a workshop on the recommended budget, which is open to the public. In June of each year, the City Council also holds a public hearing, required by the City Charter. Prior to June 30 of each year, the budget as modified by the City Council is legally enacted by adoption of a budget resolution.

Adopted Fiscal Year 2020-21 Budget. In the City's adopted fiscal year 2020-21 budget (the "**2020-21 Adopted Budget**"), the City has budgeted General Fund revenues at approximately \$195.1 million for fiscal year 2020-21 (including in lieu charges and transfers from other City funds). This represents a 5.2% decrease from the prior fiscal year's estimated actual amount of approximately \$205.9 million (including in lieu charges and transfers from other City funds). The decrease is primarily due to a one-time sale of property for \$9 million in fiscal year 2019-20 and the impacts of the COVID-19 pandemic.

The City expects continued growth in assessed values but is budgeting for a reduction in Property Tax revenues, the City's largest source of revenue, in fiscal year 2020-21 due to a potential reduction in excess Educational Revenue Augmentation Fund (also known as "ERAF") revenue and a moderating of property tax revenues derived from unsecured property. The City has budgeted for declines in Sales Tax and Transient Occupancy Tax revenues, as these

revenues have been reduced and are expected to continue to be negatively impacted in fiscal year 2020-21 as a result of the COVID-19 pandemic. An overview of the City's major revenue sources is provided below under the heading "Major Revenues." Further detail on the City's revenues sources and, as applicable, the impacts of the COVID-19 pandemic are provided under the headings "Property Tax," "Sales and Use Tax," "Transient Occupancy Tax," "Utility Users Tax" and "Other Sources of Revenue."

In the 2020-21 Adopted Budget, General Fund operational expenditures are budgeted at approximately \$173.4 million. This represents a 7.1% decrease from the prior fiscal year's estimated actual amount of approximately \$186.7 million. Cost-savings measures including expenditure reductions and funding reallocations have been incorporated into the 2020-21 Adopted Budget to offset the anticipated revenue loss and economic uncertainty related to the COVID-19 crisis.

Employee compensation makes up the largest portion of the City's operating expenditures. For fiscal year 2020-21, total compensation for Public Safety employees is budgeted at \$74.7 million (a 3.2% increase from the prior fiscal year's estimated actual amount of \$72.4 million) and includes savings from freezing five vacant sworn positions. Miscellaneous Total compensation for Miscellaneous employees is budgeted at \$62.7 million (a 0.3% increase from the prior fiscal year's estimated actual amount of \$62.5) and includes savings from vacant positions.

Information regarding the City's employee relations, pension system and other post-employment benefits is provided under the headings "Employee Relations," "Employee Pension System" and "Other Post-Employment Benefits," respectively.

Other operating costs include purchased goods and services as well as overhead charges. In the 2020-21 Adopted Budget, the City has budgeted these expenditures at \$35.9 million.

Major Revenues

Taxes and other sources of revenue received by the City are listed in the table below. Certain general taxes currently imposed by the City are affected by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the State Constitution.”

The following table presents the City’s General Fund tax revenues by source for the last five fiscal years.

TABLE 1
CITY OF SUNNYVALE
General Fund Tax Revenues By Source

	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Estimated	% of Total 2019-20 Estimated
Revenues						
Property Tax	\$62,390,637	\$66,608,795	\$74,349,897	\$84,827,810	\$91,838,996	49.97%
Sales Tax*	32,909,169	31,029,332	33,011,138	33,968,111	27,697,831	15.07
Transient Occupancy Tax	16,295,589	16,589,743	17,741,915	21,248,918	15,093,335 ⁽²⁾	8.21
Utility Users Tax and Franchises	13,957,590	14,452,223	15,014,559	15,279,421	15,671,292	8.53
Service Fees	6,163,323	6,573,727	7,034,234	7,827,763	5,473,049	2.98
Other Revenue	4,947,280	4,214,237	7,530,994	6,859,936	5,349,940	2.91
Construction Tax	3,298,178	4,718,733	4,960,540	6,346,224	4,775,825	2.60
Rents and Concessions	2,464,256	2,481,504	2,676,784	3,301,506	3,320,321	1.81
Real Property Transfer Tax	1,971,841	1,770,333	2,075,141	2,001,631	1,949,035	1.06
Permits and Licenses	1,296,765	1,286,572	1,698,986	1,938,313	1,864,135	1.01
Business License Tax	1,871,848	1,818,751	1,837,527	1,952,881	1,749,343	0.95
Subtotal Excluding In Lieus/Transfers	\$147,566,476	\$151,543,950	\$167,931,715	\$185,552,514	\$174,783,103	95.10%
Sale of Property ⁽¹⁾	13,925,365	4,762	21,000,000	72,920	9,000,000	4.90
Subtotal with Sale of Property	\$161,491,841	\$151,548,714	\$188,931,715	\$185,625,434	\$183,783,103	100.00%

(1) See “Other Sources of Revenue – Sale of Property.”

(2) Collections remained strong through March 2020, after which hotel occupancy and TOT revenues declined sharply due to the restrictions associated with the COVID-19 pandemic.

* Includes Public Safety Sales Tax

Source: City of Sunnyvale 2020-21 Adopted Budget.

Property Tax

General. In fiscal year 2019-20, Property Tax represented the largest source of tax revenue to the City. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property taxpayers in the City. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” and “RISK FACTORS – Property Taxes” for a description of risks associated with the levy and collection of property tax revenues.

Article XIII A of the State Constitution provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount has been approved by voters. The County assesses properties and bills and collects these property taxes. The City’s share including all penalties and interest is remitted by the County. For more detailed information on Article XIII A of the State Constitution, “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution.”

Levy and Collection. Property taxes are levied for each Fiscal Year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “**secured**” or “**unsecured**” and is listed accordingly on separate parts of the assessment roll. The “**secured roll**” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “**unsecured roll**.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution” for further description of Proposition 13.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuation History. The table below presents a recent history of the assessed value of property within the City.

TABLE 2
CITY OF SUNNYVALE
Assessed Valuation
Fiscal Years 2009-10 through 2020-21

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property ⁽¹⁾	Unsecured Property	Total Assessed Value	Less: Exemptions	Total Taxable Assessed Value
2009-10	\$14,129,616,998	\$2,848,229,899	\$5,641,227,308	\$952,386,638	\$2,624,854,504	\$26,196,312,347	\$296,867,486	\$25,899,444,861
2010-11	14,187,052,958	3,593,110,296	5,306,337,209	387,154,668	2,540,352,066	25,924,007,197	303,969,181	25,620,038,016
2011-12	14,491,247,756	3,438,645,488	5,341,788,549	340,366,939	2,608,683,037	26,220,731,769	301,649,177	25,919,082,592
2012-13	15,103,665,793	3,600,587,226	5,432,266,156	340,524,870	2,759,360,948	27,236,404,993	341,463,372	26,894,941,621
2013-14	16,609,382,728	3,770,159,047	6,028,000,066	432,398,085	2,893,032,074	29,732,972,000	485,541,786	29,247,430,214
2014-15	17,767,517,570	4,169,748,259	6,064,429,240	525,692,456	3,301,086,598	31,828,474,123	398,883,418	31,429,590,705
2015-16	19,451,693,480	5,263,186,637	7,068,520,319	611,867,808	2,842,769,440	35,238,037,684	438,314,393	34,799,723,291
2016-17	21,132,236,511	6,245,020,580	7,582,898,635	777,478,976	2,941,677,250	38,679,311,952	479,970,823	38,199,341,129
2017-18	23,081,956,452	7,201,345,311	7,551,341,687	875,789,104	3,467,249,797	42,177,682,351	494,892,657	41,682,789,694
2018-19	25,156,372,680	8,856,076,181	8,267,965,238	788,203,756	3,882,340,213	46,950,958,068	599,128,346	46,351,829,722
2019-20	--	--	--	--	--	--	--	49,675,754,955
2020-21	--	--	--	--	--	--	--	54,828,905,431

(1) Other Property includes government, institution, irrigated and vacant lands, State Board of Equalization (SBE) nonunitary utilities, and miscellaneous and unclassified properties.

Source: City of Sunnyvale Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019; County of Santa Clara. For fiscal years 2019-20 and 2020-21, HdL.

Proposition 8 Property Value Adjustments. Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a “decline-in-value.” As of January 1st (lien date) each year, the Assessor must enroll either a property’s Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a “Proposition 8 Value.” “Proposition 8 values” are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

Property Tax Levies and Collections. Collection of property tax is the responsibility of the County. The City has elected not to participate in the "Teeter Plan" offered by the County; therefore, the City receives only property taxes actually collected and retains the right to any interest and penalties collected on the related delinquent taxes. Set forth below is a table showing property taxes levied and collected on the City's behalf for fiscal years 2009-10 through 2018-19.

TABLE 3
CITY OF SUNNYVALE
Property Tax Levies and Collections

Fiscal Year	Total Property Tax Levied ⁽²⁾	Collected within the Fiscal Year of Levy		Collections in Subsequent Years ⁽¹⁾
		Amount	Percent of Levy	
2009-10	\$31,042,522	\$29,014,601	93.5%	\$1,163,549
2010-11	30,669,200	28,655,299	93.4	792,078
2011-12	30,870,190	29,149,449	94.4	727,856
2012-13	32,150,043	30,419,797	94.6	529,530
2013-14	35,217,352	33,392,365	94.8	378,053
2014-15	38,246,494	36,235,979	94.7	425,532
2015-16	42,533,731	40,482,214	95.2	354,245
2016-17	46,861,407	44,324,329	94.6	287,855
2017-18	50,889,271	48,209,420	94.7	214,185
2018-19	56,393,298	53,630,229	95.1	258,976
2019-20				

(1) Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available from the Santa Clara County Assessor's Office.

(2) Property tax levy and collections represent General Fund secured and unitary taxes and do not include the VLF (motor vehicle license fees) swap, supplemental, or the City share of the former tax increment.

Source: City of Sunnyvale Comprehensive Annual Financial Report Fiscal Year Ending June 30, 2019.

Suspension of Penalties, Costs, and Interest on Overdue Property Taxes due to COVID-19. On May 6, 2020, the Governor issued Executive Order N-61-20, which suspended the imposition of penalties, costs, and interest on overdue property taxes where the taxes owed were not delinquent prior to the March 4, 2020, and the taxpayer demonstrates to the tax collector that the taxpayer has suffered economic hardship due to the COVID-19 pandemic.

In accordance with Executive Order N-61-20, the County Treasurer and Tax Collector announced that property owners affected by COVID-19 could have late penalties cancelled if they were unable to pay their property taxes by April 10, 2020, and that the office of the Treasurer and Tax Collection had begun accepting requests for penalty cancellation related to COVID-19.

Executive Order N-61-20 has not materially impacted the City's collection of Property Tax. The extent of the impact of Executive Order N-61-20 and the current practices of the County Treasurer and Tax Collector on the City's property tax collections, and the date Executive Order N-61-20 might be modified or rescinded, are currently unknown.

Major Property Taxpayers. The following table shows the top 10 local property taxpayers for fiscal year 2020-21.

TABLE 4
CITY OF SUNNYVALE
Top 10 Local Property Taxpayers
Fiscal Year 2020-21

Taxpayer	Primary Use	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Google LLC/Inc	Industrial	\$3,400,500,676	6.20%
Apple Inc	Unsecured	1,059,560,119	1.93
Lockheed Martin Corporation	Industrial	902,841,547	1.65
Intuitive Surgical Inc.	Industrial	844,615,170	1.54
Applied Materials Inc.	Industrial	793,595,978	1.45
Menlo & Juniper Networks LLC	Commercial	792,293,621	1.45
CW SPE LLC	Commercial	771,596,716	1.41
Moffett Place LLC	Commercial	498,975,714	0.91
441 Real Estate LLC	Industrial	423,110,048	0.77
STC Venture LLC	Commercial	404,950,603	0.74
Total		\$9,892,040,192	18.04% ⁽¹⁾

(1) Fiscal year 2020-21 Local Secured Assessed Value: \$54,828,905,431.
Source: Urbics; HdL.

Sales and Use Tax

General. Sales and Use Tax (Sales Tax) represents the second largest source of revenue to the General Fund. Sales and Use Tax also represents one of the General Fund's most volatile revenue sources, with drastic swings over the past decade. Sales Tax Revenues began to recover in fiscal year 2010-11 after the great recession hit in fiscal year 2008-09. Since that time, returns have been somewhat volatile.

Most sectors are relatively stable and experience swings within a narrow band; however, the business and industry sector is highly volatile. This makes revenues very unpredictable and forecasting future revenues challenging. In the business and industry sector, recent challenges to the categorization of certain tax receipts has caused some volatility in the last three years.

AB 147, which was signed into law in April 2019, will expand the collection of sales and use taxes from out-of-state sales via the implementation of the landmark U.S. Supreme Court decision in *South Dakota v. Wayfair*. It is expected to bring a small boost to the City's Sales Tax revenue. Out-of-state vendors selling more than \$100,000 or 200 separate transactions into the state will be required to collect sales tax, except those small businesses with less than \$500,000 total annual taxable sales transactions in the State.

When transactions occur online for Sales Tax-eligible purchases, the 1% share received by cities instead goes into a County pool for distribution. The County pool is distributed based on each jurisdiction's share of total taxable sales. For the last reporting period, the City's share of the pool was about 5.7%. This shifting paradigm not only makes Sales Tax revenue increasingly difficult to project, but it also means that a larger part of this significant revenue source has less to do with brick and mortar sales activity in the City and instead reflects the volume of internet

sales within the County. Sales Tax revenues from the County pool are expected to increase as a percentage of the City's overall Sales Tax revenue as e-commerce continues to become a larger part of the economy.

The estimated Sales Tax revenue for fiscal year 2019-20 was \$25.5 million, down from the original estimate of \$28.9 million, due to the impacts of the COVID-19 pandemic as shelter-in-place orders shut down bars, restaurants, entertainment, auto dealerships, and traditional retail. Online sales mitigated some of the loss. In addition, the California Department of Tax and Fee Administration ("CDTFA") has provided a 12-month, no-interest deferral of Sales Tax remittance of up to \$50,000 and a payment plan if needed. The City anticipates that the impact of COVID-19 on Sales Tax revenues from small businesses will continue in fiscal year 2020-21 with estimated remittances of \$25.5 million.

Sales Tax Rate. As of July 1, 2020, taxable transactions in the City are subject to sales and use tax at a total rate of 9%, of which the City receives 1%; however, see the discussion above regarding pooled revenues under the "- General."

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the CDTFA. This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA, and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the CDTFA to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the CDTFA's quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

According to the CDTFA, it distributes quarterly tax revenues to cities, counties, and special districts using the following method:

Using the prior year's quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments, and refunds, and then adjusts for growth, in order to establish the estimated base amount. The CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire, or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up)

is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances, and the current advance are provided with each quarterly clean-up payment.

The CDTFA receives an administrative fee based on the cost of services provided by the CDTFA to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Transient Occupancy Tax

Transient Occupancy Tax ("**TOT**") revenues were the General Fund's third largest source of revenue in fiscal year 2019-20. At the General Municipal Election held on November 6, 2018, voters approved Measure K updating the existing TOT ordinance, increasing the TOT from 10.5% to 12.5%, effective January 1, 2019. This change helped bolster the strong TOT returns through the third quarter of fiscal year 2019-20, before the County issued its shelter-in-place order to control the COVID-19 pandemic. For more information on the recent actions the County has taken with respect to the COVID-19 pandemic, see "BOND OWNERS' RISKS – Potential Impact of COVID-19." The City has budgeted TOT revenues at \$10.6 million in fiscal year 2020-21, which amount is half of actual revenue received in fiscal year 2018-19.

The City has approximately 3,755 rooms offered in a range of hotels. Short-term rentals are also subject to TOT. An agreement with AirBnB to remit TOT on behalf of their hosts resulted in almost \$700,000 in new revenues in fiscal year 2018-19 and over \$560,000 through the third quarter of fiscal year 2019-20; however, only modest revenues are estimated through fiscal year 2021-22 while the City further assesses the reliability of this revenue source. The economic uncertainty related to COVID-19 and changing business model of the short-term rental industry has not yet demonstrated the reliability needed for long-term planning.

Utility Users Tax

Utility Users Tax ("**UUT**") and Franchise Fees represent the fourth largest source of General Fund revenue. Historically, these two revenue categories have been combined because the primary sources of revenue for both is the sale of electricity and gas. The City's UUT rate is 2% on electricity, gas, and intrastate telephone providers, which is lower than the UUT rate for the County when weighted by population and significantly lower than the statewide average of 5.4%. Approximately 60% of UUT revenue is derived from the sale of electricity, 30% is related to telecommunications, and 10% is derived from the sale of gas.

The single largest component of UUT revenue is against the electric rates charged by Pacific Gas and Electric ("**PG&E**"). Despite the commercial development over recent years, UUT on electricity has declined. The anticipated growth from new development is being offset by the fact that many new buildings are more energy-efficient than prior uses. Also, a portion of UUT related to electricity is derived from Silicon Valley Clean Energy, which generates energy at a lower cost than PG&E. Utility User's Tax is estimated at \$8.3 million in fiscal year 2020-21 and expected to stay flat in the short term.

Other Sources of Revenue

Other Taxes. Other Taxes consist of Construction Tax, Business License Tax, and Real Property Transfer Tax. The COVID-19 shelter-in-place orders interrupted economic activity beginning in the third quarter of fiscal year 2019-20. To that end, the City's long-term financial

plan assumes that some projects that are in the development pipeline and close to completion will continue, but that new development activity will slow due to the economic uncertainty and market volatility.

Permits & Service Fees. This category includes revenue collections from fees charged for services provided by City operations. Most of the revenue in this category comes from the Department of Public Safety, the Recreation Division in the Department of Library and Community Services, the Community Development Department, and the Department of Public Works. Revenues associated with many of the City's services have been interrupted as a result of the COVID-19 shelter-in-place orders due to closures of senior centers, cancellation of recreation activities, etc. Therefore, these revenues were revised to reflect fiscal year 2019-20 actuals as of the third quarter of the fiscal year. Assuming some level of continued restrictions related to social gathering, such as limits to the number of attendees for an event or social distancing requirements, recreation fees are projected at 50% of fiscal year 2018-19 actuals for fiscal year 2020-21 and 25% for fiscal year 2021-22 before returning to pre-pandemic levels in fiscal year 2022-23.

Sale of Property. This revenue item reflects the sale of some of the City's property and revenues from the sale of property. As one-time funds, receipts from property sale transactions are best utilized for one-time capital needs. No property sales are budgeted for fiscal year 2020-21. Prior years' property sales have funded the equity portion of the Civic Center Project in the amount of \$128 million.

In-Lieu Charges and Transfers. In-Lieu Charges and Transfers are primarily funds transferred into the General Fund from other City funds to pay for projects and the cost of Citywide administration, including the cost of the Department of Finance, the Human Resources Department, the Office of the City Manager, and the Office of the City Attorney.

Inter-Fund Revenues. Inter-Fund Revenues are loan repayments to the General Fund from other funds, including the utility funds. Year-to-year fluctuations in this revenue source are expected, as loan repayment schedules are not always on fixed amortization periods and often change based on cash considerations.

Employee Relations

The City has 936 authorized full-time equivalent positions for fiscal year 2020-21, of which 201 are sworn public safety personnel and 870 are filled. There have been no strikes, work stoppages or other similar incidents by City employees in the past 25 years.

All regular full-time City employees are covered under negotiated agreements and are represented by the labor groups set forth below.

Labor Group	Number of Employees	Expiration Date
Communication Officers Association		December 31, 2021
Public Safety Managers Association		December 31, 2021
Public Safety Officers Association		December 31, 2020 ⁽¹⁾
Service Employees International Union, Local 521		June 30, 2021
Sunnyvale Employees Association		June 30, 2022
Sunnyvale Managers Association		June 30, 2023

(1) Upon expiration, would remain in effect unless and until renegotiated.

Risk Management and Self-Insurance

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established various self-insurance programs and maintained contracts with various insurance companies to manage excessive risks.

The City has \$40,000,000 in excess general liability coverage, subject to \$500,000 self-insured retention ("**SIR**") for each occurrence, through the California Joint Powers Risk Management Authority ("**CJPRMA**"), a risk-sharing pool. CJPRMA is a joint powers authority created by certain California cities and other joint powers authorities to provide a pooled approach for liability coverage. The CJPRMA is governed by a board of directors composed of officials appointed by each member agency. The activities of the CJPRMA include setting and collecting premiums, administering and paying claims and related expenses and investing assets. Each member is assessed a contribution based on actuarially determined rates, which is intended to cover the CJPRMA's claims, operating costs and claim settlement expenses. Additional cash contributions may be assessed on the basis of adverse loss experiences. The CJPRMA maintains members' equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Most recent financial statements for CJPRMA for the fiscal year ended June 30, 2018 may be obtained from the CJPRMA website.

The City's excess workers' compensation coverage is provided through the California State Association of Counties Excess Insurance Authority ("**CSAC-EIA**"), with statutory limits subject to a \$500,000 self-insured retention. The excess workers' compensation coverage is structured by the limits of indemnity as described below:

- \$4,500,000 excess of \$500,000: Coverage provided by CSAC-EIA and reinsured by Wesco Insurance Company.
- \$45,000,000 excess of \$5,000,000: Coverage provided by CSAC-EIA and reinsured by ACE American Insurance Company.

- Statutory excess of \$50,000,000: Coverage provided by Liberty Insurance Corporation

The California State Association of Counties ("**CSAC**") Excess Insurance Authority ("**EIA**") is a member-directed joint powers insurance authority, operating since 1979. The EIA has been providing California's counties, and more recently other public entities, including cities, schools and special districts, with stable cost-effective insurance alternatives and quality risk management services. The City is currently a member of the EIA Excess Workers Compensation Insurance Program. The EIA is governed by a board of directors composed of officials appointed by member agencies. Each participating member is required to share all costs of that program, including development charges, premiums, premium surcharge, and administrative costs. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for the CSAC - EIA for the fiscal year ended June 30, 2019, may be obtained from the CSAC Excess Insurance Authority website.

The City's risk management activities are accounted for in the internal service funds. Charges to the General Fund and other insured funds are determined from an analysis of claims costs. Estimated liabilities are recorded in the internal service funds when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims that have been incurred but not reported are also included in the liability estimates.

Unemployment claims paid by the State are reimbursed dollar-for-dollar by the City.

Employee Retirement System

*This caption contains certain information relating to California Public Employees' Retirement System ("**PERS**"). The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The City has not independently verified the information provided by PERS and makes no representations and expresses no opinion as to the accuracy of the information provided by PERS.*

The comprehensive annual financial reports of PERS are available on its Internet website at www.calpers.ca.gov. The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Authority, City or Underwriters can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

General. The City contributes to the California Public Employees' Retirement System ("**PERS**") for two defined benefit pension plans: Miscellaneous and Safety. A total of 2,573 employees are enrolled in the Miscellaneous plan and 657 employees are enrolled in the Safety plan. The plan members are predominantly inactive.

Benefits Provided. PERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The benefit formulas are set forth in the table below.

Retirement Benefit Formulas

	Formula Name	Minimum Retirement Age	Normal Retirement Age	Minimum Retirement Age	Final Compensation	Contract Effective Date
Miscellaneous Tier 1	2.7% @55	50	55	55	1 year	New classic hire before 12/23/2012
Miscellaneous Tier 2	2.0% @60	50	55	63	1 year	New classic hire from 12/23/2012
Reformed Miscellaneous	2.0% @62	52	62	67	3 years	New PERS member 1/1/2013
Safety Tier 1	3.0% @50	50	50	50	1 year	Classic sworn before 2/19/2012
Safety Tier 2	3.0% @55	50	50	55	1 year	Classic sworn from 2/19/2012
Reformed Safety	2.7% @67	50	57	57	3 years	New PERS member from 1/1/2013

Contributions. The City is required to contribute at an actuarially determined rate of annual covered payroll for normal cost and an actuarially determined dollar amount to amortize the unfunded liability. A recent history of the City's annual contributions to PERS is provided in the table below.

Fiscal Year	Miscellaneous	Safety	Total
2017-18	\$16,854,299	\$14,914,181	\$31,768,480
2018-19	18,629,140	16,607,279	35,236,419
2019-20	21,159,596	19,688,125	40,847,721
2020-21	23,234,605	21,630,582	44,865,187

Source: City of Sunnyvale.

The actuarially determined rates and contribution amounts for each plan for the fiscal years ended June 30, 2021, and June 30, 2022, are as follows: **[TO BE UPDATED WITH 2020 REPORT]**

Safety Plan

Fiscal Year 2021-22			Projected Fiscal Year 2022-23		
Employer	Employer	Employee	Employer	Employer	Employee
Normal	Payment of	PEPRA	Normal	Payment of	PEPRA
Cost Rate	Unfunded Liability	Rate	Cost Rate	Unfunded Liability	Rate

Source: PERS Actuarial Reports Dated _____ 2020.

Miscellaneous Plan

Fiscal Year 2021-22			Projected Fiscal Year 2022-23		
Employer	Employer	Employee	Employer	Employer	Employee
Normal	Payment of	PEPRA	Normal	Payment of	PEPRA
Cost Rate	Unfunded Liability	Rate	Cost Rate	Unfunded Liability	Rate

Source: PERS Actuarial Reports Dated _____ 2020.

Funded Status. The following tables set forth the schedule of funding for the City's pension plans for the fiscal years ended June 30, 2016, 2017, and 2018. **[TO BE UPDATED WITH 2020 REPORT]**

Safety Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2016	\$522,935,597	\$342,489,688	\$180,445,909	65.5%	\$32,045,120
2017	548,980,355	371,122,390	177,857,965	67.6	31,316,468
2018	590,160,674	391,733,755	198,426,919	66.4	32,800,360

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated July 2019.

Miscellaneous Plan

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll
2016	\$541,874,130	\$366,643,154	\$175,230,976	67.7%	\$55,923,254
2017	575,267,420	401,301,674	173,965,746	69.8	59,471,742
2018	624,489,623	428,747,179	195,742,444	68.7	62,647,667

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated July 2019.

Pension Trust. In July 2018, the City established a Section 115 irrevocable trust (the “Pension Trust”) to stabilize contribution rates during their projected peak and bridge the gap to normalizing pension costs and paying down unfunded liability.

The Pension Trust is owned and monitored by the City but externally managed by investment professionals. The City plans to contribute \$1 million annually to the Pension Trust over the next eight years, split equally between the Miscellaneous and Safety plans, and expects to begin to draw funds in fiscal year 2025-26 to reduce projected peak rates. The City estimates that the Pension Trust had a balance of \$4.8 million as of June 30, 2020.

Recent Actions Taken by PERS. Changes made by PERS to its actuarial assumptions or methods can influence the amount of the City's pension benefit liability. An overview of recent actions taken by PERS in this regard is provided below.

On February 18, 2014, the PERS Board (the “PERS Board”) approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The PERS Board also assumed earlier retirements for Police 3%@50, Fire 3%@55, and Miscellaneous 2.7%@55 and 3%@60, which will increase costs for those groups. As a result of these changes, rates increased beginning in

fiscal year 2016-17 (based on the June 30, 2014 valuation) with full impact in fiscal year 2020-21.

On November 18, 2015, the PERS Board adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy established a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.0%, by at least four percentage points. PERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through PERS' web site at the following website address:

<https://www.calpers.ca.gov/docs/funding-risk-mitigation-policy.pdf>

The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City, and is not incorporated in this Official Statement by reference.

On December 21, 2016, the PERS Board voted to lower its discount rate from 7.5% to 7.0% over the next three years according to the following schedule.

Valuation Date	Fiscal Year Required Contribution	Discount Rate
June 30, 2016	2018-19	7.375%
June 20, 2017	2019-20	7.250
June 30, 2018	2020-21	7.000

For public agencies like the City, the new discount rate began increasing contribution costs in fiscal year 2018-19. Lowering the discount rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities and that active members hired after January 1, 2013, under PEPPRA will see their contribution rates rise.

On February 13, 2018, the PERS Board voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019, actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain five-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2021-22.

Other Post-Employment Benefits

Plan Description. The City of Sunnyvale Retiree Healthcare Plan (the “Plan”) is a single-employer defined benefit retiree healthcare plan administered by the City.

Benefits Provided. The Plan provides healthcare benefits to eligible retirees and their dependents through the California Public Employees' Retirement System healthcare program (“PEMHCA”). PEMHCA requires that medical insurance contributions for retired annuitants paid

for by a contracting agency be equal to the medical contributions paid for its active employees. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees, and the unions representing City employees.

Contributions/Funding Policy. On July 20, 2010, City Council approved the City's entering into an Investment Advisory Agreement with PFM Asset Management, LLC ("**PFM**") to establish and administer the City's retiree medical trust, a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 to pre-fund retiree healthcare benefits (the "**OPEB Trust**"). On December 7, 2010, the Council approved a Trust Agreement among the City (Employer), PFM (Trust Administrator), and U.S. Bank National Association (as the Trustee of Trust assets).

For the measurement period ended June 30, 2018, aside from the implied subsidy of \$1,510,000, the City prefunded \$4,059,000 to the OPEB Trust while contributing \$5,763,886 outside of OPEB Trust on a pay-as-you-go basis for current benefit payments and PEMHCA administration expenses. The City estimates that the OPEB Trust had a balance of approximately \$115.6 million.

Based on an actuarial valuation as of July 1, 2018, the City's total other post-employment benefit ("**OPEB**") liability as of June 30, 2019, was \$166,022,735 and for the measurement period ended June 30, 2018, the City recognized an OPEB expense of \$8,047,126.

For more information regarding the City's OPEB, see Note 17 of the City's Comprehensive Annual Financial Report, which is attached as APPENDIX B to the Official Statement.

City Policies and Practices for Managing Pension and OPEB Costs

The City has adopted certain policies and practices for managing its pension and OPEB costs, which are described above under the headings "– Employee Retirement System" and "– Other Post-Employment Benefits." Such policies and practices include the following:

- Independent actuarial review at least biennially for both pension and OPEB liabilities;
- Priority use of one-time savings to pay down unfunded pension and OPEB liabilities;
- Completion of regular Asset Liability and Experience studies;
- Preparation of annual twenty-year projections for miscellaneous and safety plans;
- Accounting for compounding effect from salary increases during labor negotiations and providing 20-year impact to City Council of bargaining decisions, assuming a steady reduction down to a 6% discount within the twenty-year planning period; and
- No rolling amortization of gains or losses – 5-year ramp.

The City has also undertaken several cost mitigation strategies including the following:

- Establishing the Pension Trust in 2018;
- Prepaying the annual unfunded actuarial liability payment to PERS to yield savings;
- Contributing savings to pay down the City’s unfunded liability directly to PERS to the Pension Trust;
- Holding current cash reserves in an internal service fund for cost volatility;
- “Fresh Start” on both Miscellaneous and Safety pension liabilities:
 - ♦ Closed amortization period for significant portion of liabilities;
 - ♦ Miscellaneous Fresh Start paid off in FY 2030/31 (\$10M/year savings), fully funded by FY 2039/40;
 - ♦ Safety Fresh Start paid off in FY 2040/41 (additional \$10M/year in savings), fully funded FY 2041/42

The City believes these policies and practice position it well for managing the incremental changes in pension costs over time and ensuring the proper funding of these employee benefits.

Outstanding General Fund Long-Term Obligations

The City’s only long-term obligations that are payable from the General Fund (other than lease payments related to the 2020 Bonds) are the lease obligations related to the series of outstanding certificates of participation shown in the table below; however, the City intends to pay off the outstanding amount of the Variable Rate demand Refunding Certificates of Participation, Series 2009A (Government Center Site Acquisition Project) (“**2009 COPs**”) from cash on hand, which will remove the lease encumbrance from a portion of the City’s Civic Center Campus. The City has no current plans to enter into additional long-term obligations payable from the General Fund other than the 2020 Bonds.

Long-Term Obligation	Outstanding Principal Amount as of October 1, 2020
\$17,525,000 Certificates of Participation (Parking Facility Refunding) Series 1998A ⁽¹⁾	\$2,400,000
\$15,865,000 Variable Rate demand Refunding Certificates of Participation, Series 2009A (Government Center Site Acquisition Project) ⁽²⁾	9,650,000

(1) Final maturity is October 1, 2022.

(2) Final maturity is April 1, 2031; however, as noted above, the City intends to pay off the outstanding amount prior to the issuance of the 2020 Bonds from cash on hand.

Direct and Overlapping Bonded Debt

Set forth following is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. and effective September 1, 2020. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

TABLE 5
CITY OF SUNNYVALE
Statement of Direct and Overlapping Debt
As of September 1, 2020

2020-21 Assessed Valuation: \$54,828,635,431

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/20</u>
Santa Clara County	9.952%	\$ 80,878,411
Foothill-De Anza Community College District	24.937	147,651,264
West Valley-Mission Community College District	4.189	24,676,561
Santa Clara Unified School District	9.075	90,780,855
Fremont Union High School District	52.902	265,031,131
Mountain View-Los Altos Union High School District	4.056	8,410,723
Cupertino Union School District	14.551	39,261,261
Los Altos School District	0.002	3,331
Mountain View School District	11.965	542,015
Mountain View-Whisman School District	7.480	19,983,942
Sunnyvale School District	99.380	208,196,946
El Camino Hospital District	38.515	44,789,094
Midpeninsula Regional Open Space Park District	15.874	13,715,136
City of Sunnyvale Community Facilities District No. 1	100.000	13,315,000
Santa Clara Valley Water District Benefit Assessment District	9.952	6,518,062
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$963,753,732
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Santa Clara County General Fund Obligations	9.952%	\$ 96,188,578
Santa Clara County Pension Obligation Bonds	9.952	33,976,048
Santa Clara County Board of Education Certificates of Participation	9.952	346,330
Santa Clara County Vector Control Certificates of Participation	9.952	200,035
Foothill Community College District Certificates of Participation	24.937	5,865,182
West Valley Mission Community College District General Fund Obligations	4.189	2,127,174
Santa Clara Unified School District Certificates of Participation	9.075	1,221,041
Mountain View-Los Altos Union High School District Certificates of Participation	4.056	100,993
Los Altos School District Certificates of Participation	0.002	42
City of Sunnyvale Certificates of Participation	100.000	13,145,000⁽¹⁾
Midpeninsula Regional Open Space Park District General Fund Obligations	15.874	16,826,535
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$169,996,958
Less: Santa Clara County supported obligations		3,177,810
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$166,819,148
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000%	\$1,145,000
GROSS COMBINED TOTAL DEBT		\$1,134,895,690⁽²⁾
NET COMBINED TOTAL DEBT		\$1,131,717,880

Ratios to 2020-21 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.76%
Total Direct Debt (\$13,145,000)	0.02%
Gross Combined Total Debt	2.07%
Net Combined Total Debt	2.06%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,957,142,278):

Total Overlapping Tax Increment Debt	0.06%
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(1) Excludes lease revenue bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

General Fund Reserves

The General Fund currently has four major reserves:

- Contingencies Reserve. By City Council policy, the Contingencies Reserve must equal 15% of the operating budget in the first year of the long-term plan, currently fiscal year 2020-21, and then grow by the estimated change in the Consumer Price Index in each subsequent year. This reserve is not intended for normal unanticipated expenditures and is instead to be used for non-fiscal emergencies or disasters as determined by Council. Accordingly, in fiscal year 2019-20, this reserve was used to fund \$1 million in assistance to the community to mitigate the economic hardships associated with COVID-19. The City estimates that as of June 30, 2020, the Contingencies Reserve balance was \$23,558,898 and has budgeted the Contingencies Reserve at \$26,266,632 (15% of operations) for fiscal year 2020-21.
- Reserve for Capital Improvement Projects. Originally entitled the Land Acquisition Reserve, the Reserve for Capital Improvement Projects was established in fiscal year 1994-95 for the purpose of purchasing land or property in the downtown area with an emphasis on future income generation through economic development. In fiscal year 2006-07, the reserve name was changed to Reserve for Capital Improvement Projects to reflect its expanded purpose. The City estimates that as of June 30, 2020, the Reserve for Capital Improvement Projects balance was \$9,105,612 and has budgeted the Reserve at \$4,824,822 for fiscal year 2020-21.
- Budget Stabilization Fund. The Budget Stabilization Fund functions to normalize service levels through economic cycles. The intent is for this fund to increase during periods of economic growth and to be drawn down during the low points of economic cycles to maintain stable service levels.

City Council policy requires that the Budget Stabilization Fund be maintained at no less than 15% of total projected revenues for the first two years of the 20-year plan and that it never goes below \$0 in any year. The City estimates that as of June 30, 2020, the Budget Stabilization Fund balance was \$49,092,300 (24% of estimated revenues for fiscal year 2020-21) and has budgeted the Budget Stabilization Fund at \$44,098,046 (23% of total budgeted revenues) for fiscal year 2020-21.

- Equipment & Project Carryover Reserve. The Equipment & Project Carryover Reserve accounts for actual fiscal year 2018-19 available project balances (and related revenues) that have carried forward to fiscal year 2019-20 for ongoing project costs. Since a significant portion of the current budgeted project costs are from the prior year carryover, it was prudent to separate out this reserve to increase transparency of unspent project funds. Additionally, accounting for this reserve separately helps ensure that the available balance in the Budget Stabilization Fund is not overstated. This reserve had and is budgeted to have a \$0 balance in fiscal year 2019-20 and fiscal year 2020-21, respectively, as projects are anticipated to be completed from a budgetary perspective.

A five-year history of the General Fund reserves discussed above is presented in the following table:

	Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19	Estimated 2019-20
Contingencies Reserve	\$20,081,497	\$21,557,443	\$22,734,647	\$24,208,511	\$23,558,898
Reserve for Capital Improvement Projects	22,726,502	18,438,631	23,597,462	5,975,574	9,105,612
Budget Stabilization Fund	60,527,864	60,086,990	56,472,561	70,388,115	49,092,300
Equipment & Project Carryover Reserve	16,136,893	25,963,762	28,833,284	22,616,820	0
Total	\$119,472,756	\$126,046,826	\$131,637,954	\$123,189,020	\$81,756,810

Financial Statements

Accounting Policies. The basic financial statements of the City are prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” for a full presentation of the City’s accounting policies.

Management’s Discussion and Analysis. GASB Statement No. 34 requires the inclusion of management’s discussion and analysis as required supplementary information. See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” for a full presentation of management’s discussion and analysis for the most recent Fiscal Year.

Audited Financial Statements. The City’s most recent audited financial statements for the Fiscal Year ending June 30, 2019, are attached as “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” to this Official Statement, which were prepared by the City and audited by Macias Gini & O’Connell LLP, Walnut Creek, California (the “**Auditor**”).

The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or the General Fund. In addition, the Auditor has not reviewed this Official Statement.

General Fund Financial Data

The following tables provide a five-year history of the City's Comparative Balance Sheet, and summarize General Fund revenues, expenditures, transfers, and ending fund balances for the City for fiscal years 2015-16 through 2018-19 (audited) and 2019-20 (unaudited).

TABLE 6
CITY OF SUNNYVALE
GENERAL FUND BALANCE SHEET
Fiscal Years Ending June 30, 2016, through June 30, 2019 (Audited),
and June 30, 2020 (Unaudited)

	2015-16	2016-17	2017-18	2018-19	2019-20 (Unaudited)
Assets					
Deposits and investments held by City	\$111,155,821	\$122,676,762	\$129,575,584	\$122,117,756	\$120,737,913
Deposits and investments held by Fiscal Agent	1,309,525	1,298,742	1,295,923	1,294,315	1,316,192
Receivables, current	14,261,214	9,716,277	9,679,743	11,267,880	8,292,544
Intergovernmental receivables	1,694,014	1,588,936	1,566,819	1,577,462	1,744,017
Due from other funds	263,379	48,694	175,120	214,950	2,305,763
Advances to other funds	34,579,519	31,636,150	27,244,962	22,935,108	18,941,986
Advances to redevelopment Successor Agency Trust Fund	25,450,746	27,216,679	--	--	--
Inventories and prepaid items	1,153,443	609,871	663,706	611,164	614,267
Long-term receivables from employees	3,646,662	5,490,937	3,680,299	3,606,505	1,730,251
Housing deficits receivable	--	--	--	--	--
Housing loans receivable	--	--	--	--	--
Assets held for resale	1,101,077	1,101,077	1,101,077	1,101,077	1,101,077
Total assets	194,615,400	201,384,125	174,983,233	164,726,217	156,784,730
Liabilities					
Accounts payable and accrued liabilities	2,082,960	2,158,367	2,758,666	4,197,867	2,555,265
Payable to redevelopment successor Agency Trust Fund	--	--	--	--	--
Refundable deposits	1,016,821	1,449,875	2,420,715	1,508,419	1,749,346
Due to other funds	--	--	--	--	--
Unearned revenue	8,122,208	8,001,925	7,030,001	6,951,917	6,865,557
Total liabilities	11,221,989	11,610,167	12,209,382	12,658,203	11,170,168
Deferred Inflows of Resources	61,915,761	60,771,873	29,886,850	25,709,817	25,908,858
Fund balances:					
Nonspendable	6,260,493	7,553,852	5,860,620	5,518,496	3,796,702
Restricted	2,553,902	2,723,856	2,808,189	2,913,578	3,073,388
Committed	55,240,555	57,745,582	60,532,035	46,896,418	46,896,418
Assigned/Reserved	--	--	--	--	--
Unassigned/Unreserved	57,422,700	60,978,795	63,686,157	71,029,705	65,939,196
Total fund balances	121,477,650	129,002,085	132,887,001	126,358,197	119,705,704
Total Liabilities and Fund Balances	\$194,615,400	\$201,384,125	\$174,983,233	\$164,726,217	\$156,784,730

Source: City of Sunnyvale, audited financial statements.

The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

TABLE 7
CITY OF SUNNYVALE
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years Ending June 30, 2016, through June 30, 2019 (Audited),
and June 30, 2020 (Unaudited)

	2015-16	2016-17	2017-18	2018-19	2019-20 (Unaudited)
Revenues					
Property taxes	\$62,390,637	\$66,608,795	\$74,349,897	\$84,827,809	\$93,302,288
Sales and use taxes	32,914,114	31,016,980	33,147,530	33,829,197	28,826,695
Other taxes	30,338,338	32,232,050	34,469,506	39,852,986	33,059,182
Franchise fees	7,056,709	7,117,732	7,160,176	6,976,089	7,179,493
Intergovernmental revenues	1,665,707	1,479,933	1,219,046	1,591,769	1,708,550
Licenses and permits	1,296,765	1,286,572	1,698,986	1,938,313	2,150,662
Fines and forfeitures	1,259,048	1,205,543	1,104,312	1,251,697	1,100,195
Special assessments	6,422	6,056	6,055	6,055	6,055
Service fees	6,283,374	6,699,211	7,120,221	7,892,123	5,595,281
Rents and concessions	1,462,021	1,476,854	1,403,753	1,653,302	1,220,458
Interest received from interfund advances	5,363,934	5,363,936	4,786,640	4,786,640	4,786,640
Investment earnings	962,032	612,734	1,747,134	5,742,596	6,713,139
Other Revenues	1,596,315	880,892	1,723,382	790,460	495,510
Total Revenues	152,595,416	155,987,288	169,936,638	191,139,036	184,874,254
Expenditures					
Current:					
Planning and management	9,079,666	11,612,375	10,801,900	10,888,602	22,082,945
Public safety	88,056,056	91,798,276	97,776,924	103,921,860	106,993,566
Community Development	11,418,074	13,111,738	14,423,487	15,595,572	16,005,375
Transportation	7,998,577	8,127,166	8,445,694	8,892,611	9,631,845
Socioeconomic	1,306,973	1,414,079	1,343,778	1,485,936	2,052,415
Cultural	16,314,242	16,995,562	16,708,543	17,611,478	17,747,669
Environmental Management	1,795,497	1,154,362	1,336,815	2,867,431	3,142,369
Capital Outlay	5,922,215	1,344,519	1,423,130	1,879,939	7,799,280
Debt Service:					
Principal retirement	820,000	860,000	905,000	950,000	1,035,000
Interest	382,750	340,000	296,625	250,000	200,625
Fiscal charges	2,860	3,160	7,162	5,967	3,613
Total expenditures	143,096,910	146,761,987	153,469,058	164,349,646	186,694,701
Excess of revenues over expenditures	9,498,506	9,225,301	16,467,580	26,789,390	(1,820,446)
Other financing sources (uses):					
Proceeds from sale of assets	13,925,365	--	21,000,000	72,920	--
Transfers in	2,675,335	2,677,938	3,504,842	9,767,879	17,056,875
Transfers out	(3,215,789)	(4,378,804)	(37,087,506)	(43,158,993)	(21,888,921)
Total other financing sources (uses)	13,384,911	(1,700,866)	(12,582,664)	(33,318,194)	(4,832,046)
Change in fund balance	22,883,417	7,524,435	3,884,916	(6,528,804)	(6,652,492)
Fund balances, July 1	98,594,233	121,477,650	129,002,085	132,887,001	126,358,197
Fund balances, June 30	\$121,477,650	\$129,002,085	\$132,887,001	\$126,358,197	\$119,705,704

Source: City of Sunnyvale.

City's Budgeted and Actual Figures

The table below sets forth (i) a comparison of the City's general fund budget to the actual figures for fiscal years 2018-19 and estimated figures for fiscal year 2019-20 and (ii) the City's adopted general fund budget for fiscal year 2020-21.

TABLE 8
CITY OF SUNNYVALE
General Fund Budgeted and Actual Figures, Fiscal Year 2018-19, 2019-20, and
General Fund Budget, Fiscal Year 2020-21

	2018-19 Adopted Budget	2018-19 Actual	2019-20 Adopted Budget	2019-20 Estimated	2020-21 Adopted Budget
Reserves/Fund Balance, July 1	\$90,193,261	\$131,637,954	\$87,743,380	\$123,189,020	\$81,756,810
Current Resources					
Property tax	75,105,869	84,827,810	88,427,248	91,838,996	90,750,445
Sales tax	30,366,206	32,219,912	29,002,150	26,006,336	25,491,316
Public safety sales tax	1,547,223	1,748,198	1,566,329	1,691,495	1,671,905
Other taxes	8,258,497	10,300,736	8,141,859	8,474,204	7,391,664
Transient occupancy tax	16,541,424	21,248,918	21,861,049	15,093,335	10,617,327
Utility users taxes	8,297,656	8,303,333	8,326,918	8,354,190	8,318,788
Franchises	7,368,207	6,976,089	7,553,943	7,317,101	7,442,089
Rents	3,118,316	3,301,506	3,434,888	3,320,321	3,113,967
Federal, State and Intergovernmental Revenue	710,140	1,446,313	599,403	1,467,850	645,724
Permits and licenses	1,415,807	1,938,313	1,483,745	1,864,135	1,634,631
Fines and forfeitures	908,667	1,197,979	925,148	946,880	757,221
Service fees	6,091,270	7,827,763	6,635,463	5,473,049	3,626,133
Interest income	1,165,614	3,230,055	1,793,306	2,007,840	1,579,060
Interest from sale of property	605,948	327,753	262,757	227,014	106,170
Inter-fund revenues	5,750,302	5,750,302	5,434,132	5,434,132	4,419,817
Miscellaneous revenues	589,259	657,837	583,070	700,355	734,338
Sale of property ⁽¹⁾	17,600,000	72,920	9,000,000	9,000,000	0
Transfer from gas tax fund	1,500,000	1,539,702	1,500,000	1,500,000	1,500,000
In-lieu charges	12,413,249	12,277,543	13,204,101	13,204,101	13,116,395
Transfer from other funds	15,584,992	7,101,835	414,651	2,019,271	12,211,739
Total Current Resources	\$214,938,645	\$212,294,815	\$210,150,160	\$205,940,607	\$195,128,729
Total Available Resources	\$305,131,907	\$343,932,769	\$297,893,539	\$329,129,626	\$276,885,539
Current Requirements					
Operations-total compensation-safety	69,073,820	71,299,985	72,396,962	72,423,193	74,738,879
Operations-total compensation-miscellaneous	58,994,934	54,565,289	62,265,530	62,455,530	62,773,050
Operations-other	35,985,642	35,524,800	36,062,183	36,552,690	35,932,286
Equipment	918,345	931,288	1,867,340	1,855,238	481,694
Public safety recruitment	12,654,430	9,041,563	13,201,957	15,394,032	9,112,480
Projects	5,052,119	3,125,419	7,121,249	23,248,533	6,214,374
Project operating	0	29,360	580,701	499,386	0
Council service level set aside	100,000	0	100,000	70,000	17,500
Lease payments	1,200,250	1,200,250	1,235,625	1,235,625	1,241,250
Budget supplements	707,500	0	582,000	0	70,000
Total expenditures	\$184,687,041	\$175,717,954	\$195,413,546	\$213,734,227	\$190,582,638
Total Transfers to Other Funds	57,660,736	45,025,795	18,76,536	33,638,590	11,113,401
Total Current Requirements	242,347,777	220,743,749	214,180,082	247,372,816	201,696,040
Total Reserves	\$62,784,130	\$123,189,020	\$83,713,457	\$81,756,810	\$75,189,500

(1) See "Other Sources of Revenue – Sale of Property."
Source: City of Sunnyvale 2018-19, 2019-20 and 2020-21 Adopted Budgets.

State Budget

Although the City does not receive a significant portion of its annual revenues directly from the State, the State's financial condition and budget policies affect communities and local public agencies throughout the State. At various times, the State has experienced significant financial and budgetary stress.

Recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, but there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State budget again experience stresses. To the extent that the State budget process results in reduced revenues to the City in the future, the City could be required to make adjustments to its budget.

Investment Policy

Under Section 53600 et seq. of the California Government Code, the City is required to present an annual investment policy (the “**Investment Policy**”) for confirmation by the City Council. The City Council adopted its most recent Investment Policy on October 13, 2020. The Investment Policy is intended to provide guidelines for the prudent investment of City funds and to outline the policies for maximizing the efficiency of the City's cash management. A full copy of the current Investment Policy is attached as APPENDIX G.

The City Treasurer provides quarterly investment reports to the City Council (the “**Treasurer's Report**”). The Treasurer's Report includes an investment schedule summarizing the type of investment, date of purchase, custodian (if applicable), institution, date of maturity, amount of deposit or purchase price, and current market value and rate of interest for all securities. The monthly Treasurer's Report clearly states compliance to, or manner of noncompliance if any divergence from, or violation of the Investment Policy exists, by including a detailed statement on this matter.

According to the City Treasurer's Report for the quarter ended June 30, 2020, the City has invested funds as set forth in the table below.

TABLE 11
CITY OF SUNNYVALE
Investment Portfolio Summary
(as of June 30, 2020)

Investment Type	Amount	Par	Maturity Date	Interest Rate	Weighted Rate
Local Agency Investment Fund	\$74,299,671	\$74,299,671	N/A	1.15%	0.11%
U.S. Treasury Securities	174,006,594	165,000,000	2.33	1.72	0.39
Corporate Notes	163,371,383	155,954,000	2.41	2.87	0.60
Federal Agency Issues	214,832,355	203,670,000	2.84	2.16	0.60
Municipal Bonds	13,810,473	13,475,000	1.63	2.05	0.04
Supranational	19,254,122	19,000,000	0.86	2.40	0.06
Asset Backed Securities	46,675,837	45,856,753	2.86	2.06	0.12
Collateralized Mortgage Obligations	43,942,798	41,421,440	2.85	2.50	0.14
Money Market	25,511,889	25,511,889	N/A	0.01	0.00
Subtotal	\$775,705,123	\$744,688,754			2.06%

Source: City of Sunnyvale.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years.

If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

Articles XIII C and XIII D of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article

XIIIC define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

Taxes. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“general taxes”) require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the City’s General Fund, require a two-thirds vote.

Property-Related Fees and Charges. Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a “special benefit,” as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the 2020 Bonds could be adversely affected.

Burden of Proof. Article XIIIC provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.” Similarly, Article XIIID provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIIID.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIIIC and XIIID will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Impact on City’s General Fund. The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 22. Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Current Constitutional Initiatives Relating to Changes in Property Taxation

There are currently two initiative measures that will be presented to State voters at the November 3, 2020, election that, if passed, will result in certain changes to Article XIII A and other State laws governing property taxation.

- Proposition 15 is a proposed State constitutional amendment entitled the "Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative," commonly known as the "split roll" initiative. If approved by State voters by majority vote, it would amend the State Constitution to change to a "split roll" approach to determine property values for purposes of property taxation, whereby certain commercial and industrial real properties will be reassessed at fair market value of every three years (with certain exceptions for small businesses and personal property), overriding the current 2% limitation on annual assessed value increases until a property changes ownership. The resulting increases in property tax revenues would be allocated among local public agencies.

- Proposition 19 is a proposed State constitutional amendment that would change the manner of assessment of property when it is transferred between parents and children. Under current law, reassessment is not triggered by such transfers, but Proposition 19 generally would result in a reassessment.

There can be no assurance that either initiative measure will be approved and enacted. If approved, the City cannot predict the impacts either initiative measure might have on assessed values or property tax revenues in the City, the level of commercial building activity within the City and the relationship of the assessed value between land use types (i.e. residential versus commercial) in the City, or any other impacts on the local economy or the City's financial condition.

Split Roll Initiative

On May 29, 2020, a proposed voter initiated ballot initiative became eligible and subsequently qualified for the November 2020 Statewide ballot (the “**Proposition 15**”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 15 would amend Article XIII A such that the “full cash value” of commercial and industrial real property, for each lien date, would be equal to the fair market value of that property. If approved, Proposition 15 would not affect the “full cash value” of residential property, real property used for commercial agricultural production, or commercial and industrial real property with combined value of \$3 million or less, which would continue to be subject to annual increases not to exceed 2%. In addition, Proposition 15 would eliminate the business tangible personal property tax on equipment and fixtures for small businesses and provide a \$500,000 per year exemption for all other businesses. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing Proposition 15, approximately 40% of the remaining additional tax revenues generated as a result of Proposition 15 would be deposited into a fund created pursuant to Proposition 15 called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement. With respect to the tax revenues deposited into the Local School and Community College Property Tax Fund, 11% would be allocated by the Board of Governors of the California Community Colleges to community college districts and 89% of such tax revenues would be allocated by the Superintendent of Public Instruction to school districts, charter schools and county offices of education.

On July 1, 2020, a legislatively referred constitutional amendment was filed with the Secretary of State and subsequently qualified for the November 2020 Statewide ballot (“**Proposition 19**”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 19 would amend Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection.

The City cannot predict whether either Proposition 15 or Proposition 19 will be approved by a majority of voters casting a ballot. If approved, the City cannot make any assurance as to what effect the implementation of either Proposition 15 or Proposition 19 will have on Pledged Tax Revenues or the assessed valuation of real property in the Project Areas.

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2020 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2020 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2020 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2020 Bonds. There can be no assurance that other considerations will not materialize in the future.

Potential Impact of COVID-19

The spread of the COVID-19 coronavirus pandemic, and responses intended to slow its spread, may result in negative impacts to the financial results of the General Fund.

In response to the increasing number of cases of COVID-19 and fatalities, health officials and experts have recommended, and some governments have mandated, a variety of responses ranging from travel bans and social distancing practices, to complete shut-downs of certain services and facilities. On March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory statewide shelter-in-place order applicable to all non-essential services.

In May 2020, the Governor outlined a phased approach to re-opening businesses in California. As a result of State and local actions taken to slow the spread of COVID-19, a number of businesses have had to close and other businesses, such as restaurants, have been permitted to stay open subject to certain conditions. These circumstances, among other market factors, have led to increased unemployment since the beginning of the COVID-19 outbreak in the United States. In addition to increased unemployment, financial markets in the United States and globally have been volatile, with significant declines attributed to coronavirus concerns.

On July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor's July 13, 2020 order also required certain counties on the Governor's Monitoring List, including the County, to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as wedding and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls.

On August 28, 2020, the State released further guidance regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each County. Based on the initial assessment from the State, the County was in Tier 1 ("Widespread"). As of September 8, 2020, the County had been moved to Tier 2 ("Substantial"), and its current tier assignment remains at Tier 2 as of October 6, 2020. For counties in Tier 2, previously re-opened indoor businesses (such as retail stores, shopping malls, hair salons and grocery stores) may remain open, with certain modifications and increased capacity, and certain additional indoor business (such as gyms and personal care) may open with modifications, such as limitations on capacity. While the State allows counties in Tier 2 to re-open indoor dining and movie theaters, the County's local health order requires these

indoor operations to remain closed. The State also permit K-12 schools to re-open for in-person instruction with certain restrictions, but the decision to re-open resides with local school officials.

While the effects of COVID-19 may be temporary, the outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, stock markets in the U.S. and globally have seen significant volatility attributed to coronavirus concerns, which could result in a significant increase in the City's unfunded pension liability and future pension costs, commencing in fiscal year 2022-23. The outbreak has resulted in increased pressure on State finances, as budgetary resources are directed towards containing the pandemic and tax revenues sharply decline. In addition, Governor Newsom extended the deadline to file and pay first quarter sales and use tax returns by 90 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than \$5 million in taxable annual sales will be allowed to defer up to \$50,000 in sales tax and enter into 12-month payment plans at zero interest. This will result in delays in the receipt by the City of its portion of the delayed payments.

Since the onset of the COVID-19 pandemic, the County Health Officer has issued a series of orders regulating activities throughout the County, including within the City. The County's orders have been stricter in certain respects than federal guidelines and state orders related to COVID-19. The County's July 2, 2020 order continues to urge all County residents to stay home as much as possible, requires workers to do their jobs from home whenever possible, and prohibits indoor dining and bars, but permits certain indoor gatherings (up to 20 people) and outdoor gatherings (up to 60 people). A Revised Risk Reduction Order, issued October 5, 2020, which generally allows all business in the County to operate if the State allows them to be open, will go into effect when the County moves into Tier 3 ("Moderate").

The COVID-19 Pandemic is materially adversely affecting the local, state and world economies. The City cannot currently predict the extent or duration of the outbreak or what ultimate impact it may have on the City's financial condition or operations, although the City believes it will be material and adverse.

No Pledge of Taxes

General. The obligation of the City to pay the Lease Payments and Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments and Additional Rental Payments does not constitute a debt or indebtedness of the City, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City currently has other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION – Outstanding General Fund Long-Term Obligations."

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIII C and Article XIII D of the State Constitution respecting the imposition and increase of taxes,

fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIC and Article XIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIC and Article XIID of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIC and Article XIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

The City is permitted to enter into obligations which constitute additional charges against its revenues, including General Fund revenues, without the consent of Owners of the 2020 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

No Reserve Fund

No reserve fund will be established and maintained with respect to the 2020 Bonds. As a result, in the event on non-appropriation or non-payment of the Lease Payments in full when due, no other source of funds will be available to make payments of debt service 2020 Bonds while remedial actions are taken with respect to such non-appropriation or non-payment.

Default

Whenever any event of default referred to in the Lease happens and continues, the Authority is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

If a default occurs, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the 2020 Bonds or pay debt service on the 2020 Bonds.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Leased Property, the City's obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the 2020 Bonds as and when due. See "SECURITY FOR THE 2020 BONDS – Abatement" and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Although the City is required under the Lease to maintain property and liability insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. See "SECURITY FOR THE 2020 BONDS – Property Insurance."

In addition, the City is required to use the proceeds of rental interruption insurance maintained under the Lease to make debt service payments on the 2020 Bonds during any period of abatement. See "SECURITY FOR THE 2020 BONDS – Property Insurance." However, there is no assurance that the City will receive proceeds of rental interruption insurance in time to make debt service payments on the 2020 Bonds when due.

Property Taxes

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay principal of and interest on the 2020 Bonds when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City’s property tax revenues.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” above. Furthermore, any remedies available to the owners of the 2020 Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondowner remedies contained in the Lease and the Indenture, the rights and obligations under the 2020 Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of

America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Bond Counsel, concurrently with the issuance of the 2020 Bonds, will include a qualification that the rights of the owners of the 2020 Bonds and the enforceability of the 2020 Bonds and the Indenture, the Lease and the Site Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases. See "APPENDIX E — FORM OF OPINION OF BOND COUNSEL."

Pension Expenses

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in the statutory provisions of Section 20000 et seq. of the State Government Code, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment performance of PERS. Any of these factors could give rise to additional liability of the City to PERS as a result of which the City would be obligated to make additional payments to PERS over the amortization schedule for full funding of the City's obligation to PERS.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2020 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2020 Bonds were issued, as a result of future acts or omissions of the City or the City in violation of their respective covenants in the Lease and the Indenture. Should such an event of taxability occur, the 2020 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Potential Impact of Climate Change

City finances may be negatively impacted by future sea level rise or other negative impacts resulting from climate change. These other impacts may include intensity of severe storms, intensity of flooding, and wildfire, although the overall impact of climate change on the City is not definitive. Any of these factors may adversely impact property values of homes and businesses in the City and therefore property taxes collected by the City, as well as sales taxes and TOT collected by the City from visitors.

Natural Disasters

General. The areas in and surrounding the City, like those in much of California, may be subject to unpredictable seismic activity and other natural disasters, including, without limitation, landslides, floods, droughts, or fires. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or

replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of property taxes.

Earthquakes. Like many areas of California, the City is subject to seismic activity. According to the City's General Plan, the City is located in close proximity to two known active fault zones, the San Andreas Fault zone 7 miles to the south of the City's Civic Center, and the Hayward fault zones 10 miles to the northeast. The City could be at risk from strong ground motion and secondary effects, including ground failure (such as landslide, liquefaction, lateral spreading, lurching and differential settlement) and seismically induced flooding (such as flooding from a tsunami, seiche or dam failure).

Smoke from Wildfires. Although the Safety and Noise Element of the City's General Plan indicates that the City is a relatively fire-safe community, many areas of northern California have suffered from major wildfires in recent years, including numerous wildfires burning since August 2020. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted the quality of life in the Bay Area, and the City and may have short-term and future impacts on commercial activity in the City. The fires have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions year over year as a result in changing weather patterns due to climate change.

Floods. According to the Seismic Safety and Safety Sub-Element of the Community Development Element of the City's General Plan, the sources of flooding that can threaten the City include excessive precipitation and surface runoff, tidal flooding due to levee breaks, dam failure, and seismically induced flooding. The City does not maintain flood insurance on the Leased Property.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors.

For example, in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline. There has been tremendous volatility in the markets in the United States and globally associated with the COVID-19 outbreak, resulting in significant declines and speculation of a national and global recession.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 – Article XIIC and Article XIID."

For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the California Department of Tax and Fee Administration for administering the City's sales tax could also be changed.

Cybersecurity

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers in connection with the administration of the 2020 Bonds, including without limitation the County tax collector for the levy and collection of property taxes, and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2020 Bonds or, if a secondary market exists, that any 2020 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the “**IRS**”) has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2020 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2020 Bonds might be affected as a result of such an audit of such 2020 Bonds (or by an audit of similar bonds or securities).

Impact of Legislative Proposals, Clarifications of the Tax Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Tax Code (defined herein) or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent 2020 Bond owners from realizing the full current benefit of the tax status of such interest.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2020 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2020 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2020 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2020 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2020 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2020 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2020 Bonds who purchase the 2020 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2020 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2020 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2020 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2020 Bond (said term being the shorter of the 2020 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2020 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2020 Bond is amortized each year over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2020 Bond premium is not deductible for federal income tax purposes. Owners of premium 2020 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2020 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2020 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2020 Bonds, or as to the consequences of owning or receiving interest on the 2020 Bonds, as of any future date. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2020 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2020 Bonds, the ownership, sale or disposition of the 2020 Bonds, or the amount, accrual or receipt of interest on the 2020 Bonds.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2020 Bonds, the form of which is set forth in "APPENDIX E — FORM OF OPINION OF BOND COUNSEL." Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation.

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority,

which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Lease.

RATINGS

Moody's Investors Service Inc. ("**Moody's**") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("**S&P**") have assigned the 2020 Bonds ratings of "____" and "____," respectively. Such ratings reflects only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from rating agency furnishing the same, at the following addresses, which are current as of the date of this Official Statement: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The ratings are not a recommendation to buy, sell or hold the 2020 Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of the respective rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2020 Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the 2020 Bonds to provide certain financial information and operating data relating to the City (the "**Annual Report**") by not later than nine months after the end of the City's fiscal year (presently June 30), commencing March 31, 2021, with the report for the fiscal year ending June 30, 2020, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. Based on a review of the City's continuing disclosure filings for the prior five years, the City has determined that _____.

[SUMMARY OF PRIOR CONTINUING DISCLOSURE COMPLIANCE TO COME]

The City has taken steps intended to ensure compliance with its continuing disclosure undertakings going forward.

MUNICIPAL ADVISOR

The City and the Authority have retained Ross Financial of San Francisco, California, as municipal advisor (the “**Municipal Advisor**”) in connection with the offering of the 2020 Bonds and the preparation of this Official Statement. The Municipal Advisor has not undertaken to make an independent verification and does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the 2020 Bonds.

UNDERWRITING

The 2020 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, on behalf of itself and several underwriters listed on the front cover of this Official Statement (collectively, the “**Underwriters**”). The Underwriters will purchase the 2020 Bonds from the Authority at an aggregate purchase price of \$_____ (representing the principal amount of the 2020 Bonds, plus/less \$_____ of net original issue premium/discount and less \$_____ of Underwriters’ discount).

The 2020 Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriters. The 2020 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

BofA Securities, Inc., one of the Underwriters of the 2020 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“**MLPF&S**”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2020 Bonds.

PROFESSIONAL SERVICES

In connection with the issuance of the 2020 Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2020 Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; Ross Financial, San Francisco, California, as municipal advisor to the Authority and the City; and U.S. Bank National Association, as Trustee.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

SUNNYVALE FINANCING AUTHORITY

By: _____
Chair

CITY OF SUNNYVALE

By: _____
City Manager

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Site Lease, Lease and the Indenture of Trust relating to the 2020 Bonds. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING JUNE 30, 2019

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
SUNNYVALE FINANCING AUTHORITY
2020 Lease Revenue Bonds
(Civic Center Project)

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Sunnyvale (the “City”), on behalf of the Sunnyvale Financing Authority (the “Authority”) and itself, in connection with the issuance by the Authority of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of October 1, 2020 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means March 31 of each year.

“*Dissemination Agent*” means Digital Assurance Certification LLC or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement dated _____, 2020, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriters*” means any of the original purchasers of the 2020 Bonds required to comply with the Rule in connection with the offering of the 2020 Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021, with the report for the 2019-20 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information with respect to the City for the Fiscal Year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for the prior Fiscal Year described in subsection (a) above:

(i) The principal amount of Bonds outstanding, including principal amounts and years of maturity of Bonds, if any, called for redemption in advance of maturity;

(ii) General Fund tax revenues by source in the form of Table 1.

(iii) Assessed valuation in the form of Table 2.

(iv) Levies and collections in the form of Table 3.

(v) Top 10 local property taxpayers in the form of Table 4.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes (without any obligation to provide any notices of changes in the outlook assigned to or associated with any rating).
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or

governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Digital Assurance Certification LLC. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	Sunnyvale Financing Authority c/o City of Sunnyvale 456 W. Olive Avenue Sunnyvale, California 94086
To the Dissemination Agent	Digital Assurance Certification LLC 315 East Robinson Street Suite 300 Orlando, Florida 32801 Attention: Mary Wyatt Telephone: (407) 515-1100

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2020

CITY OF SUNNYVALE

By: _____
City Manager

AGREED AND ACCEPTED:
DIGITAL ASSURANCE CERTIFICATION LLC
as Dissemination Agent

By: _____
Title: _____

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF SUNNYVALE AND THE COUNTY OF SANTA CLARA

The following information concerning the City of Sunnyvale (the “City”) and the County of Santa Clara (the “County”) is included only for the purpose of supplying general information regarding the area in and around the City. The 2020 Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions (other than the Authority), and none of the City, the County, the State or any of its political subdivisions (other than the Authority) is liable therefor.

General

City of Sunnyvale. The City was incorporated on December 24, 1912, and its charter first became effective on May 18, 1949. The City is located 44 miles south of San Francisco on the San Francisco Bay peninsula, 10 miles northwest of San José.

The City is home to Silicon Valley high-tech industry leaders (such as Apple, Google and LinkedIn, among others) in fields ranging from advanced satellite construction to pioneering biotechnology; from semiconductor research, design and manufacturing to leading edge telecommunications systems.

The City operates under a Council-Manager form of government. The City is managed by a City Manager, who is appointed by the City Council (the “Council”). All municipal departments operate under the supervision of the City Manager, except for the City Attorney who is appointed by the Council. Seven Council members are elected at-large for numbered seats and serve staggered four-year terms. The Council elects one of its members to serve as mayor. The City Charter limits members of the Council to serving two consecutive terms.

Santa Clara County. The County covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has more of an agricultural base and is comprised of only two cities, twenty miles apart from each other. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of the County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as “Silicon Valley.” Several small lakes and reservoirs are scattered across the County and the highest peak can be found in San José at Mount Hamilton with an elevation of 4,213 feet. Several major highways serve the County, including Highway 101 providing access to San Francisco and Los Angeles.

Population

Population figures for the City, County and State for the last five years are shown in the following table.

**CITY OF SUNNYVALE, COUNTY OF SANTA CLARA,
and STATE OF CALIFORNIA
Population Estimates
As of January 1**

Year	City of Sunnyvale	County of Santa Clara	State of California
2016	152,036	1,931,565	39,131,307
2017	152,583	1,942,176	39,398,702
2018	154,345	1,951,088	39,586,646
2019	155,766	1,954,833	39,695,376
2020	156,503	1,961,969	39,782,870

Source: State Department of Finance estimates (as of January 1).

Employment and Industry

The City is part of the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (“**MSA**”), which is comprised of Santa Clara and San Benito Counties. The unemployment rate in the San José-Sunnyvale-Santa Clara MSA was 9.4% in July 2020, down from a revised 10.8% in June 2020, and above the year-ago estimate of 2.8%. This compares with an unadjusted unemployment rate of 13.7% for California and 10.5% for the nation during the same period. The unemployment rate was 11.9% in San Benito County, and 9.3% in Santa Clara County.

The table below list employment by industry group for the years 2015 through 2019.

SAN JOSÉ-SUNNYVALE-SANTA CLARA MSA
(San Benito and Santa Clara Counties)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
Calendar Years 2015 through 2019
(March 2019 Benchmark)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Civilian Labor Force ⁽¹⁾⁽²⁾	1,042,000	1,058,200	1,069,300	1,074,900	1,085,200
Employment	997,700	1,017,400	1,034,100	1,045,600	1,057,400
Unemployment	44,200	40,800	35,200	29,300	27,800
Unemployment Rate	4.2%	3.9%	3.3%	2.7%	2.6%
<u>Wage and Salary Employment:</u> ⁽³⁾					
Agriculture	5,500	6,100	5,800	5,800	5,500
Mining and Logging	200	300	200	200	200
Construction	43,900	48,300	49,300	49,900	52,500
Manufacturing	164,800	166,700	166,900	172,100	173,000
Wholesale Trade	35,800	35,500	33,500	32,200	31,700
Retail Trade	86,600	85,800	85,800	85,700	83,600
Transportation, Warehousing, Utilities	14,600	15,500	15,400	15,800	16,200
Information	68,800	75,200	85,200	92,200	100,800
Finance and Insurance	21,100	21,500	21,600	21,600	21,900
Real Estate and Rental and Leasing	13,500	14,200	14,500	15,200	15,800
Professional and Business Services	223,700	232,600	236,600	237,000	242,900
Educational and Health Services	156,600	162,900	169,200	173,400	175,500
Leisure and Hospitality	96,800	100,600	103,400	105,700	106,500
Other Services	26,900	27,600	28,900	28,900	29,200
Federal Government	9,900	10,000	10,200	9,900	10,000
State Government	6,700	6,700	6,800	7,100	6,900
Local Government	76,400	77,400	78,600	79,700	80,300
Total all Industries	1,051,900	1,086,700	1,111,900	1,132,300	1,152,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following tables show the major employers in the City and the County.

CITY OF SUNNYVALE Principal Employers June 30, 2019

<u>Employer</u>	<u>Number of Employees</u>	<u>% of Total Employment</u>
Google	10,695	12.13%
Juniper Networks	5,130	5.82
Apple	4,000	4.54
Lockheed Martin Space Systems	3,973	4.51
LinkedIn	3,261	3.70
A2Z Development Center	3,091	3.51
Walmart	2,288	2.60
NetApp	1,680	1.91
Intuitive Surgical	1,526	1.73
Microsoft	1,409	1.60

Source: City of Sunnyvale, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

COUNTY OF SANTA CLARA
Major Employers (Listed Alphabetically)
August 2020

Employer Name	Location	Industry
Adobe Inc	San José	Publishers-Computer Software (mfrs)
Advanced Micro Devices Inc	Santa Clara	Semiconductor Devices (mfrs)
Alphabet Inc	Mountain View	Internet Search Engines
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (mfrs)
California's Great America	Santa Clara	Amusement & Theme Parks
Christopher Ranch LLC	Gilroy	Garlic (mfrs)
Cisco Systems Inc	San José	Computer Peripherals (mfrs)
Ebay Inc	San José	E-Commerce
Flextronics International	Milpitas	Semiconductor Devices (mfrs)
Fujitsu Laboratories of Amer	Sunnyvale	Laboratories-Research & Development
HP Inc	Palo Alto	Computers-Electronic-Manufacturers
Intel Corp	Santa Clara	Semiconductor Devices (mfrs)
Intuitive Surgical Inc	Sunnyvale	Physicians & Surgeons Equip & Supls-Mfrs
Lockheed Martin Corp	San José	Aerospace Industries (mfrs)
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Lucile Packard Children's Hosp	Palo Alto	Hospitals
Lumileds Lighting Co	San José	Lighting Fixtures-Supplies & Parts-Mfrs
Maxim Integrated Products Inc	San José	Printed & Etched Circuits-Mfrs
NASA	Mountain View	Federal Government-Space Research/Tech
Netapp Inc	Sunnyvale	Computer Storage Devices (mfrs)
Prime Materials	San José	Semiconductors & Related Devices (mfrs)
SAP Center	San José	Stadiums Arenas & Athletic Fields
Stanford School of Medicine	Stanford	Schools-Medical
Super Micro Computer Inc	San José	Computers-Electronic-Manufacturers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2016 through 2020.

CITY OF SUNNYVALE AND COUNTY OF SANTA CLARA
Effective Buying Income
As of January 1, 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	Sunnyvale	\$6,539,580	\$85,185
	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Sunnyvale	\$7,104,322	\$88,797
	Santa Clara County	77,917,425	81,466
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Sunnyvale	\$7,981,315	\$96,567
	Santa Clara County	85,859,495	88,243
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Sunnyvale	\$8,520,077	\$100,028
	Santa Clara County	91,332,099	92,773
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Sunnyvale	\$9,300,576	\$109,532
	Santa Clara County	97,710,060	98,882
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during the first quarter of calendar year 2020 in the City were reported to be \$456,168,144, a 26.73% decrease over the total taxable sales of \$622,608,530 reported during the first quarter of calendar year 2019.

CITY OF SUNNYVALE
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	1,842	\$1,533,135	3,248	\$2,606,920
2016	1,785	1,523,886	3,190	2,646,577
2017	1,802	1,522,188	3,203	2,478,940
2018	1,745	1,673,244	3,261	2,660,488
2019	1,716	1,579,346	3,209	2,439,438

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first quarter of calendar year 2020 in the County were reported to be \$9,987,528,166, a 4.23% decrease over the total taxable sales of \$10,428,981,423 reported during the first quarter of calendar year 2019.

SANTA CLARA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	20,057	\$23,700,907	50,573	\$41,231,759
2016	30,146	24,158,590	50,519	41,831,669
2017	30,263	24,862,883	50,812	42,805,399
2018	30,266	26,885,138	52,994	45,353,074
2019	30,024	27,836,133	53,312	46,887,483

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Construction Activity

Provided below are the building permits and valuations for the City and the County during the past five years in which data is available.

CITY OF SUNNYVALE
Total Building Permit Valuations
(Valuations in Thousands)
Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$39,308.4	\$54,469.0	\$89,057.9	\$60,833.3	\$31,108.9
New Multi-family	129,326.9	416.4	8,565.8	91,357.5	85,545.8
Res. Alterations/Additions	<u>75,182.7</u>	<u>64,799.4</u>	<u>26,832.8</u>	<u>73,182.3</u>	<u>22,600.6</u>
Total Residential	243,818.0	119,684.8	124,456.5	225,373.1	139,255.3
New Commercial	71,552.8	521,582.9	176,269.3	437,103.3	208,591.5
New Industrial	0.0	0.0	36.5	80.0	11,875.8
New Other	31,923.3	378.0	575.4	10.0	142.0
Com. Alterations/Additions	<u>341,798.5</u>	<u>417,194.3</u>	<u>154,994.3</u>	<u>509,655.0</u>	<u>297,435.0</u>
Total Nonresidential	445,274.6	939,155.2	333,875.5	946,848.3	518,044.3
<u>New Dwelling Units</u>					
Single Family	183	242	415	280	156
Multiple Family	<u>670</u>	<u>2</u>	<u>71</u>	<u>520</u>	<u>403</u>
TOTAL	853	244	486	800	559

Source: Construction Industry Research Board, Building Permit Summary.

SANTA CLARA COUNTY
Total Building Permit Valuations
(Valuations in Thousands)
Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$653,970.2	\$660,301.6	\$732,652.1	\$728,590.6	\$693,032.6
New Multi-family	706,781.1	564,761.0	1,027,651.8	1,098,643.3	567,726.7
Res. Alterations/Additions	<u>505,844.7</u>	<u>484,820.1</u>	<u>547,991.7</u>	<u>588,024.6</u>	<u>555,483.1</u>
Total Residential	1,866,596.0	1,709,882.7	2,308,295.6	2,415,258.5	1,816,242.4
New Commercial	1,258,808.7	2,327,643.2	1,301,723.2	1,196,366.5	2,664,298.3
New Industrial	100,301.2	44,268.9	118,567.1	32,080.0	41,875.8
New Other	533,644.5	282,966.1	152,176.4	120,557.4	273,529.1
Com. Alterations/Additions	<u>1,697,046.2</u>	<u>2,072,862.8</u>	<u>1,786,849.8</u>	<u>2,017,142.2</u>	<u>2,467,939.0</u>
Total Nonresidential	3,589,800.6	4,727,741.0	3,359,316.5	14,132,146.1	5,447,642.2
<u>New Dwelling Units</u>					
Single Family	1,710	1,608	2,022	2,011	1,814
Multiple Family	<u>3,906</u>	<u>3,297</u>	<u>6,629</u>	<u>6,342</u>	<u>3,216</u>
TOTAL	5,616	4,905	8,651	8,353	5,030

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2020 Bonds, payment of principal, interest and other payments on the 2020 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2020 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2020 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2020 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2020 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2020 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2020 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G
INVESTMENT POLICY

*Stradling Yocca Carlson & Rauth**Draft of 9/30/2020*

§ _____
SUNNYVALE FINANCING AUTHORITY
2020 LEASE REVENUE BONDS
(CIVIC CENTER PHASE 1 PROJECT)(GREEN BONDS)

BOND PURCHASE AGREEMENT

_____, 2020

Sunnyvale Financing Authority
 c/o City of Sunnyvale
 456 W. Olive Avenue
 Sunnyvale, California 94086
 Attention: Executive Director

City of Sunnyvale
 456 W. Olive Avenue
 Sunnyvale, California 94086

Ladies and Gentlemen:

The undersigned, Stifel Nicolaus & Co. Incorporated, acting not as a fiduciary or agent for you, but on behalf of itself and as representative (the "Representative") of BofA Securities, Inc., J.P. Morgan Securities LLC, and Raymond James & Associates, Inc. (together with the Representative, the "Underwriters"), offers to enter into this Bond Purchase Agreement (which, together with Exhibit A and Exhibit B hereto, is referred to as the "Purchase Agreement") with the Sunnyvale Financing Authority (the "Authority") and the City of Sunnyvale, California (the "City"), which, upon the acceptance of the Authority and the City, will be binding upon the Authority, the City and the Underwriters. This offer is made subject to acceptance by the Authority and by the City by the execution of this Purchase Agreement and delivery of the same to the Representative prior to 5:00 P.M., Pacific Standard Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture of Trust, dated as of October 1, 2020 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee") substantially in the form previously submitted to the Underwriters with only such changes therein as shall be mutually agreed upon by the Authority and the Underwriters.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase from the Authority, and the Authority hereby agrees to issue, sell and deliver to the Underwriters all (but not less than all) of the Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Phase 1 Project)(Green Bonds) in the aggregate principal amount of \$_____ (the "Bonds"). The Bonds will be dated as of their date of delivery. Interest on the Bonds shall be payable semiannually on April 1 and October 1 in each year, commencing April 1, 2021 and will bear interest at the rates and mature in the principal amounts and on the dates as set forth in Exhibit A hereto. The purchase price for the Bonds shall be equal to \$_____

(being the aggregate principal amount thereof plus net original issue premium of \$ _____ and less an underwriters' discount with respect to the Bonds of \$ _____).

The City and Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction among the City, the Authority and the Underwriters; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as a principal and is not acting as a Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended), financial advisor or fiduciary; (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the City or the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City or the Authority on other matters); (iv) the only obligations the Underwriters have to the City and the Authority with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; (v) the Underwriters have financial interests that may differ from, and be adverse to, those of the Authority and City; and (vi) the City and the Authority have consulted their own legal, accounting, tax, financial and other advisors to the extent they have deemed appropriate.

Section 2. The Bonds. The Bonds shall be secured by revenues consisting primarily of payments ("Lease Payments") to be paid by the City pursuant to the Lease Agreement between the City and the Authority, dated as of October 1, 2020 (the "Lease Agreement"). The Authority's right to receive the Lease Payments due under the Lease Agreement and to exercise remedies upon default under such Lease Agreement shall be assigned to the Trustee for the benefit of the owners of the Bonds pursuant to the Indenture.

The Bonds shall be as described in, and shall be secured under and pursuant to the Indenture.

The Bonds are being issued to (i) finance the acquisition and construction of certain public capital improvements of benefit to the City, specifically a new City Hall, renovation of the City's Public Safety Building, the addition of an Emergency Operations Center, and public plaza and open space improvements, and (ii) pay the costs of issuing the Bonds.

The Bonds, this Purchase Agreement, the Indenture, the Lease Agreement, the Site Lease dated as of October 1, 2020 (the "Site Lease") by and between the City and the Authority, and the resolution of the Authority authorizing the issuance of the Bonds and the execution and delivery of the Authority Documents (hereinafter defined) are collectively referred to herein as the "Authority Documents."

This Purchase Agreement, the Continuing Disclosure Certificate, dated as of the Closing Date (as hereinafter defined) and entered into by the City (the "Continuing Disclosure Certificate"), the Lease Agreement, the Site Lease and the resolution of the City authorizing the execution and delivery of the City Documents (hereinafter defined) are collectively referred to herein as the "City Documents."

Section 3. Public Offering.

(a) The Underwriters agree to make an initial public offering of all of the Bonds at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein

by reference. Subsequent to the initial public offering, the Underwriters reserve the right to change the public offering prices (or yields) as the Underwriters deem necessary in connection with the marketing of the Bonds, provided that the Underwriters shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than such initial public offering prices.

(b) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Bond Counsel (as defined below), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the City under this section to establish the issue price of the Bonds may be taken on behalf of the City by the City’s municipal advisor, Ross Financial (the “Municipal Advisor”) and any notice or report to be provided to the City may be provided to the Municipal Advisor.

(c) Except for the Hold-the-Price Maturities described in subsection (d) below and Exhibit A attached hereto, the City will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity. Exhibit A attached hereto sets forth the maturities of the Bonds for which the 10% test has been satisfied as of the date of this Purchase Agreement (the “10% Test Maturities”) and the prices at which the Underwriters have sold such 10% Test Maturities to the public. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(d) The Representative confirms that the Underwriters have offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the City and the Representative, on behalf of the Underwriters, agree that (i) the Representative will retain the unsold Bonds of each maturity for which the 10% test has not been satisfied and not allocate any such Bonds to any other Underwriter and (ii) the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Representative will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative will advise the City promptly after the close of the fifth (5th) business day after the sale date whether the Underwriters have sold 10% of that maturity of the Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public.

The Representative confirms that:

(a) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

(ii) to promptly notify the Representative of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below),

(iii) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(b) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such underwriter or dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the underwriter or the dealer and as set forth in the related pricing wires.

The City acknowledges that, in making the representations set forth in this section, the Representative will rely on (i) the agreement of each underwriter to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a

member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement to adhere to the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

- (a) “public” means any person other than an underwriter or a related party,
- (b) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (c) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (d) “sale date” means the date of execution of this Purchase Agreement by all parties.

Section 4. The Official Statement. By its acceptance of this proposal, the Authority and the City ratify, confirm and approve of the use and distribution by the Underwriters prior to the date hereof of the preliminary official statement relating to the Bonds dated _____, 2020 (including the cover page, all appendices and all information incorporated therein and any

supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Preliminary Official Statement”) that authorized officers of the Authority and the City deemed “final” as of its date, for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”), except for certain information permitted to be omitted therefrom by Rule 15c2-12. The Authority and the City hereby agree to deliver or cause to be delivered to the Underwriters, within seven business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information previously permitted to have been omitted by Rule 15c2-12) (including the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the Authority, the City and the Underwriters, the “Official Statement”), in such quantity and format as the Underwriters shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriters hereby agree that they will not request that payment be made by any purchaser of the Bonds prior to delivery by the Underwriters to the purchaser of a copy of the Official Statement. The Underwriters agree: (i) to provide the Authority and the City upon request with final pricing information on the Bonds on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the Authority or the City with the MSRB at <http://emma.msrb.org>. The Authority and the City hereby approve of the use and distribution by the Underwriters of the Official Statement in connection with the offer and sale of the Bonds. The Authority and the City will cooperate with the Underwriters in the filing by the Underwriters of the Official Statement with the MSRB.

Section 5. Closing. At 8:00 a.m., Pacific Standard Time, on _____, 2020 (the “Closing Date”), or at such other time or date as the Authority and the Underwriters agree upon, the Authority shall deliver or cause to be delivered to the Trustee, and the Trustee shall deliver or cause to be delivered to The Depository Trust Company, New York New York (“DTC”), the Bonds in definitive form, duly executed and authenticated. Concurrently with the delivery of the Bonds, the Authority and the City will deliver the documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), or another place to be mutually agreed upon by the Authority, the City and the Underwriters. The Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof and shall be made available to the Underwriters at least one (1) business day before the Closing for purposes of inspection and packaging. The Authority and the City acknowledge that the services of DTC will be used initially by the Underwriters in order to permit the issuance of the Bonds in book-entry form, and agree to cooperate fully with the Underwriters in employing such services.

Section 6. Representations, Warranties and Covenants of the Authority. The Authority represents, warrants and covenants to the Underwriters and the City that:

(a) The Authority is a public body, duly organized and existing under the Constitution and laws of the State of California (the “State”), including the Authority’s Joint Exercise

of Powers Agreement (the “JPA Agreement”) and the Joint Exercise of Powers Act (Government Code Division 7, Chapter 5, Section 6500 et seq.) (the “JPA Act”).

(b) The Authority has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the Authority Documents.

(c) By all necessary official action, the Authority has duly adopted, authorized and approved the Authority Documents, has duly authorized and approved the Preliminary Official Statement, will, by execution thereof, duly authorize and approve the Official Statement, and has duly adopted or authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against joint powers authorities in the State. The Authority will at the Closing be in compliance in all respects, with the terms of the Authority Documents.

(d) To the best of its knowledge, the Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Authority Documents, if applicable, and compliance with the provisions on the Authority’s part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the Authority Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described

in or contemplated by the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Authority Documents have been duly obtained.

(f) The Authority hereby agrees that it will notify the other parties hereto if, within the period from the date of this Purchase Agreement to and including the date twenty-five (25) days following the end of the underwriting period (as defined herein), the Authority discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process having been accomplished, or threatened in writing and delivered to the Authority: (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease Agreement or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the other Authority Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority or its authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) To the best of the Authority's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 6(g).

(i) The information in the Official Statement set forth under the captions "INTRODUCTION—The Authority" and "THE AUTHORITY" does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriters shall be deemed a representation of the Authority to the Underwriters and the City as to the statements made therein but not of the person signing such certificate.

Section 7. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Underwriters and the Authority that:

(a) The City is a chartered city and municipal corporation duly organized and existing under and by virtue of the laws of the State.

(b) The City has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has duly adopted, authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly adopted or authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The City will at the Closing be in compliance in all respects, with the terms of the City Documents.

(d) To the best of its knowledge, the City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Documents, if applicable, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the City Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any

state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and will not contain and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book-entry only system, information under the caption "UNDERWRITING," CUSIP numbers, prices and yields for the Bonds and any other information provided by the Underwriters, as to which no view is expressed).

(g) The City will advise the Underwriters promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriters, which consent will not be unreasonably withheld. The City will advise the Underwriters promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process having been accomplished, or threatened in writing and delivered to the City: (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease Agreement or of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, or the City Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation, or contesting the powers of the Authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the City; and (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the best of the City's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in paragraph 7(h).

(j) Until the date which is twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined), if any event shall occur of which the City is aware that

would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading, the City shall forthwith notify the Underwriters of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriters' reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the City shall promptly furnish to the Underwriters a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Authority delivers the Bonds to the Underwriters; or (ii) the Underwriters do not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriters give written notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Authority and the City at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the "end of the underwriting period." The City agrees to cooperate with the Underwriters in the filing by the Underwriters of such supplement or amendment to the Official Statement with the MSRB.

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12, to provide annual reports or notices of material events specified in such rule.

(l) The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2019 attached as Appendix B to the Official Statement fairly represent the receipts, expenditures and cash balances of the City. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriters, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2019 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(m) To the extent required by law, the City will undertake, pursuant to the Continuing Disclosure Certificate, to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in Appendix F to the Preliminary Official Statement and will also be set forth in the Official Statement.

(n) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriters shall be deemed a representation of the City to the Underwriters and the Authority as to the statements made therein but not of the person signing such certificate.

Section 8. Conditions to the Obligations of the Underwriters. The Underwriters have entered into this Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein. The obligations of the Underwriters to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriters, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and of the City, as well as authorized representatives of the Trustee made in any certificates or other documents furnished pursuant to the provisions hereof; to the performance by the Authority and the

City of their obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the City and the Authority contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the Authority Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriters.

(c) At the time of the Closing, no default shall have occurred or be existing under the City Documents or the Authority Documents, and the City shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would adversely impact the ability of the City to pay the Lease Payments.

(d) In recognition of the desire of the Authority, the City and the Underwriters to effect a successful public offering of the Bonds, and in view of the potential adverse impact of any of the following events on such a public offering, this Purchase Agreement shall be subject to termination in the absolute discretion of the Underwriters by notification, in writing, to the Authority and the City prior to delivery of and payment for the Bonds, if at any time prior to such time:

(i) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of America of a national emergency or war or other calamity or crisis (or the escalation of such calamity or crisis) the effect of which on financial markets is materially adverse such as to make it, in the sole judgment of the Underwriters, impractical to proceed with the purchase or delivery of the Bonds as contemplated by the Official Statement (exclusive of any amendment or supplement thereto); or

(ii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange; or

(iii) any event shall occur which makes untrue any statement or results in an omission to state a material fact necessary to make the statements in the Preliminary Official Statement or the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriters would materially or adversely affect the ability of the Underwriters to market the Bonds; or

(iv) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds; or

(v) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriters, has been materially adversely affected by an amendment to the Constitution of the United States of America or by any legislation in or by

the Congress of the United States of America or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States of America, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States of America, the Treasury Department of the United States of America, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States of America, or the favorable reporting for passage of legislation to either House of the Congress of the United States of America by a Committee of such House to which such legislation has been referred for consideration; or

(vi) an order, decree or injunction shall have been issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Preliminary Official Statement and the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(vii) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Preliminary Official Statement and the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of the Bonds or obligations of the general character of the Bonds, as contemplated hereby or by the Preliminary Official Statement and the Official Statement; or

(viii) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, which, in the Underwriters' reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(ix) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase

materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker dealers; or

(x) trading in securities on the New York Stock Exchange or the American Stock Exchange shall have been suspended or limited or minimum prices have been established on either such exchange which, in the Underwriters' reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(xi) any rating of the Bonds or the rating of any general fund obligations of the City shall have been downgraded or withdrawn by a national rating service, which, in the reasonable opinion of the Underwriters, materially adversely affects the market price of the Bonds; or

(xii) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriters, has a material adverse effect on the United States securities market, rendering the marketing and sale of the Bonds, or enforcement of sale contracts with respect thereto impracticable; or

(i) the commencement of any action, suit or proceeding described in Section 6(g) or Section 7(h).

(c) at or prior to the Closing, the Underwriters shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriters:

(i) All resolutions relating to the Bonds adopted by the Authority and certified by an authorized official of the Authority authorizing the issuance of the Bonds and the execution and delivery of the Authority Documents;

(ii) All resolutions relating to the Bonds adopted by the City and certified by an authorized official of the City authorizing the execution and delivery of the City Documents and the delivery of the Bonds and the Official Statement;

(iii) The City Documents and the Authority Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriters;

(iv) The approving opinion of Bond Counsel dated the Closing Date and addressed to the Authority and the City, in substantially the form attached as Appendix E to the Official Statement, and a reliance letter thereon addressed to the Underwriters;

(v) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Underwriters, to the effect that:

(A) the statements in the Official Statement under the captions "INTRODUCTION," "THE 2020 BONDS," "SECURITY FOR THE 2020 BONDS" and "TAX MATTERS," and in Appendix A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS," excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Indenture, Lease Agreement, Site Lease and set out the form and content of Bond Counsel's final opinion concerning

certain federal tax matters relating to the Bonds, are accurate in all material respects as of the Closing Date;

(B) The Purchase Agreement has been duly authorized, executed and delivered by the City and the Authority and is the valid, legal and binding agreement of the City and the Authority, enforceable in accordance with its terms, except that the rights and obligations under the Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(vi) The Official Statement, executed on behalf of the Authority and City, and the Preliminary Official Statement;

(vii) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority satisfactory in form and substance to the Underwriters to the effect that: (i) the representations, warranties and covenants of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Authority, and the Authority has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement under the caption "INTRODUCTION-The Authority" did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the best of its knowledge after reasonable investigation, the Authority is not in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which would have a material adverse impact on the Authority's ability to perform its obligations under the Authority Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(viii) A certificate, dated the Closing Date, signed by a duly authorized officer of the City satisfactory in form and substance to the Underwriters to the effect that: (i) the representations, warranties and covenants of the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the City, and the City has complied with all of the terms and conditions of the Purchase Agreement required to be complied with by the City at or prior to the Closing Date; (ii) to

the best of such officer's knowledge, no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement (except that this representation does not include information regarding DTC and its book entry only system, information under the caption "UNDERWRITING," CUSIP numbers, prices and yields for the Bonds and any other information provided by the Underwriters, as to which no view is expressed) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the best of its knowledge after reasonable investigation, the City is not in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Lease Agreement) or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City's ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(ix) An opinion dated the Closing Date and addressed to the Underwriters, the Authority, and the City, of the City Attorney of the City of Sunnyvale, as counsel to the Authority, to the effect that:

(A) The Authority is a public body, organized and existing under the Constitution and laws of the State, including the JPA Act and the JPA Agreement;

(B) The resolution relating to the Bonds adopted by the Authority and certified by an authorized official of the Authority authorizing the issuance and sale of the Bonds and the execution and delivery of the Authority Documents and the Official Statement has been duly adopted at a regular meeting of the Authority, and is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption;

(C) The Authority Documents have been duly authorized, executed and delivered by the Authority and constitute valid, legal and binding agreements of the Authority enforceable in accordance with their respective terms;

(D) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process having been accomplished, or threatened in writing against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents or seeking to restrain or enjoin the collection of Lease Payments with respect to the Lease Agreement or the repayment of the Bonds or in any way contesting or affecting the validity of the Authority Documents or contesting the authority of the Authority to enter into or perform its obligations under any of the Authority Documents;

(E) the execution and delivery of the Authority Documents and the issuance of the Bonds and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under

any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents;

(F) no authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the Authority Documents or the Official Statement by the Authority or the consummation by the Authority of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriters; and

(G) based on the information made available to such counsel in its role as counsel to the Authority, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement under the caption entitled "INTRODUCTION—The Authority," nothing has come to its attention which would lead it to believe that the statements contained in the above-referenced caption as of the date of the Official Statement and as of the Closing Date (excluding therefrom the financial and statistical data and forecasts included therein, as to which no opinion is expressed) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(x) an opinion dated the Closing Date and addressed to the Underwriters, the Authority, and the City, of the City Attorney of the City of Sunnyvale, to the effect that:

(A) The City is a chartered city and municipal corporation, duly organized and existing under and by virtue of the laws of the State;

(B) The resolution relating to the Bonds adopted by the City and certified by an authorized official of the City authorizing the execution and delivery of the City Documents and the Official Statement has been duly adopted and is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) The City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, if applicable, constitute the valid, legal and binding agreements of the City enforceable in accordance with their respective terms;

(D) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process having been accomplished, or threatened in writing against the City, challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the payment of the Lease Payments or the repayment of the Bonds or in any way contesting or affecting the validity of the City Documents or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or which, in any manner, questions the right of the City to pay the Lease Payments under the Lease Agreement;

(E) The execution and delivery of the City Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject, which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the City Documents;

(F) No authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the City Documents or the consummation by the City of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriters; and

(G) Based on the information made available to City Attorney, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to its attention which would lead it to believe that the Official Statement as of its date and as of the Closing Date (excluding therefrom financial statements and other statistical data, information regarding DTC and its book entry only system, information under the caption "UNDERWRITING," CUSIP numbers, prices and yields for the Bonds and any other information provided by the Underwriters, as to which no view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xi) A letter from Jones Hall, A Professional Law Corporation, San Francisco, California, disclosure counsel to the Authority ("Disclosure Counsel"), dated the Closing Date, addressed to the Underwriters, to the effect that, based upon its participation in the preparation of the Official Statement as counsel to the Authority and the City and without having undertaken to determine independently the fairness, accuracy, or completeness of the statements contained in the Preliminary Official Statement or the Official Statement, such counsel has no reason to believe that the Preliminary Official Statement as of its date and as of the date hereof, or the Official Statement as of its date and as of the Closing Date (excluding therefrom the reports, financial and statistical data and forecasts therein, the information with respect to DTC and the book-entry system, and the information included in Appendices A, B, E, F, and G thereto, as to which no view need be expressed) contained or contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xii) An opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, dated the Closing Date and addressed to the Underwriters, in form and substance acceptable to the Underwriters;

(xiii) An opinion of counsel to the Trustee, addressed to the Underwriters and dated the Closing Date, in form and substance satisfactory to the Underwriters and to Bond Counsel;

(xiv) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriters;

(xv) The preliminary and final Notice of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xvi) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system;

(xvii) The certificate as to arbitrage and certificate as to use of proceeds of the City and the Authority in form and substance to the reasonable satisfaction of Bond Counsel and the Underwriters;

(xviii) A certificate, dated the date of the Preliminary Official Statement, of the City, as required under Rule 15c2-12;

(xix) A certificate, dated the date of the Preliminary Official Statement, of the Authority, as required under Rule 15c2-12;

(xx) Certified copies of the JPA Agreement and all amendments thereto and related certificates issued by the Secretary of State of the State;

(xxi) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Bonds by the Trustee;

(xxii) Evidence of insurance as required by the Lease Agreement;

(xxiii) Evidence that the Bonds have been assigned the ratings of [“__”] and [“__”], respectively, by Moody’s Investors Service Inc. and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC;

(xxiv) A Blue Sky survey in form and substance acceptable to the Underwriter; and

(xxv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Underwriters may reasonably request.

Section 9. Expenses. Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Underwriters shall be under no obligation to pay, and the Authority shall pay only from the proceeds of the Bonds, or cause the City to pay out of the proceeds of the Bonds or any other legally available funds of the City or the Authority, but only as the Authority and such other party providing such services may agree, all expenses and costs of the Authority and the City incident to the performance of their obligations in connection with the authorization, execution, sale and delivery of the Bonds to the Underwriters, including, without limitation, printing costs, rating agency fees and charges, initial fees of the Trustee, including fees and disbursements of their counsel, if any, fees and disbursements of Bond Counsel and Disclosure Counsel and other professional advisors employed by the Authority or the City, costs of preparation, printing, signing, transportation, delivery and safekeeping of the Bonds and for expenses (included in the expense component of the spread) incurred by the Underwriters on behalf of the City’s employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals,

transportation, lodging, and entertainment of those employees. The Underwriters shall pay all out-of-pocket expenses of the Underwriters, including, without limitation, the fees and expenses of its counsel, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriters in connection with the public offering and distribution of the Bonds. Certain payments may be in the form of inclusion of such expenses in the expense component of the Underwriters' discount.

Section 10. Notices. Any notice or other communication to be given to the Underwriters under this Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, CA 94104, Attention: Eileen Gallagher. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the Authority under this Purchase Agreement may be given by delivering the same in writing to the Sunnyvale Financing Authority, c/o City of Sunnyvale, 456 W. Olive Avenue, Sunnyvale, California 94086, Attention: Executive Director. Any notice or communication to be given the City under this Purchase Agreement may be given by delivering the same in writing to the City of Sunnyvale 456 W. Olive Avenue, Sunnyvale, California 94086, Attention: City Manager.

Section 11. Parties in Interest. This Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriters (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority and the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds.

Section 12. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 13. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

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Section 14. Governing Law. This Purchase Agreement shall be governed by the laws of the State.

STIFEL NICOLAUS & CO. INCORPORATED

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF SUNNYVALE

By: _____
Its: City Manager

Time of Acceptance: _____ a.m./p.m.

SUNNYVALE FINANCING AUTHORITY

By: _____
Its: Executive Director

Time of Acceptance: _____ a.m./p.m.

EXHIBIT A

\$ _____ **SUNNYVALE FINANCING AUTHORITY** **2020 LEASE REVENUE BONDS** **(CIVIC CENTER PHASE 1 PROJECT)(GREEN BONDS)**

<i>Maturity (April 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>10% Test Maturities</i>	<i>Hold-the- Price Maturities</i>
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REDEMPTION

Optional Redemption. The Bonds maturing on or before April 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after April 1, 20__, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after April 1, 20__, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of Term Bonds. The Bonds maturing on April 1, 20__ (the “20__ Term Bonds”) are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following table:

20__ Term Bonds

<i>Payment Date (April 1)</i>	<i>Payment Amount</i>
-----------------------------------	---------------------------

(maturity)

If some but not all of the 20__ Term Bonds have been redeemed through optional or special mandatory redemption, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the 20__ Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which will notify the Trustee in writing of such determination.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The Bonds are subject to redemption as a whole, or in part by lot on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

EXHIBIT B

FORM OF ISSUE PRICE CERTIFICATE

**§ _____
SUNNYVALE FINANCING AUTHORITY
2020 LEASE REVENUE BONDS
(CIVIC CENTER PHASE 1 PROJECT)(GREEN BONDS)**

The undersigned, Stifel, Nicolaus & Company, Incorporated (“Stifel”), on behalf of itself and as representative (the “Representative”) of BofA Securities, Inc., J.P. Morgan Securities, LLC, and Raymond James & Associates, Inc. (together with the Representative, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the 10% Test Maturities.*** As of the date of this certificate, for each Maturity of the Bonds listed as a “10% Test Maturity” in Schedule A attached hereto, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A attached hereto.

2. ***Initial Offering Price of the Hold-the-Price Maturities.***

(a) The Underwriting Group offered the “Hold-the-Price Maturities” (as listed in Schedule A attached hereto) to the Public for purchase at the respective initial offering prices listed in Schedule A attached hereto (the “Initial Offering Prices”) on or before the Sale Date.

(b) With respect to the Hold-the-Price Maturities, as agreed to in writing by the Representative in the Purchase Agreement, dated June 17, 2020, between the Representative and the Authority, the Representative has (i) retained the unsold Bonds of each Hold-the-Price Maturity and not allocated any such Bonds to any other member of the Underwriter and (ii) not offered or sold unsold Bonds of any of the Hold-the-Price Maturities to any person at a price that is higher than or a yield lower than the respective Initial Offering Prices for such Maturities of the Bonds during the Holding Period.

3. ***Pricing Wire or Equivalent Communication.*** A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

4. ***Establishment of Reserve Fund.*** The establishment of the Reserve Fund (as defined in the hereinafter defined Tax Certificate), at the level of funding described in the Tax Certificate, in the best judgment of the undersigned, was reasonably required to market the Bonds at the prices and yields listed in Schedule A attached hereto and is reasonable and customary in marketing obligations of the same general type as the Bonds.

5. ***Defined Terms.***

(a) ***10% Test Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “10% Test Maturities.”

(b) ***Authority*** means the Sunnyvale Financing Authority.

(c) *Hold-the-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Price Maturities.”

(d) *Holding Period* means, with respect to a Hold-the-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which at least 10% of such Hold-the-Price Maturity was sold to the Public at prices that are no higher than or yields that are no lower than the Initial Offering Price for such Hold-the-Price Maturity.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

(g) *Related Party*. A purchaser of any Bonds is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 17, 2020.

(i) *Tax Certificate* means the Tax Certificate, dated June 25, 2020, executed and delivered by the Authority in connection with the issuance of the Bonds.

(j) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate Regarding Arbitrage and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds

is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Representative

By: _____

Name: _____

Dated: _____, 2020

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES

(Attached)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
SUNNYVALE FINANCING AUTHORITY
2020 Lease Revenue Bonds
(Civic Center Project)

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Sunnyvale (the “City”), on behalf of the Sunnyvale Financing Authority (the “Authority”) and itself, in connection with the issuance by the Authority of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of October 1, 2020 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means March 31 of each year.

“*Dissemination Agent*” means Digital Assurance Certification LLC or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement dated _____, 2020, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriters*” means any of the original purchasers of the 2020 Bonds required to comply with the Rule in connection with the offering of the 2020 Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021, with the report for the 2019-20 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information with respect to the City for the Fiscal Year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for the prior Fiscal Year described in subsection (a) above:

(i) The principal amount of Bonds outstanding, including principal amounts and years of maturity of Bonds, if any, called for redemption in advance of maturity;

(ii) General Fund tax revenues by source in the form of Table 1.

(iii) Assessed valuation in the form of Table 2.

(iv) Levies and collections in the form of Table 3.

(v) Top 10 local property taxpayers in the form of Table 4.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes (without any obligation to provide any notices of changes in the outlook assigned to or associated with any rating).
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or

governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Digital Assurance Certification LLC. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	Sunnyvale Financing Authority c/o City of Sunnyvale 456 W. Olive Avenue Sunnyvale, California 94086
To the Dissemination Agent	Digital Assurance Certification LLC 315 East Robinson Street Suite 300 Orlando, Florida 32801 Attention: Mary Wyatt Telephone: (407) 515-1100

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2020

CITY OF SUNNYVALE

By: _____
City Manager

AGREED AND ACCEPTED:
DIGITAL ASSURANCE CERTIFICATION LLC
as Dissemination Agent

By: _____
Title: _____

DRAFT 10/8/2020 

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SUNNYVALE APPROVING THE ISSUANCE AND SALE OF
LEASE REVENUE BONDS BY THE SUNNYVALE
FINANCING AUTHORITY AND APPROVING RELATED
DOCUMENTS AND ACTIONS**

WHEREAS, the Sunnyvale Financing Authority (the “Authority”) is a joint powers authority duly organized and existing under a Joint Exercise of Powers Agreement dated September 29, 1992, by and between the City of Sunnyvale (the “City”) and the Redevelopment Agency of the City of Sunnyvale, under Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”) and is authorized pursuant to Article 4 (commencing with section 6584) of the Act to borrow money to provide financing or refinancing for public capital improvements of public entities such as the City; and

WHEREAS, the City is undertaking certain public capital improvements for the City consisting generally of Phase 1 of the City’s Civic Center Modernization Project, and any other public improvements selected by the City (collectively, the “2020 Project”); and

WHEREAS, in order to finance the 2020 Project, under a Site Lease (the “Site Lease”), the City has proposed to lease certain real property and the improvements located and to be located thereon to the Authority, consisting of the City Hall complex, the Public Safety Building, and the Corporation Yard, or any other real property subsequently identified by the City (collectively, the “Leased Property”), in consideration of the payment by the Authority of an upfront rental payment (as described in the Site Lease, the “Site Lease Payment”) that is sufficient to provide funds to finance the 2020 Project; and

WHEREAS, the Authority wishes to authorize the issuance of its bonds captioned “Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Project)” (the “Bonds”) under this Indenture of Trust between the Authority and U.S. Bank National Association (the “Trustee”) for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease; and

WHEREAS, in order to provide revenues that are sufficient to enable the Authority to pay debt service on the Bonds, the Authority desires to lease the Leased Property back to the City under a Lease Agreement (the “Lease”) under which the City will agree to pay semiannual lease payments as the rental for the Leased Property; and

WHEREAS, the lease payments made by the City under the Lease will be assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement between the Authority as assignor and the Trustee as assignee; and

WHEREAS, the City is authorized to enter into the Lease and the Site Lease under section 37380 of the Government Code of the State of California (the "Government Code"); and

WHEREAS, as required pursuant to section 6586.5(a) of the Government Code, a public hearing has been held by the City Council in connection with the financing; and

WHEREAS, the City Council desires to make the findings required by section 6586.5(a) of the Government Code, and to approve the financing and the transactions contemplated by the Lease, the Site Lease and the Bonds; and

WHEREAS, the City has solicited proposals from qualified investment banking firms to purchase and underwrite the Bonds and has selected Stifel, Nicolaus & Company, Incorporated as managing underwriter, and BOFA Securities, Inc., J.P. Morgan Securities LLC and Raymond James and Associates, Inc., as co-managing underwriters (collectively, the "Underwriters") for the Bonds; and

WHEREAS, there has been presented to the City Council a form of bond purchase agreement (the "Bond Purchase Agreement") for the Bonds, to be entered into among the Authority, the City and the Underwriters; and

WHEREAS, a proposed form of preliminary official statement (the "Preliminary Official Statement") describing the Bonds, to be used in connection with the marketing of the Bonds by the Underwriters, has been prepared and has been presented to the City Council; and

WHEREAS, to fulfill the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will execute a Continuing Disclosure Certificate in the form attached as an appendix to the Preliminary Official Statement (the "Continuing Disclosure Certificate"), whereby the City will agree to provide certain continuing disclosure reports and notices of the occurrence of certain events; and

WHEREAS, in accordance with Government Code Section 5852.1, the City Council has obtained and disclosed the information required thereby, as more fully set forth in the staff report accompanying this Resolution; and

WHEREAS, the City Council has duly considered such transactions and wishes at this time to approve said transactions in the public interests of the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1. **Findings.** The City Council hereby finds and determines that the foregoing recitals are true and correct. The City Council has held a duly noticed public hearing regarding the issuance of the Bonds and the approval of the Site Lease and the Lease, and hereby finds that significant public benefits will arise from the transactions represented by the Bonds, the Site Lease and the

Lease in accordance with section 6586 of the California Government Code, including demonstrable savings in effective interest rate, bond preparation and bond issuance costs.

2. **Approval of Bonds.** The City Council hereby approves the issuance, sale and delivery of the Bonds, in the maximum original principal amount of \$_____, for the purpose of providing funds to finance the 2020 Project, and to pay related costs.

3. **Approval of Site Lease and Lease.** The City Council hereby approves the Site Lease and the Lease in substantially the forms on file with the City Clerk, together with such additions thereto and changes therein as the City Manager or the Director of Finance (each an "Authorized Officer") may deem necessary, desirable or appropriate upon the advice of Bond Counsel (as defined below); provided that the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such additions and changes. The Authorized Officers are each hereby separately authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest, the final form of the Site Lease and Lease for and in the name and on behalf of the City. The City Council hereby authorizes the delivery and performance of the Site Lease and the Lease by the City.

4. **Sale of the Bonds; Approval of Bond Purchase Contract.** The City Council hereby approves the sale of the Bonds by the Authority to the Underwriters pursuant to the Bond Purchase Agreement in substantially the form on file with the City Clerk, together with such additions thereto and changes therein as an Authorized Officer may deem necessary, desirable or appropriate upon the advice of Bond Counsel; provided, however, that (i) the original principal amount of the Bonds shall not exceed \$_____, (ii) the true interest cost with respect to the Bonds shall not exceed 5.0%, and (iii) the Underwriters' discount with respect to the Bonds shall not exceed 0.5% of the original principal amount thereof. The Authorized Officers, each acting alone, are hereby authorized and directed to execute the Bond Purchase Agreement, for and in the name of the City, together with any changes therein or additions thereto deemed advisable by the Authorized Officer executing the Bond Purchase Agreement upon consultation with the Bond Counsel, and the execution and delivery of the Bond Purchase Agreement by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions. The City Council hereby authorizes the delivery and performance by the City of the Bond Purchase Agreement.

5. **Official Statement; Continuing Disclosure Certificate.** The City Council hereby approves, and hereby deems substantially final within the meaning of the Rule, the Preliminary Official Statement in the form on file with the City Clerk and presented at this meeting, together with any changes therein or additions thereto deemed advisable by the Authorized Officers upon consultation with Disclosure Counsel (as defined below). The Authorized Officers, each acting alone, are hereby authorized and directed to execute an appropriate certificate stating the City's determination that the Preliminary Official Statement is substantially final under the Rule. Distribution of the Preliminary Official Statement in connection with the sale of the Bonds is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, upon consultation with Disclosure Counsel, to approve any changes in or additions to the Preliminary Official Statement deemed necessary or desirable to bring it into the form of a final official statement (the "Final Official Statement"), and the Final Official Statement shall be executed in the name and on behalf of the City by any Authorized Officer whose execution thereof shall be

conclusive evidence of approval of any such changes and additions. The Authorized Officers, each acting alone, are also hereby authorized and directed to execute and deliver to the Underwriters the Continuing Disclosure Certificate substantially in the form appended to the Final Official Statement. The City Council hereby authorizes the distribution of the Final Official Statement by the Underwriters.

6. **Engagement of Professionals.** The engagement of the following professionals in connection with the issuance of the Bonds is hereby ratified and confirmed: Jones Hall, A Professional Law Corporation, as bond counsel (“Bond Counsel”) and disclosure counsel (“Disclosure Counsel”); and Ross Financial as municipal advisor (the “Municipal Advisor”).

7. **Official Actions.** The Mayor, the City Manager, the Director of Finance, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all certificates, requisitions, agreements, notices, consents and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions as described herein. Any such actions previously taken by any such officers of the City are hereby ratified and approved. Whenever in this resolution any officer of the City is authorized to execute or attest any document or take any action, such execution, attestation or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

8. **Effective Date.** This Resolution shall take effect upon its passage and adoption.

Adopted by the City Council at a regular meeting held on October 13, 2020, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

RECUSAL:

ATTEST:

APPROVED:

City Clerk
(SEAL)

Mayor

APPROVED AS TO FORM:

City Attorney

DRAFT 10/8/2020 

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SUNNYVALE FINANCING AUTHORITY AUTHORIZING
THE ISSUANCE AND SALE OF LEASE REVENUE BONDS
AND APPROVING RELATED DOCUMENTS AND ACTIONS**

WHEREAS, the Sunnyvale Financing Authority (the “Authority”) is a joint powers authority duly organized and existing under a Joint Exercise of Powers Agreement dated September 29, 1992, by and between the City of Sunnyvale (the “City”) and the Redevelopment Agency of the City of Sunnyvale, under Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”) and is authorized pursuant to Article 4 (commencing with section 6584) of the Act to borrow money to provide financing or refinancing for public capital improvements of public entities such as the City; and

WHEREAS, the City is undertaking certain public capital improvements for the City consisting generally of Phase 1 of the City’s Civic Center Modernization Project, and any other public improvements selected by the City (collectively, the “2020 Project”); and

WHEREAS, in order to finance the 2020 Project, under a Site Lease (the “Site Lease”), the City has proposed to lease certain real property and the improvements located and to be located thereon to the Authority, consisting of the City Hall complex, the Public Safety Building, and the Corporation Yard, or any other real property subsequently identified by the City (collectively, the “Leased Property”), in consideration of the payment by the Authority of an upfront rental payment (as described in the Site Lease, the “Site Lease Payment”) that is sufficient to provide funds to finance the 2020 Project; and

WHEREAS, the Authority wishes to authorize the issuance of its bonds captioned “Sunnyvale Financing Authority 2020 Lease Revenue Bonds (Civic Center Project)” (the “Bonds”) under this Indenture of Trust (the “Indenture”) between the Authority and U.S. Bank National Association (the “Trustee”) for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease; and

WHEREAS, in order to provide revenues that are sufficient to enable the Authority to pay debt service on the Bonds, the Authority desires to lease the Leased Property back to the City under a Lease Agreement (the “Lease”) under which the City will agree to pay semiannual lease payments as the rental for the Leased Property; and

WHEREAS, the lease payments made by the City under the Lease will be assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement (the “Assignment Agreement”) between the Authority as assignor and the Trustee as assignee; and

WHEREAS, as required pursuant to section 6586.5(a) of the Government Code, a public hearing has been held by the City Council in connection with the financing; and

WHEREAS, the City has solicited proposals from qualified investment banking firms to purchase and underwrite the Bonds and has selected Stifel, Nicolaus & Company, Incorporated as managing underwriter, and BOFA Securities, Inc., J.P. Morgan Securities LLC and Raymond James and Associates, Inc., as co-managing underwriters (collectively, the "Underwriters") for the Bonds; and

WHEREAS, there has been presented to the Board a form of bond purchase agreement (the "Bond Purchase Agreement") for the Bonds, to be entered into among the Authority, the City and the Underwriters; and

WHEREAS, a proposed form of preliminary official statement (the "Preliminary Official Statement") describing the Bonds, to be used in connection with the marketing of the Bonds by the Underwriters, has been prepared and has been presented to the Board; and

WHEREAS, in accordance with Government Code Section 5852.1, the Board has obtained and disclosed the information required thereby, as more fully set forth in the staff report accompanying this Resolution; and

WHEREAS, the Board has duly considered such transactions and wishes at this time to approve said transactions in the public interests of the Authority.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1 **Findings.** The Board hereby finds and determines that the foregoing recitals are true and correct.

2. **Issuance of Bonds.** The Board hereby approves the issuance, sale and delivery of the Bonds, in the maximum original principal amount of \$_____, for the purpose of providing funds to the City to finance the 2020 Project, and to pay related costs.

3. **Approval of Indenture.** The Board hereby approves the Indenture in substantially the form on file with the Secretary, together with such additions thereto and changes therein as the Executive Director or the Treasurer (each an "Authorized Officer") may deem necessary, desirable or appropriate upon the advice of Bond Counsel (as defined below); provided that the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such additions and changes. The Authorized Officers are each hereby separately authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Indenture for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Indenture by the Authority.

4. **Approval of Site Lease and Lease.** The Board hereby approves the Site Lease and the Lease in substantially the forms on file with the Secretary, together with such additions thereto

and changes therein as an Authorized Officer may deem necessary, desirable or appropriate upon the advice of Bond Counsel; provided that the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such additions and changes. The Authorized Officers are each hereby separately authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Site Lease and Lease for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Site Lease and the Lease by the Authority.

5. **Approval of Assignment Agreement.** The Board hereby approves the Assignment Agreement in substantially the forms on file with the Secretary, together with such additions thereto and changes therein as an Authorized Officer may deem necessary, desirable or appropriate upon the advice of Bond Counsel; provided that the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such additions and changes. The Authorized Officers are each hereby separately authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Assignment Agreement for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Assignment Agreement by the Authority.

6. **Sale of the Bonds; Approval of Bond Purchase Contract.** The Board hereby approves the sale of the Bonds by the Authority to the Underwriters pursuant to the Bond Purchase Agreement in substantially the form on file with the Secretary, together with such additions thereto and changes therein as an Authorized Officer may deem necessary, desirable or appropriate upon the advice of Bond Counsel; provided, however, that (i) the original principal amount of the Bonds shall not exceed \$ _____, (ii) the true interest cost with respect to the Bonds shall not exceed 5.0%, and (iii) the Underwriters' discount with respect to the Bonds shall not exceed 0.5% of the original principal amount thereof. The Authorized Officers, each acting alone, are hereby authorized and directed to execute the Bond Purchase Agreement, for and in the name of the Authority, together with any changes therein or additions thereto deemed advisable by the Authorized Officer executing the Bond Purchase Agreement upon consultation with the Bond Counsel, and the execution and delivery of the Bond Purchase Agreement by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions. The Board hereby authorizes the delivery and performance by the Authority of the Bond Purchase Agreement.

7. **Official Statement.** The Board hereby approves, and hereby deems substantially final within the meaning of the Rule, the Preliminary Official Statement in the form on file with the Secretary and presented at this meeting, together with any changes therein or additions thereto deemed advisable by the Authorized Officers upon consultation with Disclosure Counsel (as defined below). The Authorized Officers, each acting alone, are hereby authorized and directed to execute an appropriate certificate stating the Authority's determination that the Preliminary Official Statement is substantially final under the Rule. Distribution of the Preliminary Official Statement in connection with the sale of the Bonds is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, upon consultation with Disclosure Counsel, to approve any changes in or additions to the Preliminary Official Statement deemed necessary or desirable to bring it into the form of a final official statement (the "Final Official Statement"), and the Final Official Statement shall be executed in the name and on behalf of the Authority by any Authorized Officer whose execution thereof shall be conclusive evidence of approval of any such changes and

additions. The Board hereby authorizes the distribution of the Final Official Statement by the Underwriters.

8. **Engagement of Professionals.** The engagement of the following professionals in connection with the issuance of the Bonds is hereby ratified and confirmed: Jones Hall, A Professional Law Corporation, as bond counsel (“Bond Counsel”) and disclosure counsel (“Disclosure Counsel”); and Ross Financial as municipal advisor (the “Municipal Advisor”).

9. **Official Actions.** The Chair, the Executive Director, the Treasurer, the Secretary and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all certificates, requisitions, agreements, notices, consents and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions as described herein. Any such actions previously taken by any such officers of the Authority are hereby ratified and approved. Whenever in this resolution any officer of the Authority is authorized to execute or attest any document or take any action, such execution, attestation or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

10. **Effective Date.** This Resolution shall take effect upon its passage and adoption.

Adopted by the Board of Directors of the Sunnyvale Financing Authority at a regular meeting held on October 13, 2020, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:
RECUSAL:

ATTEST:

APPROVED:

Clerk for Financing Authority
(SEAL)

Chair of Financing Authority

APPROVED AS TO FORM:

General Counsel for the Authority



City of Sunnyvale

Agenda Item

20-0809

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Consider Approval of Draft 2020 Housing Strategy and Implementation Schedule (Study Issue)

SUMMARY OF COMMISSION ACTION

The Housing and Human Services Commission (HHSC) considered this item on August 26, 2020. The Housing and Human Services Commission recommended Alternatives 2 and 5: Approve of the 2020 Housing Strategy with modifications and Approve Implementation Schedule with modifications. The vote was 6-0, with no Commissioners dissenting, absent, or abstained. Minutes of the HHSC meeting are in Attachment 6. Staff comments on the HHSC's recommended modifications are as follows.

- Alternative 2 - Approve the Housing Strategy with the following modifications:
 - Include additional background information, clarification, and data on MOUs and Rent Stabilization in California.
 - Staff comment: With project consultant costs fully expended, staff does not recommend additional data incorporated into the report, but rather focus available resources on timely implementation.
- Alternative 5 - Approve the Implementation Schedule with the following modifications:
 - a. Create 1d to add "Facilitate New Ways to Use Homes through Home Sharing" to the Age Friendly Strategies to implement;
 - Staff Comment: Adding a home-sharing type program as a strategy recommendation would not change the ability for an organization to offer these types of services in the community, as they are allowed currently. City Housing Mitigation Funds would not be able to go towards this type of program as there are no affordable housing deed restrictions.
 - b. 4a (mobile home park space rent stabilization) and 4b (MOU between mobile home park owners and the City) shall require the creation of Community Advisory Committee for implementation;
 - Staff comment: Staff would include formal community involvement in implementation of either strategy (rent stabilization or MOU); however, the requirement for a formal advisory committee would add several months to the

schedule.

- c. 4a and 4b shall provide a legal expert that can advise the Community Advisory Committee during implementation;
 - Staff comment: Staff is not recommending a formal advisory committee.
- d. 4a and 4b shall provide ongoing legal support for the residents of mobile home parks after implementation;
 - Staff comment: The City may have an enforcement role to play after implementation of an MOU or Rent Stabilization Ordinance. However, it seems premature to commit to providing legal services to residents and it would be at an unknown ongoing cost.
- e. 4b shall include parameters in the MOU that include residents on long-term space rent leases and residents with existing space rent leases;
 - Staff comment: Staff has included a version of this in the updated recommended strategy (Attachment 3). Prior to August 31, 2020, when Governor Newsom signed AB 2782, *Mobilehome Residency Law* exempted properties with a rental agreement (that is in excess of 12 months' duration) in a mobile home park from local ordinances and initiative measures that establish a maximum amount that a landlord may charge a tenant for rent (i.e. rent stabilization or rent control). However, AB 2782 removes that exemption in the *Mobilehome Residency Law* for long-term rental agreements entered into on February 13, 2020 and later. The bill also sunsets that provision on January 1, 2025.
- f. 4b (MOU) shall mandate that 4a (rent stabilization) be implemented after a 6 month check in with the Council if no significant progress has been made on 4b (MOU negotiations).
 - Staff comment: The staff recommendation includes a check in with City Council at the six-month mark which gives the Council the option of continuing with a MOU or discontinuing so that efficient progress is made, based on data from the legal consultant or mediator. Staff is recommending this check for Council to understand progress made and identify a clear path to finalizing the MOU or begin working on a rent stabilization ordinance. Actions taken by the current City Council cannot bind future Councils to a course of action. The decision to adopt an MOU or rent stabilization ordinance could only be made after all of the provisions have been written and public hearings are conducted.

PUBLIC CONTACT

In addition to the extensive public outreach conducted through this Housing Strategy, public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

The Draft Housing Strategy has been available for public review since August 5, 2020. Interested

parties were notified of the schedule and the availability of the public review draft of the Housing Strategy

ALTERNATIVES

Housing Strategy

1. Approve the 2020 Housing Strategy (Attachment 2 to the report).
2. Approve the 2020 Housing Strategy, with modifications proposed by the HHSC, or other modifications made by the City Council.
3. Do not approve the 2020 Housing Strategy.

Implementation Schedule

4. Approve the Updated Implementation Schedule (Attachment 3 to the report).
5. Approve the Updated Implementation Schedule with additional modifications as proposed by the HHSC or other modifications made by the City Council.
6. Do not approve the Updated Implementation Schedule.

STAFF RECOMMENDATION

Alternative 1 and Alternative 4: 1) Approve the 2020 Housing Strategy (Attachment 2 to the report) and 4) Approve the Updated Implementation Schedule. (Attachment 3 to the report).

Staff recommends the Housing Strategy and updated Implementation Schedule as a comprehensive approach to addressing priority housing issues in Sunnyvale. The selected strategies and implementation schedule are based on community and Council feedback and professional judgment on which strategies best suit Sunnyvale and have a good chance at success. Tier 1 items were selected to address high priority (such as mobile home park rents) and relatively simple to implement (such as increasing ownership inclusionary percentage).

Prepared by: Jenny Carloni, Housing Officer

Reviewed by: Trudi Ryan, Director, Community Development

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Report to Housing and Human Services Commission 20-0254, August 26, 2020 (*without attachments*)
2. 2020 Draft Housing Strategy
3. *Updated* Implementation Schedule
4. CDD 17-09 Housing Strategy Study Issue Paper
5. Detailed List of Relevant Housing Policies

Additional Attachments for Report to Council

6. Approved Minutes of the Housing and Human Services Commission Meeting of August 26, 2020.
7. Public Comment Letters received prior to August 26, 2020
8. Public Comment Letters received after August 26, 2020



City of Sunnyvale

Agenda Item

20-0254

Agenda Date: 8/26/2020

REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Consideration of Draft 2020 Housing Strategy (Study Issue)

REPORT IN BRIEF

A comprehensive Housing Strategy has been prepared for the City of Sunnyvale to provide a complete view of the City's existing housing programs and policies and to provide a plan to meet the future housing needs of the community. The Housing Strategy, based on the 2017 Study Issue, summarizes current housing stock and demographic data, outlines the existing housing programs, highlights the extensive public outreach, and recommends a variety of programs and policies to implement prior to or concurrent with the next Housing Element update in 2023. Staff recommends the Housing and Human Services Commission (HHSC) recommend that Council adopt the attached 2020 Housing Strategy (Attachment 2) and finalize ranking and timing of the recommended strategies (Attachment 3) to establish an implementation schedule.

BACKGROUND

The Housing Strategy Study Issue, CDD 17-09 (see Attachment 4), was ranked number one by Council among proposed Community Development Department (CDD) study issues for 2017. This Study Issue consists of a combination of several narrowly focused study issues proposed by Commissions and/or Council on housing policy issues in 2017. Staff proposed this approach as a more holistic and integrated alternative, rather than performing several highly specific, but possibly disjointed, study issues.

The scope of this Study was further refined through Council direction during the study issues workshops in February 2017, and specifically during the March 28, 2017 hearing on the proposed timeline for the ranked study issues (RTC No.17-0156). Funding for this project was approved by Council as part of the 2017/18 Adopted Budget. Scope of Work for this study was approved by Council on December 12, 2017 (RTC No.17-1069); the scope was further refined to prioritize completion of inclusionary rental housing in advance of the full strategy (completed September 24, 2019; RTC No. 19-0932).

Although this Study originated from a diverse set of issues, the general goal of the Housing Strategy is to refine the City's long-term housing strategy, identify potential improvements to existing programs and approaches, identify potential new approaches to increase affordable housing stock and improve affordability of housing in the City.

In support of this effort, a competitive Request for Proposals (RFP) was issued and posted to the City's public procurement network in March 2018. BAE Urban Economics ("BAE") was selected as the lead consultant, with PlaceWorks, Goldfarb & Lipman Attorneys, and Novin Development assisting as sub-consultants.

Existing Primary Housing Programs and Resources

The City's Housing Division is responsible for: oversight of the inclusionary housing programs; Housing Element preparation and lead on implementation; administering federal and local funds; administering housing rehabilitation programs; and, actively seeking new opportunities for affordable housing development. Primary program specifics include:

- Inclusionary Housing. Since 1980, Sunnyvale has managed a robust rental and ownership inclusionary housing program. Currently, a 15% inclusionary requirement for new rental developments is required, 10% set aside for low income and 5% set aside for very low income; and a 12.5% inclusionary requirement for new for-sale development is required, these units are sold to moderate income households. An initial part of the Housing Strategy was to re-introduce the rental inclusionary program after new legislation now allowed inclusionary units (that had been eliminated from all California jurisdictions due to the Palmer court case of 2009). The new rental inclusionary program was fast-tracked during the Housing Strategy effort and adopted by the Council in September 2019; therefore, further discussion of that effort is not included in this report.
- Home Improvement Programs. The City's Home Improvement Programs were first implemented in the 1970's and offer a wide array of rehabilitation loans including single family home improvements, energy efficiency loans, mobile home repair funds, multifamily rental rehabilitation loans, emergency funds and accessibility grants.
- Housing Mitigation Funds. Using Housing Mitigation Funds collected by both non-residential and residential developments, the City awards large dollar, low interest loans to assist with developing deed restricted affordable housing developments. Over \$75 million in loans have been awarded since the fee was created in 1983. Three new loans are slated to be issued in FY 2020/21.
- First Time Homebuyer Loans. These loans offer those who are income qualified and live or work in Sunnyvale assistance in purchasing homes within the City. Currently loans up to \$50,000 per household can be issued with an average of 8 loans per year.
- Federal Funding. Federal funds such as Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) are also managed through the Housing Division. Nearly \$1.5 million in federal CDBG and HOME funds are available through the City to nonprofits providing affordable housing, human service programs, ADA accessibility programs, and rental assistance programs.
- General Funds. Additionally, approximately \$135,000 in General Funds annually supplement grants to non-profits who provide essential human service programs in Sunnyvale.

Planning for Affordable Housing

During each eight-year Housing Element cycle, the Association of Bay Area Governments determines a Regional Housing Needs Allocation (RHNA) for each jurisdiction based on the Regional Needs

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determined by the State. The City is responsible for planning appropriately to accommodate the RHNA but is not responsible for constructing the units. Sunnyvale is in the middle of the 2015-2023 Housing Element with the following RHNA allocation and progress made:

Income Level	Number of Housing Units	Permits Issued as of 12/31/2019	Units Remaining by 2023
Very Low (<50% AMI*)	1,640	114	1,526
Low (51-80% AMI)	906	21	885
Moderate (81-120% AMI)	932	207	725
Above Moderate (Market Rate)	1,974	2,215	0
Total	5,452	2,557	3,136

*AMI =

Area Median Income of Santa Clara County

As of the date of this HHSC Meeting, one new affordable housing development is currently under planning entitlement review for 90 new affordable units in the City's downtown core, this development will begin construction in early 2021. In addition, two new affordable housing developments are in preliminary planning review with a total of over 300 potential units to be developed in late 2022/early 2023. From January to July 2020 building permits have been issued for 255 units, of which 17 units will be affordable to very low-income households. About 1,220 units are being reviewed for building permit issuance (79 of the units will be affordable to moderate or very low-income households).

With the demand for affordable housing increasing rapidly over the past ten years, the City is actively searching for ways to not only increase the stock of affordable housing, but also to identify new approaches to meet the needs of the City. To do so, the City Council approved the 2017 Housing Strategy Study Issue to evaluate these needs in depth. Due to time needed to approve funding, select a consultant, and various staff changes, the project officially began in early 2019. The City conducted this Study in a time of significant change in state law and during a statewide housing crisis. Since the Study Issue was selected in 2017, California has enacted new housing streamlining legislation, statewide rent control, increased Density Bonus legislation, and various other laws focused on increasing housing stock and removing local barriers towards development.

The City Council held a study session on this topic on February 4, 2020 and is scheduled to consider this item on October 13, 2020.

EXISTING POLICY

GENERAL PLAN: 2015-2023 Housing Element

Goal HE-1 ADEQUATE HOUSING Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

A detailed list of relevant General Plan Policy and policies from the Council Policy Manual are found

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in Attachment 5. Council Policy Manual includes:

- **Policy 2.3.2** Housing Incentive Fund
- **Policy 2.3.3** Strategies for Affordable Housing and the Use of Housing Mitigation Fees
- **Policy 5.1.3** Human Services

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Any policy recommendations resulting in a project will undergo thorough environmental review at time of implementation.

DISCUSSION

The 2020 Housing Strategy focuses on four core policy topics: mobile home parks, affordable housing supply, affordable housing demand, and age friendly housing. Project kick-off began with significant background research and data collection. Once a baseline understanding of the current housing needs was established, compared to the programs the City offered at the time, the consultants and City staff (collectively referred to as the Housing Strategy Team) began the community engagement and outreach process.

Community Engagement

Throughout this yearlong study process, a series of ten outreach meetings and events were held to gather public input on various topics. A kickoff meeting was held in February 2019 to introduce the community to this project and obtain feedback on what we would be studying, ensuring we captured all the right core focus areas. From there, the Housing Strategy team conducted various stakeholder meetings with developers, mobile home park owners, and mobile home park residents. Various other community meetings were held on each topic, including policy ranking meetings at the Saturday Farmers Market in Downtown Sunnyvale and online surveys.

Draft Policy Recommendations

Based on the policy ideas and housing needs collected from the community over the past year, staff developed a list of the highest rated policies now referred to as strategies. The Housing Strategy Team reviewed and ranked each recommendation based on time needed, cost to implement, staff availability, and time sensitivity. The Housing Strategy (Attachment 2) lists all strategies reviewed during this process, and then highlights the strategy implementation recommendations (summarized in Attachment 3) and Council feedback from the February 2020 Study Session. Each strategy is ranked on a tier system, which means the strategy would be implemented as follows:

1. Tier 1: Start implementation or bring a formal workplan to the Council in FY 2020/21
2. Tier 2: Start implementation or bring a formal workplan to the Council in FY 2021/22
3. Tier 3: Timeframe to be implemented to be determined.

The strategy recommendations and brief overviews are discussed below. Further information about each strategy and potential implementation tools are described in the Housing Strategy.

Mobile Home Parks

Sunnyvale’s housing stock is made up of nearly seven percent mobile homes. In fact, three of the

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largest mobile home parks in California are located in Sunnyvale: Casa de Amigos (923 spaces), Plaza del Rey (800 spaces), and Adobe Wells (613 spaces). Throughout this Study, residents spoke about the dramatic space rent increases and the hardships they were facing to stay in their homes. In addition, the increase in space rent and lack of vacancy control creates difficulties in selling mobile homes as space rent upon resale was increasing even further. Using that feedback, the key component of research and outreach for the mobile home park (MHP) component of the Strategy was rent stabilization. It is important to note that while this Study was underway, the California legislature adopted AB 1482 which enacted rent control throughout California on a majority of the rental housing stock, however, the law does not include mobile home space rent.

Four key approaches emerged from outreach efforts:

Mobile Home Park Strategy	Consider for Implementation?	Recommended Implementation Tier
Rent Stabilization	Yes	3*
Rent Mediation	No	N/A
Safety Net (for low income MHP residents)	Could combine with MOU/Accord	N/A
Memorandum of Understanding (MOU)/Accord	Yes	1*

**Staff proposes that a one-year timeframe be placed on implementation of the MOU/Accord. Within six months of adoption of the Housing Strategy, staff will return to Council with an update on the progress. If the park owners of the Sunnyvale mobile home parks are not actively participating in the MOU or if initial terms have not been identified by this six month mark, Council may direct staff to engage work on the Rent Stabilization Ordinance and end the MOU negotiations.*

- Rent Stabilization would establish an annual rent increase limit, potential requirements for re-sale (vacancy control), potential relocation requirements, and other components at the discretion of the City Council. Approximately 90 jurisdictions in California currently have mobile home park rent stabilization. This effort would be the most time consuming and costly activity for the City to implement, including potential new staff needed to oversee the program. This option was the overwhelming top choice of participating mobile home park residents.
- The MOU/Accord option was brought to the team's attention from a stakeholder group of MHP Owners, with the City of Napa and City of Rancho Cucamonga being examples of two successful Accords. An MOU/Accord requires a formal negotiated long-term agreement between the City and all MHP Park Owners (currently thirteen owners) to establish rules and regulations on rent increases and other topics that can be directed by the City Council; one agreement would be established between all parties involved and would only be implemented if all 13 owners agreed to the terms. Key components of the MOU could include: maximum rent increases, vacancy control, enforcement of the MOU, and remedies. Failure for one or more owners to participate would result in a failed MOU. While this would require significant staff time initially and at renewal of each MOU/Accord, long-term maintenance would be minimal assuming all owners follow the Accord.

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Following the Council's direction at the Study Session, preference on MHP policy should include a backup option should park owners fail to participate in the final policy selection. This request has been memorialized in staff's recommendation on this section which includes ranking the MOU as Tier 1 and Rent Stabilization Ordinance as Tier 3. This recommendation also includes a one-year timeframe be placed on implementation of the MOU/Accord. Within six months of adoption of the Housing Strategy, Staff will return to Council with an update on the progress. If the Park Owners of the Sunnyvale Mobile Home Parks are not actively participating in the MOU or if initial terms have not been identified by this six month mark, Council may direct staff to engage work on the Rent Stabilization Ordinance and end the MOU negotiations. This will encourage MHP park owners to be actively involved in the MOU process, which may be of greater benefit to them, and provide more opportunity for their input, as opposed to a Rent Stabilization Ordinance.

Supply Side

The core focus under this category was identifying ways to remove barriers towards affordable housing production and ways to increase the stock of affordable housing in Sunnyvale. With ten policies identified through the outreach process, the top five strategies are being recommended by staff to implement:

Supply Side Strategy	Consider for Implementation?	Recommended Implementation Tier
Increase Ownership Inclusionary Requirement	Yes	1
Promote Accessory Dwelling Units (ADUs)	Yes	1
Modify Programs/Policies to Encourage Missing Middle Housing	Yes	3
Up Zone Land to Facilitate Increased Residential Development	Yes	1
De-emphasize Dwelling Units per Acre as Development Standard	Yes	3
Add Developer Incentives for Unit Production into Rental Inclusionary Program	No	N/A
Density Bonus > 35%	No	N/A
Add Affordable Housing Payment Options	No	N/A
Modify Fee Programs to Add Further Gradations of Unit Size	No	N/A
Utilize Surplus Land for Housing Development	No	N/A

- Increasing the Ownership Inclusionary Requirement has been a topic of Council and Community discussion for several years. While a specific amount is not recommended at this time, a recommended starting point would likely be to bring the requirement from 12.5% to 15% to equal the rental inclusionary percentage. Any higher than 15% would result in the need for a

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Nexus Study and review by the Department of Housing and Community Development.

- Promoting ADUs is something the City is currently doing; implementing this strategy could expand City activities to incentivize development or potentially even assist with funding deed restricted ADUs. State legislation in 2018 and 2019 significantly reduced local control on how and where ADUs can be developed. The City currently creates informational brochures and attends various events to educate homeowners on this topic. ADUs are commonly rented for a rate equivalent to the rent set by the State for moderate income households. In 2019, 51 new ADU planning applications were submitted and 55 new ADUs received building permits (compared to 4 permitted in 2018). Between January 1, 2020 and July 31, 2020 60 ADU building permits have been issued.
- Missing Middle has been a buzzword in the housing industry for quite some time with very few agencies attempting this effort. In this strategy recommendation, the City would look at housing options affordable to middle income households, a term still needing to be defined but would be a category above moderate income (potentially up to 180% of the area median income); and also look at the missing middle housing type, commonly referred to as triplexes and small multifamily housing types which have a similar footprint to a single family home, but sell for a lower price point. Incentives and zoning ordinance flexibility with density would likely be needed to achieve this strategy.
- Upzoning land to facilitate increased residential development is a common theme throughout community engagement and developer meetings. Not only does increasing density in smart growth locations help preserve open space, but it allows projects to be more feasible with ever increasing land and construction costs. Often, medium to high density communities in appropriately zoned locations and can create walkable, mixed use communities. Incentives may be needed for affordable housing developers, or higher inclusionary rate may be needed, as upzoning land can increase land value making it harder for affordable housing developers to obtain land. The City is currently studying additional residential development opportunities (upzoning) in the Downtown, El Camino Real, Lawrence Station and Moffett Park plan areas.
- De-emphasize dwelling units as a development standard was added to the staff recommendation after the Council Study Session. This topic was ranked highly during community engagement as well. This idea would focus on considering tiering impact and development fees based on square footage or considering revising the way density is calculated to encourage small unit sizes which can often be more affordable. This change in approach could encourage additional units per acre without visible density increases. This would be a large effort through various City departments.

Demand Side

This category focused more on resident-based needs rather than housing production needs.

Demand Side Strategy	Consider for Implementation?	Recommended Implementation Tier
Adopt a Right to Lease Ordinance	Yes	2

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Adopt a Relocation Assistance Requirement	Yes	1
Establish a Safe RV Parking Program	Yes	3
Increase Down Payment Loan Amounts	No	N/A
Increase Loan Amounts/Modify Term for Home Improvement Program	No	N/A

- Adopting a Right to Lease Ordinance would provide flexibility and security for Sunnyvale renters. Commonly, a right to lease ordinance would require landlords to initially offer a yearlong (twelve month) lease prior to offering a month to month lease. This would lock in rent for up to twelve months (if selected by the tenant) and would provide security of no further rent increases during the lease. This was a 2019 Study Issue and resident participation during the outreach process echoed Council's support for this program. This strategy could be combined with the Relocation Assistance strategy effort.
- Adopting a Relocation Assistance Program has long been of interest to the City, especially as redevelopment of existing lower density older apartments is occurring more frequently. Currently, staff negotiates these requirements with developers; however, putting this into a formal ordinance will provide security for tenants displaced by new development. Relocation components could include specific financial components, displaced resident preference points on applications for the City's inclusionary program (in addition to the live/work preference points currently used), or extended noticing timeframes. Relocation requirements already occur for mobile home park conversions and condominium conversions. In addition, SB 330 has some relocation requirements for developers building certain types of new residential developments. A citywide policy would be sure to encompass SB 330 relocation aspects to streamline these requirements.
- Establishing a Safe RV Parking program is a common occurrence among Bay Area jurisdictions. With increasing homeless individuals/households residing in cars and RVs on city streets, cities and counties are partnering with homeless service providers and faith-based groups to allow a safe place for individuals to park at night. Commonly, a parking space is tied to requiring case management. Implementing this type of program would likely require City financial support for a local agency to implement the program on non-City owned land. At this time, Sunnyvale has no housing funding that can support this type of program so implementation would be based on when and if the City obtains homeless prevention funding opportunities.

Age Friendly

Through the Housing Strategy and with a study conducted by the Library and Community Service Department, the City has been actively studying age friendly opportunities for Sunnyvale. The Strategy recommends three programs that would assist residents to age in place or promote age friendly housing developments for aging residents. Many of these topics will require implementation partnership with the Building Division to encourage flexibility or incentives in the building code to encourage aging in place. The age friendly strategies identified as most important by the community are as follows:

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Age Friendly Strategy	Consider for Implementation?	Recommended Implementation Tier
Promote new Age Friendly Housing	Yes	2
Protect at risk Affordable Senior Housing/Preserve MHPs	Yes	3
Adapt homes to age in place	Yes	3
Facilitate new ways to use homes through home sharing	No	N/A

For this section, there are no Tier 1 recommendations as staff has to carefully balance the ability to implement the various programs during the allocation fiscal years. However, with all Tier recommendations, the Commission may choose to modify these recommendations with modifications to tiers of other strategies.

- Promoting new Age Friendly Housing will focus mainly on creation of policy to encourage new senior affordable housing and encouraging developers to meet and exceed ADA requirements. The Council may wish to prioritize senior housing in the City's next issuance of Housing Funds, dedicate future surplus land for senior affordable housing, or create incentives for developers to build senior housing. The City currently has 644 deed restricted senior affordable housing units.
- Protecting at-risk affordable senior housing development and mobile home parks consist of two main components. First, protecting affordable units often require City funding to assist the non-profit owners to extend the deed restriction period of these units. City Housing Funds can be used for preservation and rehabilitation, and could be prioritized in a policy to implement this specific strategy. Second, the mobile home park preservation aspect can be accomplished through the implementation of either the MOU or Rent Stabilization Strategy as this will secure rents to provide stability for senior mobile homeowners. The City will continue implementing the policy to ensure sufficient MHP zoned land remains in Sunnyvale.
- Adapting homes to age in place is a common theme among Sunnyvale residents who wish to remain in their homes as they age, which may be challenging as density increase and developments are three or more stories. This adaptation process commonly includes ground floor living renovations, modifications to bathrooms for walk in bathing facilities, widening doors or access ways, etc. Implementing this strategy would require partnership with both Building and Planning divisions to reduce the burden and even incentivize the options to adapt existing homes to be available for all age and ability levels in a cost-effective manner.

Next Steps

Based on staff's strategy recommendations, the next steps are to finalize strategies to implement, and establish a ranking tier to each of the recommended strategies. This tier will lead the timeframe of implementation. Tier 1 means the strategy will be implemented or brought to the Council in a formal workplan by June 30, 2021; Tier 2 by June 30, 2022; and Tier 3 would assess the timeframe based on current programs already underway.

20-0254

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Implementation components vary for each strategy. Some strategies can move forward quickly with staff developing the strategy, while some strategies will require an RFP for consultant or legal services, new funding sources to be identified by the City along with a clear workplan for implementation. For larger strategies, such as one of the MHP strategy options, staff would bring a workplan to the Council to ensure implementation moves quickly and efficiently during the fiscal year in which funds are allocated.

The eventual goal is to add new programs and improve existing programs prior to the next update of the City's Housing Element, which will need to be adopted by December 2022. With RHNA allocations having the potential to triple (initial indicators point to a new RHNA around 12,000 units for Sunnyvale) the City will be well ahead of this process by implementing these new programs to successfully set the stage for the 2023 Housing Element.

The Housing and Human Services Commission will make a recommendation to the Council, which will be considered on October 13, 2020.

FISCAL IMPACT

In 2018, Council authorized a contract with BAE Urban Economics in an amount, not to exceed, \$198,916 in General Funds for consulting services to develop the Sunnyvale Housing Strategy project. All funds will have been spent by the Council meeting on October 13, 2020. Implementation of most recommended strategies will require additional funding; however, funding amount varies with each project and will be analyzed and appropriated on a case-by-case basis.

It is likely that several strategies will require significant upfront funding that cannot be accommodated by Housing's operating budget, as Housing Mitigation Fees have specific uses in accordance with the Mitigation Fee Act. It is also likely that some strategies will require ongoing costs or new staffing to implement and operate. If staff is unable to find outside funding sources to implement these programs, staff will explore potential modifications to the Housing Mitigation Fee Ordinance, and as a last resort, a Budget Modifications would be brought to the Council along with a potential workplan for the specific strategy. General Funds would be subject to competing needs and lack of availability, which has been exacerbated by the current pandemic, and will only be requested after all other funding options have been exhausted.

PUBLIC CONTACT

In addition to the extensive public outreach conducted through this Housing Strategy, public contact was made through posting of the Housing and Human Service Commission agenda on the City's official-notice bulletin board, on the City's website, and the availability of the agenda and report in the Office of the City Clerk. A public review draft of the Housing Strategy was also published prior to the HHSC meeting. Interested parties were notified of the schedule and the availability of the public review draft of the Housing Strategy.

ALTERNATIVES

Recommend to City Council:

Housing Strategy

1. Approve the 2020 Housing Strategy (Attachment 2 to the report).
2. Approve the 2020 Housing Strategy, with modifications.

20-0254

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3. Do not approve the 2020 Housing Strategy.

Implementation Schedule

4. Approve the Strategy Implementation Schedule (Attachment 3 to the report)
5. Approve the Strategy Implementation Schedule with modifications.

RECOMMENDATION

Recommend to City Council Alternative 1 and Alternative 4: 1) Approve the 2020 Housing Strategy (Attachment 2 to the report) and 4) Approve the Strategy Implementation Schedule (Attachment 3 to the report).

Staff recommends the Housing Strategy and Implementation Schedule as a comprehensive approach to addressing priority housing issues in Sunnyvale. The selected strategies and implementation schedule are based on community and Council feedback and professional judgment on which strategies best suit Sunnyvale and have a good chance at success. Tier 1 items were selected to address high priority (such as mobile home park rents) and relatively simple to implement (such as increasing ownership inclusionary percentage).

Prepared by: Jenny Carloni, Housing Officer

Reviewed by: Trudi Ryan, Director, Community Development

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. *Reserved for Report to Council*
2. 2020 Draft Housing Strategy
3. Housing Strategy Tier Recommendations and Implementation Recommendations
4. CDD 17-09 Housing Strategy Study Issue Paper
5. Detailed List of Relevant Housing Policies

bae urban economics

City of Sunnyvale Housing Strategy

Prepared by BAE Urban Economics with Support from
PlaceWorks, Goldfarb & Lipman, and Novin Development

Draft – August 5, 2020



bae urban economics

March 4, 2020

Jenny Carloni, Housing Officer
Trudi Ryan, Community Development Director
City of Sunnyvale
456 W. Olive Ave.
Sunnyvale, CA 94086

Dear Ms. Carloni and Ms. Ryan:

We are pleased to submit the enclosed City of Sunnyvale Housing Strategy Report. This report summarizes some of Sunnyvale's most pressing housing challenges and presents strategies to address these challenges.

We hope that this report is helpful in assisting the City with its ongoing efforts to address a wide range of housing needs within the community.

Sincerely,



Matt Kowta, MCP
Managing Principal



Stephanie Hagar, MCP
Associate Principal

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EXECUTIVE SUMMARY

The City of Sunnyvale has a long-standing history of proactively addressing housing issues through a range of City ordinances, policies, and strategies. These ordinances, policies, and strategies include the City's Below Market Rate (BMR) Ordinance, density bonuses for affordable projects, rezoning industrial land to accommodate residential uses, adopting specific plans to allow for higher-density residential and mixed-use development, reducing parking ratios for affordable projects, and other housing-related programs and policies.

Despite the City's progress in addressing local housing needs, Sunnyvale still faces significant challenges in ensuring that the City's housing stock serves the full spectrum of affordable and other housing needs. Sunnyvale households have some of the highest housing costs in the nation, presenting limited options affordable for low-income and moderate-income households. Meanwhile, new state laws have strengthened the mandate that local jurisdictions ensure the production of affordable units, making it ever more crucial that Sunnyvale consider a broad range of strategies for addressing a wide range of housing needs.

In response to these challenges, the Sunnyvale City Council has identified the development of a comprehensive housing strategy as a key priority for the City. The City commissioned a team led by BAE Urban Economics and supported by PlaceWorks, Goldfarb and Lipman, and Novin Development to analyze housing issues in Sunnyvale, conduct an extensive community engagement process, and prepare the Housing Strategy that is included in this report.

Council Direction on Issues to Study

The Sunnyvale City Council identified four main issues for the City's Housing Strategy to address:

- 1) Strategies to address housing affordability challenges in mobile home parks;
- 2) Strategies to improve age-friendliness in housing;
- 3) Strategies to increase the supply of affordable housing (supply-side strategies); and
- 4) Strategies to enable households to better afford, maintain, and retain housing (demand-side strategies).

The following report includes a chapter on each of these four topics, providing background analysis and recommendations on each topic.

While the four topic areas that City Council identified for this Housing Strategy do not include a direct focus on homelessness, addressing housing issues related to these four topics will play a key role in supporting City and County efforts to reduce and prevent homelessness. The policy recommendations in this study include policies to create housing that lower-income Sunnyvale residents can afford and help residents maintain and retain their housing. These types of strategies help to prevent housing insecurity that can lead to homelessness and are

critical in enabling individuals and families to transition out of homelessness and into a home that they can afford. While emergency and transitional housing and other resources for those experiencing homelessness serve a crucial role in addressing homelessness, facilitating the production of affordable housing and addressing factors that lead to housing insecurity are also important elements of any long-term plan to reduce homelessness in the region.

Community Engagement Process

The process for developing the Housing Strategy described in this report included an extensive outreach process over a year-long period to obtain input on the Housing Strategy from key stakeholders and the community at large. This process included:

- A community meeting at the outset of the process;
- Meetings with mobile home park owners and residential developers;
- Surveys of mobile home park owners, mobile home park residents, and the community at large;
- Five open house events, including one focused on mobile home park housing issues and one focused on age-friendly housing issues;
- A pop-up event at the Urban Village Farmers' Market; and
- A City Council Study Session.

These events provided a number of opportunities for participants to ask questions and provide input through informal one-on-one and small group discussions with City staff, the consultant team, and other community members as well as to provide comments in writing and through conversations with City staff and the consultant team. In addition, the final open house event, Farmers' Market pop-up, and community-wide survey asked participants to rank the strategies presented in this report to guide the City's prioritization for implementing various policies pursuant to the Housing Strategy.

Input received from this community outreach process informed the policy discussion and recommendations that are presented in this report, and the following report includes summaries of the input received during the community engagement process as it relates to each of the four Housing Strategy study issues.

Policy Recommendations

Table ES-1 below provides a summary of the policy recommendations from the Housing Strategy process. As shown, the Housing Strategy process resulted in 13 recommended policies, including policies that address each of the four Housing Strategy study issues initially identified by the City Council. These policies were selected from a larger set of potential policies that were evaluated during the Housing Strategy process, all of which are described in the following report. The policy recommendations shown below were selected from this larger set of policies based primarily on the input provided during the community engagement process, with some adjustments based on feedback provided by the Sunnyvale City Council during a study session on February 4th, 2020.

The recommendations include three policies related to age-friendly housing, five policies to address supply-side housing issues, three policies to address demand-side housing issues, and two policies to address mobile home park issues. More so than the policies related to the three other Housing Strategy issues, the two recommended mobile home park policies are closely linked to one another, with differing implications for each policy depending on the City's implementation of the other policy. Specifically, the City could choose to 1) adopt mobile home space rent stabilization or rent control on its own; 2) pursue a Memorandum of Understanding (MOU) or accord, in which case the City could consider space rent control/stabilization if an agreement is not reached within a designated time frame. During the City Council study session on February 4th, multiple members of the City Council expressed an interest in pursuing the MOU or accord policy with a fixed time frame to establish an agreement and an option to consider mobile home space rent control if an agreement is not reached during the designated time frame. This is reflected in the staff recommendation.

Table ES-1 also includes a priority ranking for each of the recommended policy options other than those related to mobile home parks, based on a three-tiered system. Policies in Tier 1 are those that are either currently underway or recommended as a priority for 2020 or 2021, while policies in Tier 2 are recommended as a priority for 2021 or 2022. Policies in Tier 3 were identified as lower priority policies, and the timing for implementation of these policies would be assessed once the City has implemented some of the higher-priority policies and also would be subject to identification of necessary funding. The tier ranking for each recommended policy was based on the strength of community support for each policy, the level of new funding needed to implement the policy, the level of new City staff resources needed to implement the policy, whether the policy would require a change to any City ordinances, and the relative benefits and drawbacks of each strategy, as discussed in more detail in the following report.

Table ES-1: Summary of Policy Recommendations

		Staff's Tier Recommendation	Notes
1	Age-Friendly Housing Policy Options		
a	Protect At-Risk Affordable Senior Housing Projects and/or Preserve MHPs	3	Could combine portions with 4a.
b	Promote New Age-Friendly Housing	2	
c	Adapt Homes to Age in Place	3	
2	Supply-Side Housing Policy Options		
a	Increase Ownership Inclusionary Percentage	1	
b	Promote ADUs	1	Underway
c	Modify Programs and/or Policies to Encourage Missing Middle Housing	3	
d	Up-Zone Land to Facilitate Increase Res Development	1	Underway
e	De-Emphasize Dwelling Units per Acre as a Development Standard	3	Could combine with 2d
3	Demand-Side Housing Policy Options		
a	Adopt a Right to Lease Ordinance	2	Could combine with 3b
b	Adopt a Tenant Protection/Relocation Assistance Requirement	1	Could combine with 3a
c	Establish a Safe RV Parking Program	3	
4	Mobile Home Park Policy Options		
a	Mobile Home Space Rent Stabilization	3*	*Staff is recommending a one year timeframe to implement the MOU. A six month check with Council will inform how much progress has been made. If any Park Owners fail to comply or participate by that time, the Council can choose to end the MOU and immediately begin on the Rent Stabilization Ordinance.
b	Memorandum of Understanding/Accord	1*	

Key:

Tiered Implementation:

- 1 = Currently under way or priority in 2020-21
- 2 = Priority in 2021-2022
- 3 = Timeframe to be Assessed

INTRODUCTION

The City of Sunnyvale has a long-standing history of proactively addressing housing issues through a range of City ordinances, policies, and strategies. In 1980, the City adopted a Below Market Rate (BMR) Ordinance that has generated hundreds of affordable units and millions of dollars in funding for affordable housing over the past four decades. In addition to the BMR Ordinance, the City has facilitated the development and preservation of affordable housing by implementing density bonuses for affordable projects, rezoning industrial land to accommodate residential uses, adopting specific plans to allow for higher-density residential and mixed-use development, reducing parking ratios for affordable projects, and other housing-related programs and policies.

Despite the City's progress in addressing local housing needs, Sunnyvale still faces significant challenges in ensuring that the City's housing stock serves the full spectrum of affordable and other housing needs. As residents in Silicon Valley, Sunnyvale households have some of the highest housing costs in the nation, presenting limited options affordable for low-income and moderate-income households. Meanwhile, new state laws have strengthened the mandate that local jurisdictions ensure the production of affordable units, making it ever more crucial that Sunnyvale consider a broad range of strategies for addressing a wide range of housing needs.

In response to these challenges, the Sunnyvale City Council has identified the development of a comprehensive housing strategy as a key priority for the City. The City commissioned a team led by BAE Urban Economics and supported by PlaceWorks, Goldfarb and Lipman, and Novin Development to analyze housing issues in Sunnyvale, conduct an extensive community engagement process, and prepare the Housing Strategy that is included in this report.

Council Direction on Issues to Study

The Sunnyvale City Council identified four main issues for the City's Housing Strategy to address:

- 5) Strategies to address housing affordability challenges in mobile home parks;
- 6) Strategies to improve age-friendliness in housing;
- 7) Strategies to increase the supply of affordable housing (supply-side strategies); and
- 8) Strategies to enable households to better afford, maintain, and retain housing (demand-side strategies).

The following report includes a chapter on each of these four topics, providing background analysis and recommendations on each topic. The community engagement process for the Housing Strategy also included public outreach events to address these four topic areas and solicit input from local residents, property owners, and other stakeholders and interested parties, as discussed in more detail below.

Relationship Between this Housing Strategy and Homelessness Reduction and Prevention

While the four topic areas that City Council identified for this Housing Strategy do not include a direct focus on homelessness, addressing housing issues related to these four topics will play a key role in supporting City and County efforts to reduce and prevent homelessness. In part, this is because the availability of affordable housing is critical in enabling individuals and families to transition out of homelessness and into a home that they can afford. Further, households that live in homes that they can afford and are not experiencing high or severe housing cost burdens are less likely to experience financial hardship that could result in eviction or foreclosure, and therefore are potentially at a reduced risk for becoming homeless in the first place. In addition to housing affordability, these four topic areas relate to other factors that affect whether many Sunnyvale residents are able to stay in the housing that they already have, thereby further addressing challenges that could lead some households to become homeless. While emergency and transitional housing and other resources for those experiencing homelessness serve a crucial role in addressing homelessness, facilitating the production of affordable housing and addressing factors that lead to housing insecurity are also important elements of any long-term plan to reduce homelessness in the region.

Community Engagement Process

The process for developing the Housing Strategy described in this report included an extensive outreach process to obtain input on the Housing Strategy from key stakeholders and the community at large. This process included the following:

- **Community Meeting on February 12, 2019.** This meeting provided an initial introduction to the Housing Strategy process, presented preliminary background information, and offered an opportunity for Sunnyvale residents and the general public to provide input.
- **Mobile Home Park Owners Meeting on February 28, 2019.** Participants in the meeting included owners of mobile home parks in Sunnyvale and their representatives, City staff, and members of the consultant team. The meeting focused on options for addressing mobile home park housing issues in Sunnyvale.
- **Residential Developer Stakeholders on February 28, 2019.** Participants in the meeting included market-rate and affordable housing developers and operators, City staff, and members of the consultant team. The meeting focused on strategies to increase the supply of affordable housing in Sunnyvale, including the rental inclusionary housing ordinance that the City has since adopted.
- **Mobile Home Park Owner Survey in March and April of 2019.** The survey asked mobile home park owners questions related to park characteristics, lease provisions, and length of residency among mobile home park owners and renters. The survey also asked park owners to provide input on potential strategies for addressing mobile home park issues in Sunnyvale.

- **Mobile Home Park Resident Survey during April and May of 2019.** The survey asked mobile home park residents questions about current space rents, whether homeowners have outstanding loans on their homes and the monthly loan amount, residents' income and housing cost burden, and lease terms, among other topics. The survey also asked mobile home park residents to provide input on potential strategies for addressing mobile home park issues in Sunnyvale.
- **Mobile Home Park Residents Community Open House on June 3, 2019.** This meeting provided information on Sunnyvale's mobile home parks and presented potential strategies for addressing mobile home park housing issues in Sunnyvale. The meeting was held in an open-house format, providing an opportunity for attendees to ask questions and provide input through informal one-on-one and small group discussions with City staff, the consultant team, and other community members. Attendees provided input on the strategies by voting for the strategies that they prefer using dot stickers, providing written comments on easel pads and comment cards, and through conversations with City staff and the consultant team.
- **General Community Open House on June 6, 2019.** This meeting provided information on Sunnyvale housing needs and presented potential strategies for addressing all four of the Housing Strategy study issues. The meeting was held in the same open-house format as the June 3rd Open House, providing an opportunity for attendees to engage in informal one-on-one and small group discussions with City staff, the consultant team, and other community members. As in the June 3 Open House, attendees provided input by voting for the strategies that they prefer using dot stickers, providing written comments on easel pads and comment cards, and through conversations with City staff and the consultant team.
- **Age-Friendly Housing Open House on August 15, 2019.** This meeting provided information on housing needs among Sunnyvale's senior population and presented potential strategies for addressing age-friendliness in housing. The meeting was held in the same format as the two prior open house meetings, with the same methods available for attendees to provide input.
- **General Community Open House on Strategy Options on October 24, 2019.** This meeting presented a range of options for strategies to address all four of the Housing Strategy topic areas. The meeting was held in the same format as prior open house meetings, with the same methods available for attendees to provide input. The study team used input from participants to help gauge community interest in and support for the different strategies.
- **Urban Village Farmers' Market Pop-Up on November 16, 2019.** For this event, the City set up a booth at the Urban Village Farmers' Market. The booth included posters with potential strategies related to all four Housing Strategy issues and invited passersby to rank strategies related to each of the four issues in order of priority, providing input on which strategies the City should prioritize. The booth also invited participants to provide written comments and participate in informal discussion with City staff and the consultant team.

- **General Community Open House on Strategy Prioritization on November 21, 2019.** This event was held in an open house format similar to the prior open house meetings and used the same posters as the Farmers' Market Pop-Up event. Like the Farmers' Market Pop-Up, the meeting invited attendees to prioritize strategies related to each topic and to participate in informal discussion with City staff and the consultant team.
- **Online Survey during December 2019 and January 2020.** The City posted and widely advertised an online survey that asked the community at large to prioritize potential strategies related to each Housing Strategy topic, similar to the prioritization by participants at the Farmers' Market Pop-Up and the November 21st Open House Meeting.
- **City Council Study Session on February 4, 2020.** The study session provided the City Council with an initial strategy prioritization for consideration. City Council asked questions and provided feedback on the strategies and the public had an opportunity to provide comments.

Input received from this community outreach process informed the policy discussion and recommendations that are presented in this report, and the following chapters include summaries of the input received during the community engagement process as it relates to each of the four Housing Strategy study issues.

Report Organization

The remainder of this report is organized as follows:

- **Overview of Existing Conditions.** This chapter provides an overview of general demographic and housing market conditions in Sunnyvale, which informed the community engagement process and the remainder of this Housing Strategy Report.
- **Mobile Home Park Housing Issues.** This chapter provides background information on mobile home park housing affordability issues, presents potential strategies related to mobile home parks in Sunnyvale, and summarizes community and stakeholder feedback on potential mobile home park strategies.
- **Age-Friendly Housing Issues.** This chapter provides background information on age-friendly housing issues, presents potential strategies to address age-friendliness in housing in Sunnyvale, and summarizes community and stakeholder feedback on potential strategies to address age-friendliness in housing.
- **Supply-Side Housing Issues.** This chapter provides background information on recent housing production trends in Sunnyvale, presents potential strategies to increase Sunnyvale's housing supply, and summarizes community and stakeholder feedback on potential strategies to increase Sunnyvale's housing supply.
- **Demand Side Housing Issues.** This chapter provides background information on residents' ability to afford housing in Sunnyvale, presents potential strategies to improve residents' ability to access, afford, and retain housing, and summarizes community and stakeholder feedback on potential strategies to address demand-side housing issues in Sunnyvale.

- **Recommended Strategy Prioritization.** This chapter presents recommendations for prioritizing implementation the strategies ultimately recommended in this report.

OVERVIEW OF EXISTING CONDITIONS

This chapter provides an overview of overall housing conditions and trends in Sunnyvale as well as an overview of the City's demographic characteristics, including data on population and household growth, housing costs and affordability, housing occupancy trends, and household incomes. This chapter draws on data from the U.S. Census Bureau, the California Department of Housing and Community Development (HCD), the California Department of Finance (DOF), and other sources. To provide context, the following sections provide data on the City of Sunnyvale as well as data on a two-county subregion consisting of Santa Clara County and San Mateo County (referred to in this report as the Two-County Subregion). Subsequent chapters of this report provide additional background information that relates specifically to each of the four housing issues that the Sunnyvale City Council identified for the Housing Strategy. Most of the background data provided in this report were assembled during the initial stages of the Housing Strategy process in late 2018 and early 2019 to inform subsequent stages of the community engagement and strategy development process. While the recent COVID-19 pandemic may have an impact on housing sales prices or rental rates, we do not have data on these changes at this time.

Demographic Trends

This section provides an overview of Sunnyvale's population and household characteristics, including population growth trends, household incomes, and residents' age distribution.

Population and Household Growth Trends

Sunnyvale has experienced long-term growth in population and households, consistent with regional trends, and is projected to continue to grow over the foreseeable future. As of 2018, the DOF estimated that Sunnyvale had a population of 153,389, approximately 5.6 percent of the population in the Two-County Subregion. The City's population grew slightly faster than the population in Two-County Subregion between 2000 and 2018, increasing by 16 percent while the Subregion experienced a 14 percent increase. Over the same period, the number of households in Sunnyvale increased by eight percent while the number of households in the Two-County Subregion increased by 11 percent. Projections from the Association of Bay Area Governments (ABAG) anticipate that both the City and the region will continue to grow over the next two decades, with a projected population increase of 48 percent in Sunnyvale and 24 percent in the Two-County subregion between 2020 and 2040. Table 1 shows population and household estimates for Sunnyvale and the Two-County Subregion between 2000 and 2018, as well as projected population and household growth in both geographic areas through 2040.

Table 1: Historic and Projected Population and Household Growth, Sunnyvale and the Two-County Subregion, 2000-2040

City of Sunnyvale	2000	2010	2018	Projected		% Change		
				2020	2040	2000-2018	2020-2040	2000-2040
Population	131,844	140,081	153,389	149,935	222,205	16.3%	48.2%	68.5%
Households	52,573	53,384	56,578	56,935	84,170	7.6%	47.8%	60.1%

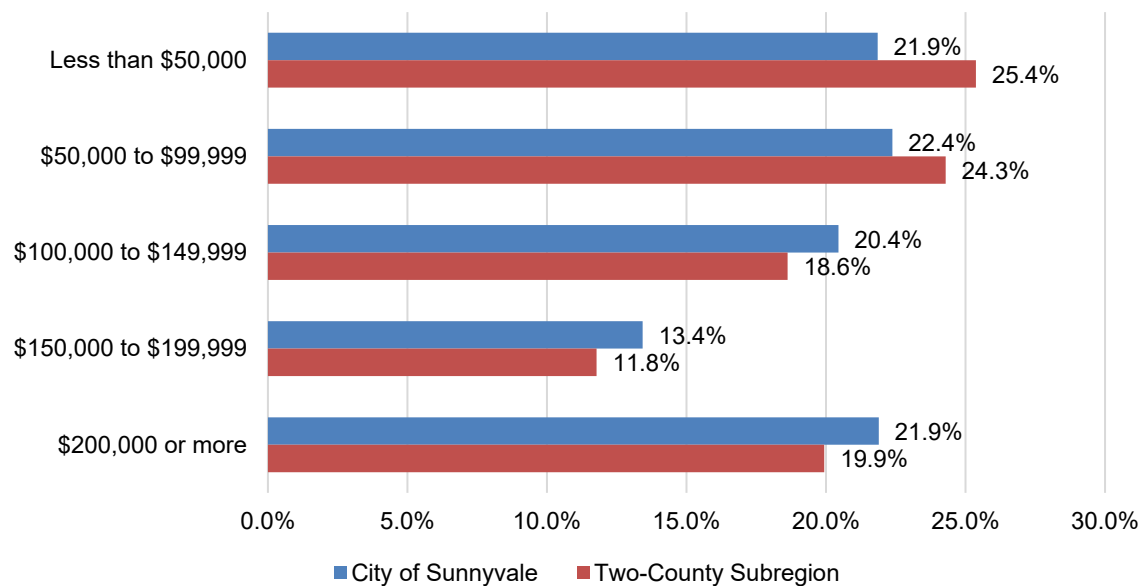
Two-County Subregion	2000	2010	2018	Projected		% Change		
				2020	2040	2000-2018	2020-2040	2000-2040
Population	2,389,748	2,500,093	2,730,753	2,783,200	3,454,815	14.3%	24.1%	44.6%
Households	819,967	862,041	907,104	963,605	1,178,695	10.6%	22.3%	43.7%

Sources: Association of Bay Area Governments, Plan Bay Area Projections 2017 by Jurisdiction, California Department of Finance, E-4, E-5, E-8; BAE, 2018.

Income Distribution

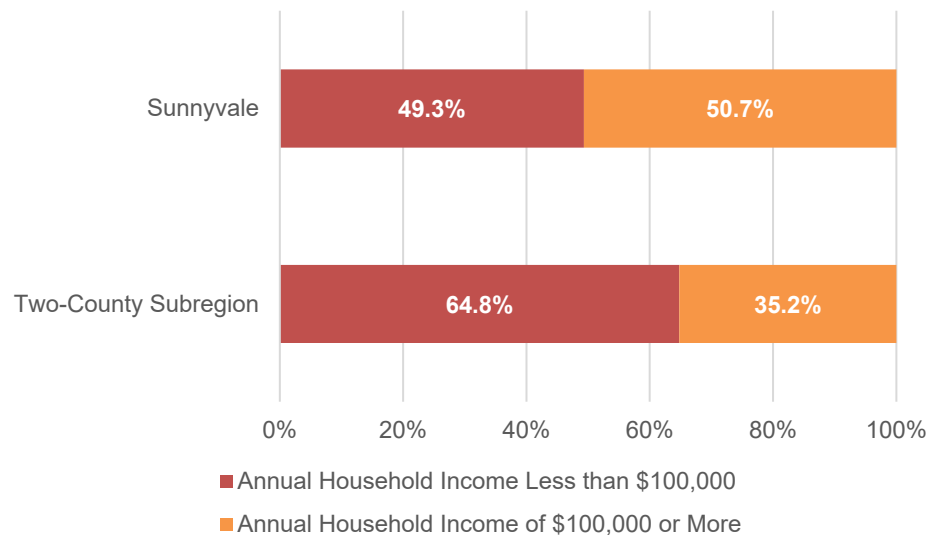
As shown in Figure 1, households in Sunnyvale tend to have slightly higher incomes than those in the Two-County Subregion overall. With a median income of \$109,799, the proportion of Sunnyvale households with a median income over \$100,000 per year is greater than in the Two-County Subregion overall, which has a median household income of \$100,906 per year. Renter households in Sunnyvale also tend to have relatively high incomes, with approximately 51 percent of Sunnyvale renter households with annual incomes of \$100,000 or more, compared to 35 percent of the subregion's renter households. The high income levels among Sunnyvale's renter population may be due in part to a lack of homeownership opportunities that are affordable to middle-income households, causing many households to remain in rental housing despite having relatively high incomes.

Figure 1: Household Income, 2012-2016



Sources: U.S. Census Bureau, American Community Survey 2012-2016 5-year sampling data, B19001; BAE, 2018.

Figure 2: Household Income Distribution Among Renter Households, Sunnyvale and the Two-County Subregion, 2012-2016

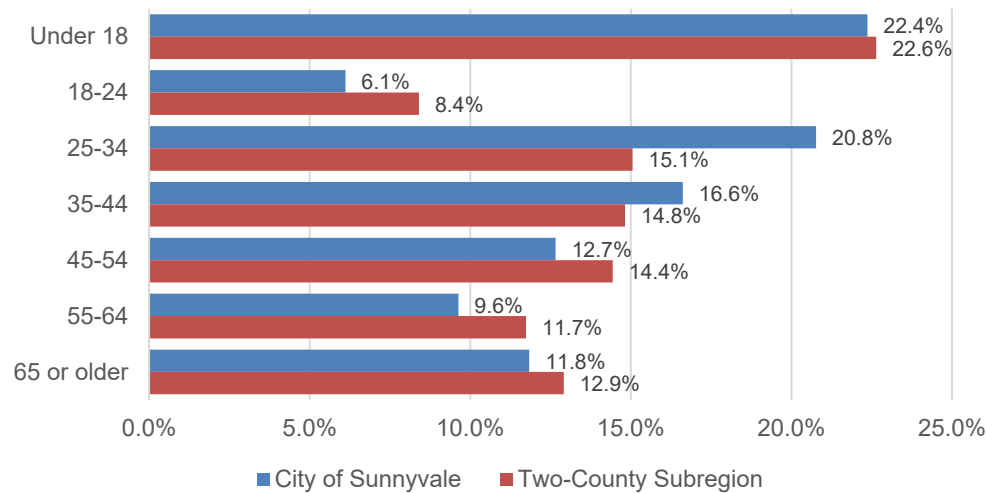


Sources: U.S. Census Bureau, American Community Survey 2012-2016 5-year sampling data; BAE, 2018.

Age Distribution

Sunnyvale's population is slightly younger overall than the population of the Two-County Subregion overall. According to ACS data collected between 2012 and 2016, the median age among Sunnyvale residents was 35.4 years, compared to 37.6 years in the Two-County Subregion. As shown in Figure 3, the City of Sunnyvale and the Two-County Subregion are comparable in the proportion of the population that is under the age of 18. However, Sunnyvale has a substantially larger population of younger working-age residents between the ages of 25 and 34, which accounts for 21 percent of the City's population and only 15 percent of the population in the Two-County Subregion.

Figure 3: Age Distribution, 2012-2016



Sources: U.S. Census Bureau, American Community Survey 2012-2016 5-year sampling data, B01001; BAE, 2018.

Housing Cost Burden and Overcrowding

Housing analysts and local, state, and federal housing programs often use housing cost burden and overcrowding as key metrics to evaluate the extent to which households are experiencing problems with securing affordable, adequate housing in a community. This section provides an overview of these conditions in Sunnyvale and the Two-County Subregion.

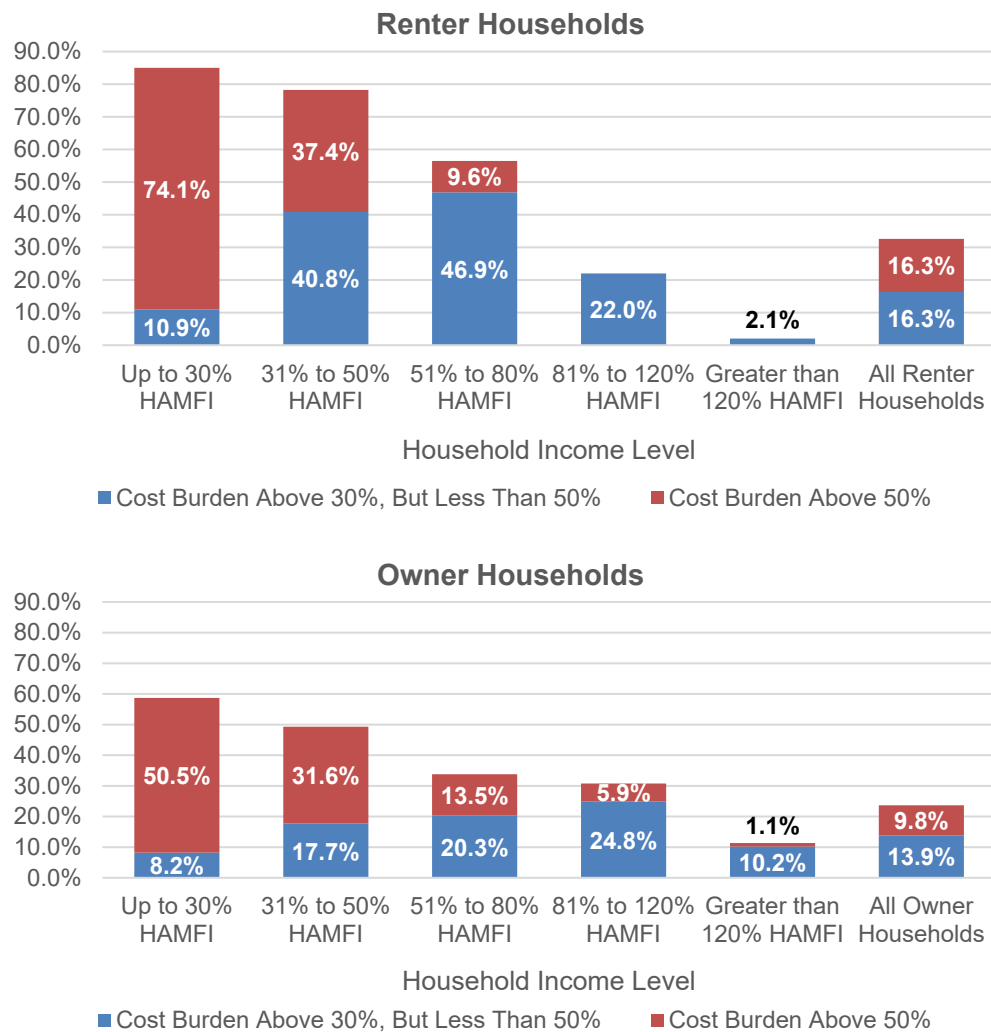
Housing Cost Burden

HUD considers households to have a high housing cost burden if housing costs exceed 30 percent of the households' monthly gross income. Households with housing costs that exceed 50 percent of monthly gross income are considered to be severely cost burdened. Households with a high or severe housing cost burden may be forced to choose between paying for housing costs and paying for other basic needs, and are often unable to accumulate savings, cover an unexpected expense, or invest in goods or services to improve their long-term financial stability, such as making a down payment on a house or pursuing educational opportunities.

A significant portion of households in Sunnyvale have high housing costs relative to their household incomes, with lower-income households having particularly high rates of housing cost burden. Figure 4 provides information on the proportion of renter and owner households in Sunnyvale with high housing cost burdens and severe housing cost burdens, by household income level, as reported in the 2011-2015 Comprehensive Housing Affordability (CHAS) data set. As shown, 33 percent of renter households and 24 percent of owner households have either a high or severe housing cost burden. Among households with incomes equal to 30 percent of HUD Area Median Family Income (HAMFI) or less, 85 percent of renter households and 59 percent of owner households have a high or severe housing cost burden. The

prevalence of high and severe housing cost burden is slightly lower for households with incomes equal to 31 to 50 percent of HAMFI, at 78 percent for renters and 49 percent for owners. Among households with incomes equal to 51 to 80 percent of HAMFI, 56 percent of renter and 34 percent of owners have a high or severe housing cost burden. Among households with incomes above 80 percent of HAMFI, the rates of high and severe housing cost burden decrease and are higher for owner households than for renter households. These rates of high and severe housing cost burden are not unique to Sunnyvale; the proportion of households with high and severe housing cost burden are slightly higher in the Two-County Subregion than in Sunnyvale.

Figure 4: Housing Cost Burden by Tenure and Household Income Level, Sunnyvale Households, 2011-2015



Note:
Data are based on HUD-defined household income limits. HAMFI = HUD Area Median Family Income.

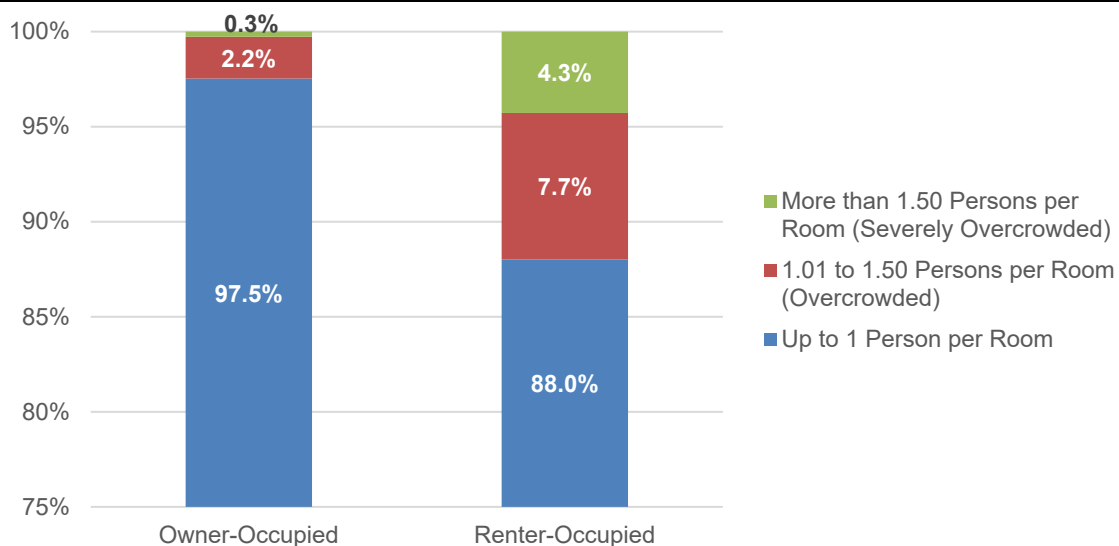
Sources: U.S. Department of Housing and Urban Development, 2011-2015 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2018.

Overcrowding

In addition to cost burden, overcrowding provides another important measure of housing stress. According to HUD definitions, a household is considered to live in overcrowded conditions when that household lives in a housing unit with more than one person per room. HUD considers a household to be severely overcrowded if the household lives in a housing unit with more than 1.5 persons per room. Under this definition, “rooms” include living rooms, dining rooms, kitchens, bedrooms, finished recreation rooms, enclosed porches suitable for year-round use, and lodger’s rooms, while excluding bathrooms, porches, balconies, foyers, halls, and half-rooms.

As shown in Figure 5, overcrowding is significantly more prevalent among renter households in Sunnyvale than among the City’s owner households. According to ACS data collected between 2012 and 2016, 2.2 percent and 0.3 percent of owner households were overcrowded or severely overcrowded, respectively, compared to 7.7 percent and 4.3 percent of renter households, as shown in Figure 5. These rates of overcrowding and severe overcrowding among renters and homeowners were similar to rates of overcrowding among the same groups in the Two-County Subregion overall. These data may indicate a shortage of rental units that are large enough to accommodate larger households, and potentially indicates that some renters are living in overcrowded conditions in order to be able to afford housing.

Figure 5: Persons per Room, City of Sunnyvale, 2012-2016



Sources: U.S. Census Bureau, American Community Survey 2012-2016 5-year sampling data, B25014; BAE, 2018.

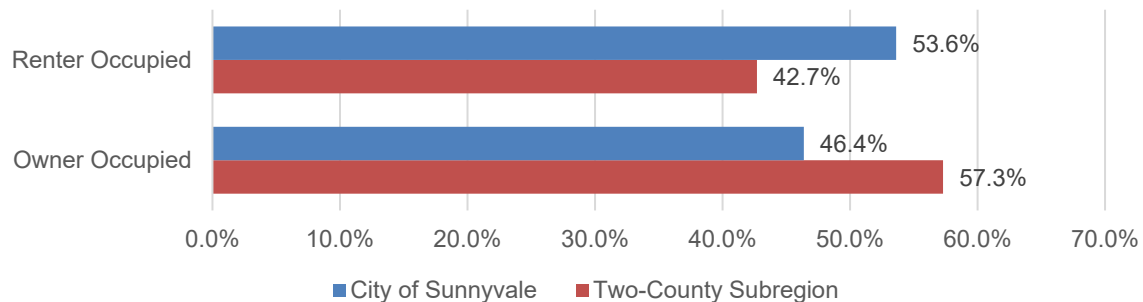
Housing Market Characteristics

This section provides an overview of Sunnyvale’s housing market, including the characteristics of the City’s existing housing stock and housing prices and vacancy rates.

Tenure and Housing Unit Type

Unlike the Two-County Subregion as a whole, Sunnyvale has a greater percentage of renter households than owner households, which is consistent with the City's large population between the ages of 25 and 34. As shown in Figure 6, 54 percent of Sunnyvale households are renters, compared to 43 percent of households in the Subregion overall.

Figure 6: Occupied Housing Units by Tenure, 2012-2016

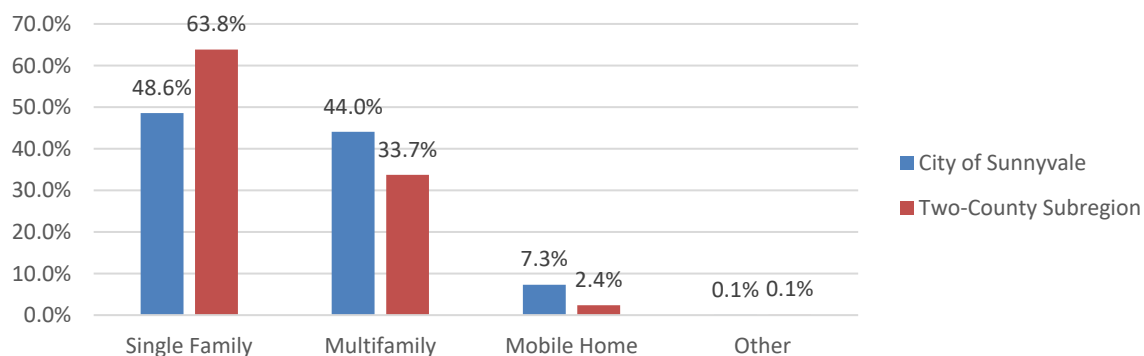


Sources: U.S. Census Bureau, American Community Survey 2012-2016 5-year sampling data, B25003; BAE, 2018.

This above-average concentration of renter households is also consistent with the relative prevalence of multifamily housing in Sunnyvale compared to in the subregion. Figure 7 shows that 44 percent of Sunnyvale's housing units are in multifamily buildings, compared to 34 percent in the Subregion. While multifamily units include owner-occupied condominiums and single-family homes can serve as rental housing, cities with a large multifamily housing stock tend to have higher proportions of rental housing.

Figure 7 also shows that Sunnyvale also has a substantial inventory of mobile homes, which account for seven percent of the City's housing stock. The chapter of this report that addresses mobile home park housing issues discusses the City's mobile home inventory in more detail.

Figure 7: Units by Type of Structure, 2012-2016



Sources: U.S. Census Bureau, American Community Survey 2012-2016 five-year sampling data, B25024; BAE, 2018.

Multifamily Rental Market Trends

Data from CoStar indicate that Sunnyvale's multifamily rental inventory consists primarily of one-bedroom and two-bedroom units. As of the fourth quarter of 2018, CoStar tracked 18,023 market-rate multifamily rental units within the City of Sunnyvale, as shown in Table 2.¹ As of the fourth quarter of 2018, the average rental rate among these units was \$2,746 per month. With an average unit size of 810 square feet, this equals a rental rate of \$3.39 per square foot per month. Among this sample, one- and two-bedroom units accounted for approximately 80 percent of the total inventory, with average monthly rents of \$2,495 and \$3,083, respectively. Studio units, which made up about 4.8 percent of the rental stock, had an average monthly rent of \$2,012, while units with three or more bedrooms made up only about 2.2 percent of the rental stock and had an average monthly rent of \$3,895.

The one-bedroom vacancy rate of 4.4 percent and the two-bedroom vacancy rate of 4.3 percent are slightly lower than the overall market's rate of 4.5 percent. Studios and units with three or more bedrooms have higher vacancy rates of 6.4 percent and 5.1 percent, respectively.

Table 2: Multifamily Rental Housing Stock, City of Sunnyvale, Q4 2018 (a)

Unit Type (b)	Number of Units	Avg. Size (Sq. Ft.)	Avg. Monthly Asking Rent	Vacancy Rate
Studio	873	470	\$2,012	6.4%
1 bedroom	7,986	685	\$2,495	4.4%
2 bedroom	6,411	985	\$3,083	4.3%
3+ bedroom	389	1,271	\$3,895	5.1%
All Unit Types	18,023	810	\$2,746	4.5%

Notes:

(a) Data captures units in multifamily properties with at least 50 units.

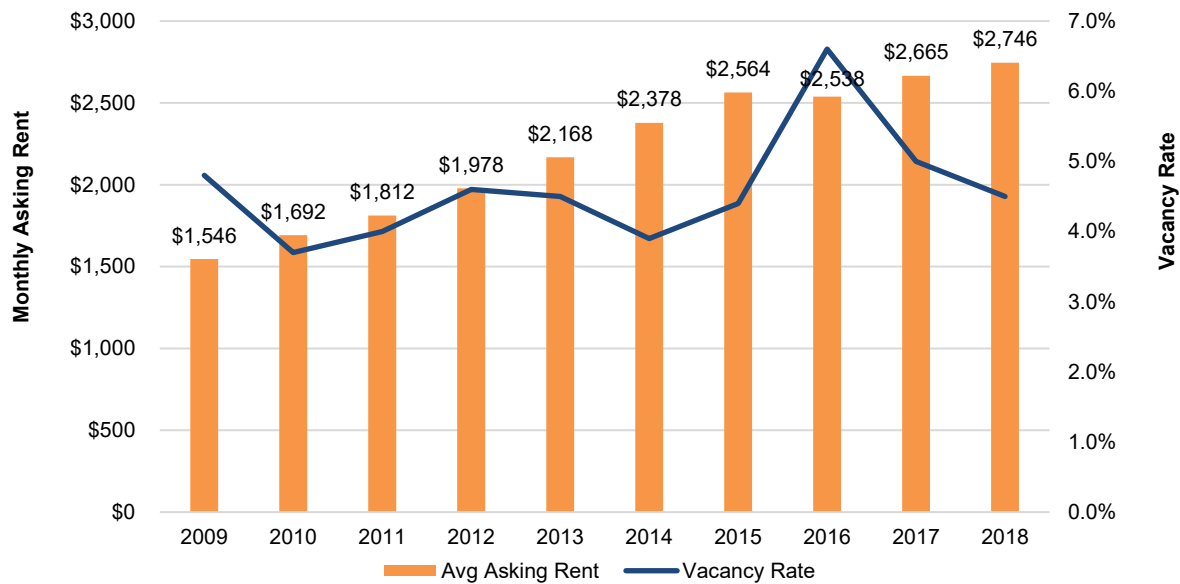
(b) Unit totals may not equal the sum of the different unit types due to some units lacking classification by number of bedrooms.

Sources: CoStar, 2019; BAE, 2019.

Multifamily rental rates in Sunnyvale have increased steadily over the past decade while vacancy rates have generally remained low. Figure 8 shows the trends in average monthly asking rents and vacancy rate across multifamily rental units in Sunnyvale over a ten-year period. From 2009 to 2018, the rental rates increased by \$1,200, a 78 percent increase. While vacancy rates fluctuated somewhat during this period, the vacancy rate generally remained at or below five percent, with the exception of a temporary increase to 6.6 percent in 2016, which was likely due at least in part to the delivery of 256 newly constructed units to the City's rental inventory in that year.

¹ CoStar provides unit type and size detail for approximately 87 percent of the units that CoStar tracks in the City of Sunnyvale. While the distribution of units by size generally reflects the overall inventory, the exact proportions may vary.

Figure 8: Average Multifamily Rental Asking Rents and Vacancy Rates, City of Sunnyvale, 2009-2018 (a) (b)



Notes:

(a) Data captures units in multifamily properties with at least 50 units.

(b) Data reflects point-in-time, rather than annual average, market conditions of the last day of the respective year.

Sources: CoStar, 2019; BAE, 2019.

For-Sale Housing Market Trends

Housing costs in Sunnyvale are comparable to housing costs in many other nearby jurisdictions. Figure 9 shows median home sale prices among single-family homes and condominiums in Sunnyvale and six other Santa Clara County cities in December 2018. As shown, the median sale price for single-family homes in Sunnyvale was \$1,837,500, higher than the medians in San Jose, Santa Clara, and Campbell but lower than the medians in Mountain View, Cupertino, and Palo Alto. Condominium sale prices were slightly lower overall, with a median of \$1,192,500 in Sunnyvale in December 2018. Sunnyvale's median condominium sale price was higher than the median sale prices for condominiums in San Jose, Santa Clara, Campbell, and Mountain View and lower than in Cupertino and Palo Alto.

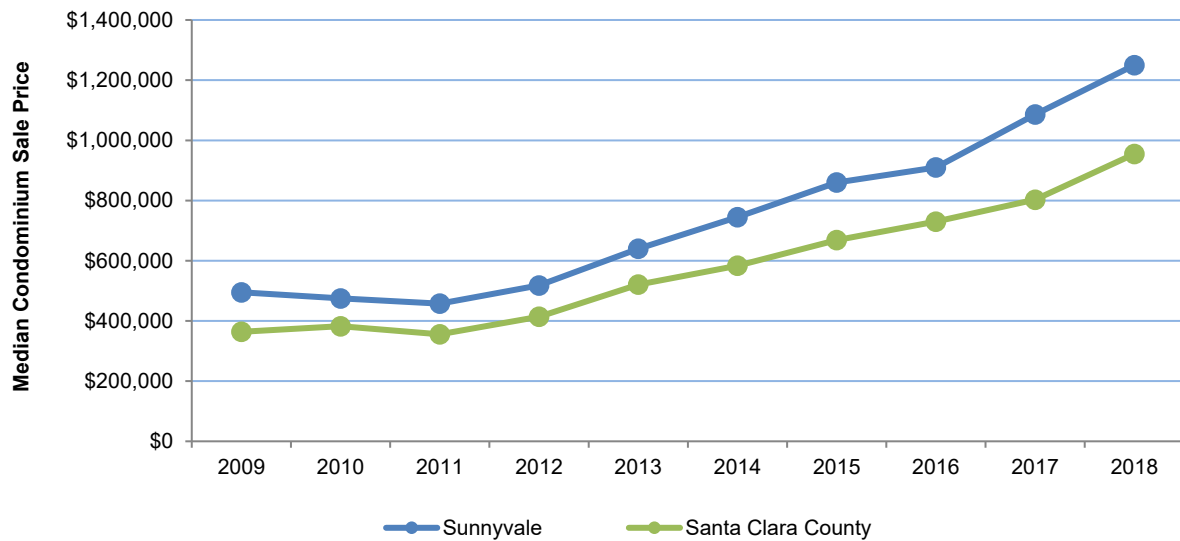
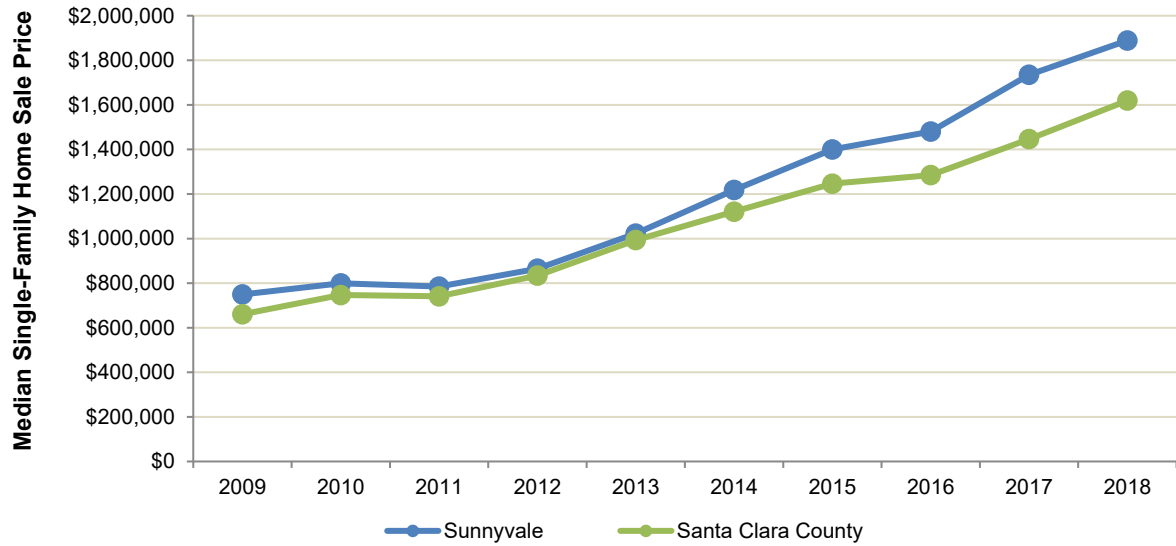
Figure 9: Median Home Sale Prices, Selected Santa Clara County Cities, December 2018



Sources: rereport.com, 2019; BAE, 2019.

Home sale prices in Sunnyvale have increased steadily over the past ten years, mirroring countywide trends. Figure 10 shows median single-family and condominium sale prices in Sunnyvale and Santa Clara County from 2009 through 2018. As shown, the median sale price of both single-family homes and condominiums more than doubled during this period in both the City and the County, with home prices in Sunnyvale generally remaining slightly higher than in the County overall.

Figure 10: Median Home Sale Price Trends, 2009-2018



Sources: rereport.com, 2019; BAE, 2019.

MOBILE HOME PARK HOUSING ISSUES

Mobile home park residents face unique housing challenges due to key differences between mobile home park ownership and ownership of other types of homes. Like other homeowners, homeowners that live in mobile home parks own the homes that they live in. However, homeowners that live in Sunnyvale's mobile home parks do not own the land on which their homes are located, and instead rent the spaces where their homes are located from the owners of the mobile home parks.² This means that the costs of mobile home ownership include mobile home space rent in addition to any payments on loans that the homeowner took out to finance the purchase of the mobile home. Mobile home buyers typically finance their home purchase using chattel loans, which tend to have higher interest rates and shorter loan terms than a traditional home mortgage loan, because mobile homes are generally not eligible for the same types of mortgages that buyers use to finance the purchase of other types of homes.

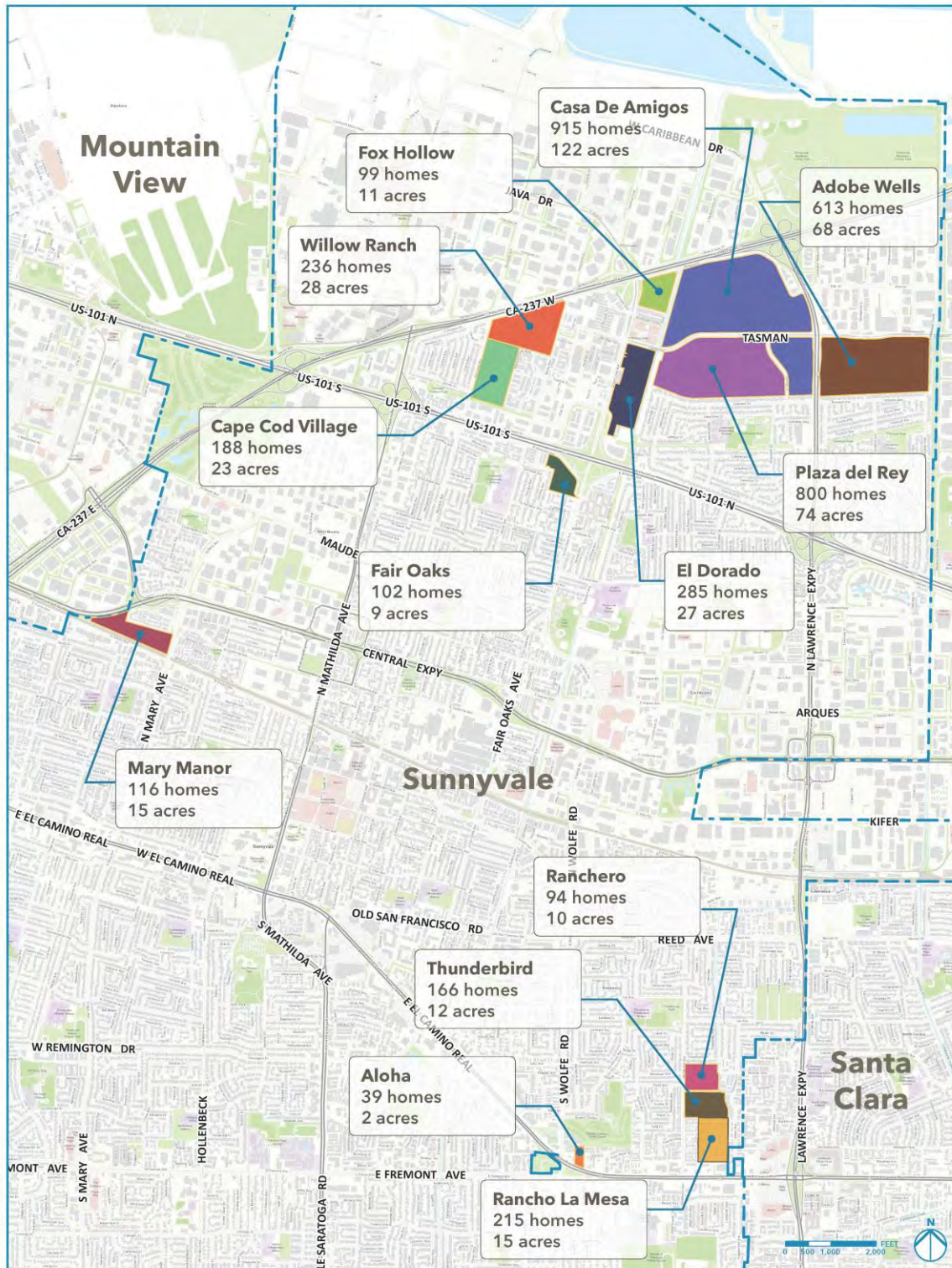
Residents in Sunnyvale's mobile home parks have raised concerns about increases in mobile home park space rents and have advocated for the City to adopt policies that will protect mobile home park residents from the negative impacts of space rent increases. The City Council has responded to these concerns in part by including mobile home park housing issues as one of the focus areas for this Housing Strategy. This chapter provides background information on Sunnyvale's mobile home parks, mobile home park residents, and housing considerations related to mobile home parks, as well as an overview of potential strategies for addressing mobile home park housing issues in Sunnyvale.

Sunnyvale Mobile Home Park Background

There are 13 mobile home parks in Sunnyvale with a total of 3,862 mobile homes, making mobile homes a relatively substantial component of Sunnyvale's housing inventory. In fact, Sunnyvale is home to several of the largest mobile home parks in the state. Figure 11 shows a map of the mobile home parks in Sunnyvale. According to American Community Survey (ACS) data collected between 2012 and 2016, mobile homes account for approximately seven percent of all housing units in the City of Sunnyvale, compared to just two percent of housing units in the Two-County Subregion comprised of San Mateo and Santa Clara Counties. Sunnyvale is home to 19 percent of the mobile homes in the Two-County Subregion, despite the fact that only six percent of all housing units in the subregion are located in Sunnyvale.

² Although mobile home parks can be resident-owned, there are no resident-owned mobile home parks in the City of Sunnyvale.

Figure 11: Mobile Home Parks in Sunnyvale, 2020



Sources: City of Sunnyvale, PlaceWorks, BAE Urban Economics, 2019.

Mobile Home Resident Demographic Characteristics

This Housing Strategy report analyzes the demographic characteristics of Sunnyvale mobile home park residents using a detailed and rich data set published by the U.S. Census known as the Public Use Microdata Sample (PUMS). Derived from a five percent sample of actual responses from households responding to the American Community Survey, and available for certain defined areas of 100,000 or more of population, known as “PUMAs” or Public Use Microdata Areas, this data source allows for cross-tabulation of variables such as mobile home residency and household income.³ The analysis presented in this chapter uses the data from the 2012 through 2016 five-year survey period, the most recent data available at the time that these data were first presented during community engagement events for the Housing Strategy in early 2019.

The PUMS data indicate that residents living in mobile homes in Sunnyvale tend to be older than Sunnyvale residents overall. According to the PUMS data summarized in Figure 12, the median age among mobile home park residents in the PUMA that encompasses the mobile home parks in Sunnyvale was 45, compared to 35 in the City of Sunnyvale as a whole. Among mobile home park residents, 36 percent were over the age of 55, compared to just 21 percent in the City of Sunnyvale overall. The difference in age between mobile home park residents and residents in Sunnyvale overall is likely due in part to the presence of three mobile home parks in Sunnyvale that are age-restricted to residents age 55 and older, totaling 523 units.

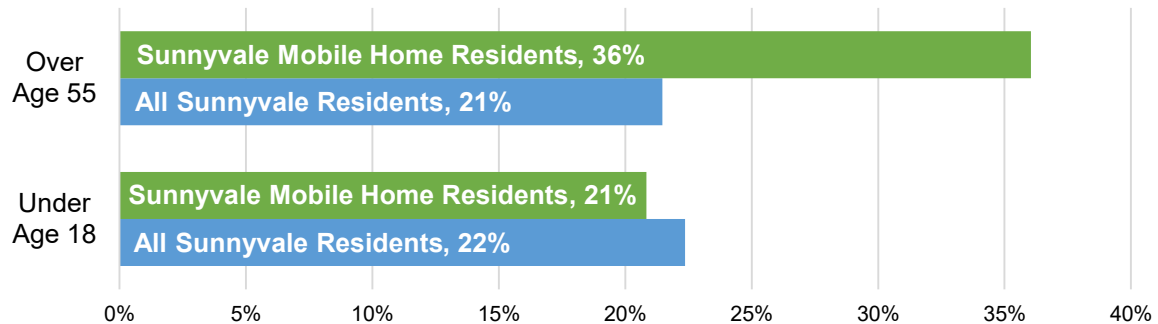
Households living in mobile homes in Sunnyvale also tend to have lower incomes than households in the City as a whole but are significantly more likely to own their homes. According to PUMS data collected between 2012 and 2016, households living in mobile homes in the PUMA that encompasses the mobile home parks in Sunnyvale had a median annual household income of approximately \$62,900 (see Figure 12), approximately 57 percent of the citywide median annual household income of \$109,800 during the same period. Despite having lower incomes, approximately 86 percent of households living in mobile homes in Sunnyvale owned their homes, compared to less than half in Sunnyvale overall. Renter households in mobile homes in Sunnyvale tend to have lower incomes than those that own their mobile homes, with a median of approximately \$45,000 per year.

These data suggest that mobile homes provide a relatively affordable home ownership option, including for many of Sunnyvale’s older residents, which is increasingly difficult to obtain elsewhere in Sunnyvale or much of the rest of Santa Clara County. In addition, these data indicate a potential overlap between policies that address mobile home park housing issues and policies that address age-friendliness in Sunnyvale’s housing stock.

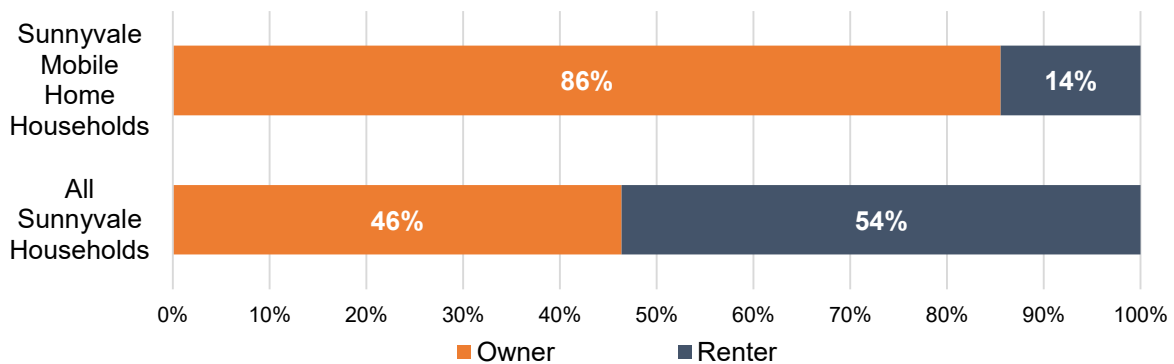
³ The PUMA that includes the mobile home parks in the City of Sunnyvale also includes one 112-unit mobile home park in San Jose. Because the mobile home park in San Jose would comprise a small share (less than three percent) of the mobile homes in this sample, this analysis assumes that the PUMS data for mobile home park residents living in this PUMA are generally representative of mobile home park residents in Sunnyvale.

Figure 12: Sunnyvale Mobile Home Park Resident Demographic Overview, 2012-2016

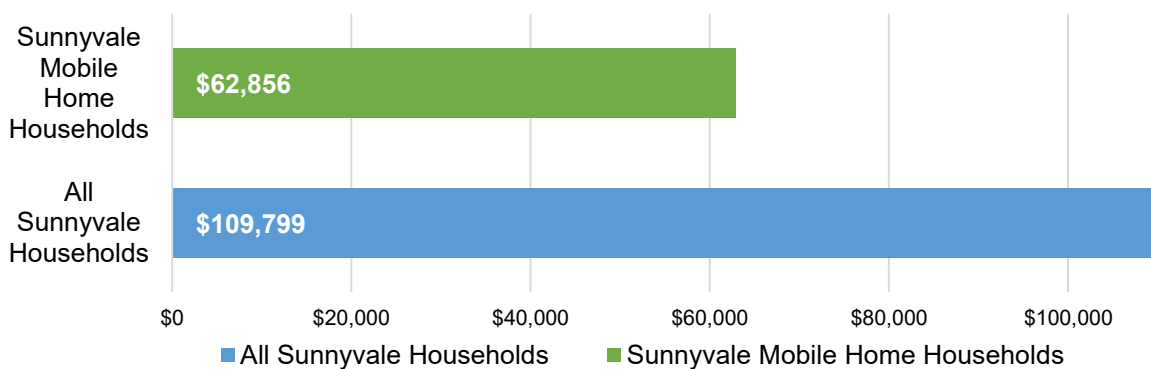
Residents in Selected Age Groups



Households by Tenure



Median Annual Household Income



Note:
Data for Sunnyvale mobile home residents and households include data for all households and residents living in Sunnyvale mobile homes as well as households and residents living in one 112-unit mobile home park in San Jose.
Sources: ACS, 2012-2016; BAE, 2019.

Mobile Home Park Owner Survey

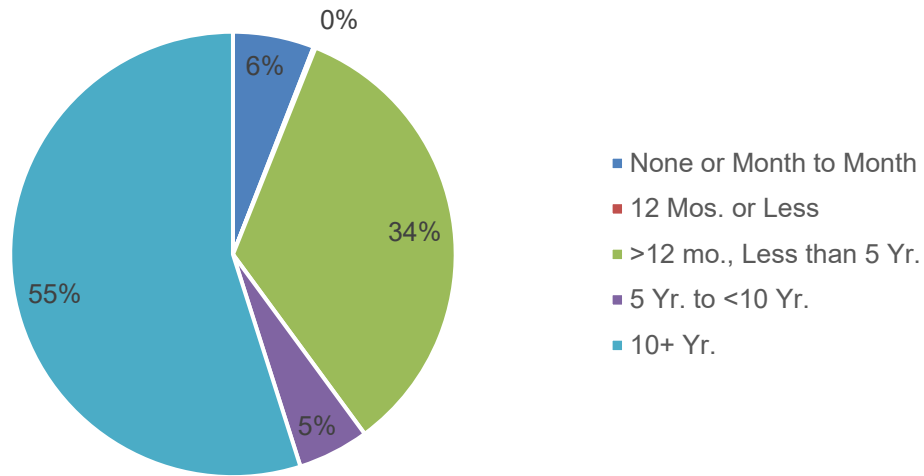
In March 2019, the City sent a survey to the owners of each mobile home park in Sunnyvale to obtain information on park characteristics, lease provisions, and length of residency among mobile home park owners and renters as well as to obtain input on potential strategies for addressing mobile home park issues in Sunnyvale. Responses were received from representatives of six mobile home parks in the City, representing 2,053 mobile home spaces (approximately two thirds of the City's mobile home park spaces). Among these spaces, almost all (2,039) were owner-occupied and a small number (11) were renter-occupied. Only three mobile home spaces represented by the responding mobile home park owners were vacant.

The results of the mobile home park owner survey indicate that many mobile home park residents in Sunnyvale have a lease for their mobile home space or the option to have a lease, which provides stability and predictability for residents during the lease term. The survey results indicated that all of the mobile home parks represented in the responses offer lease terms of five years or more, with options for shorter leases. The owners indicated that approximately 60 percent of current residents have leases with terms of five years or longer, as shown in Figure 13, and that six percent of residents had no lease or a month-to-month lease. Respondents indicated that the average monthly rent for existing leases of 12 months or more ranges from \$1,035 to \$1,264.

Although leases are widely available to mobile home park residents, these residents are not necessarily protected from the negative impacts of rent increases when leases expire, which is likely to occur during the time that many residents live in their mobile homes, or when spaces turn over to a new mobile home unit owner. According to the survey responses, two thirds of the residents living in the mobile home parks represented in the survey responses have lived in their homes for five years or more, and almost half of all residents had lived in their homes for ten years or more, as shown in Figure 14. This means that most mobile home park residents are long-term residents, and many will live in their homes past the end date of a five- or ten-year lease term. Only two park owners responded to a question about the space rent that would apply when a space turns over to a new owner, and therefore these responses are not directly comparable to the information on current rent for residents with existing leases. However, the survey results suggest that, at least in some of the City's mobile home parks, the space rent would increase substantially when a space turns over to a new mobile home unit owner.

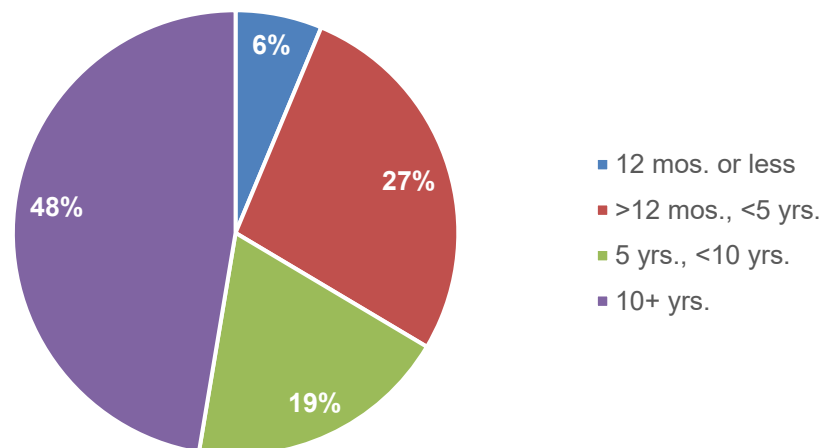
It should be noted that the owner of the largest mobile home park in Sunnyvale, Plaza Del Rey, sold the mobile home park subsequent to completing the mobile home park owner survey, and therefore the responses provided in the survey may not correspond entirely to the responses that would be provided by the current owners. The new owners have reported that they are honoring existing leases at Plaza Del Rey and offering new 25-year leases.

Figure 13: Length of Current Leases in Sunnyvale Mobile Home Parks Represented in Mobile Home Park Owner Survey



Sources: Mobile Home Park Owners' Survey, 2019; BAE, 2019.

Figure 14: Length of Residency in Sunnyvale Mobile Home Parks Represented in Mobile Home Park Owner Survey



Sources: Mobile Home Park Owner Survey, 2019; BAE, 2019.

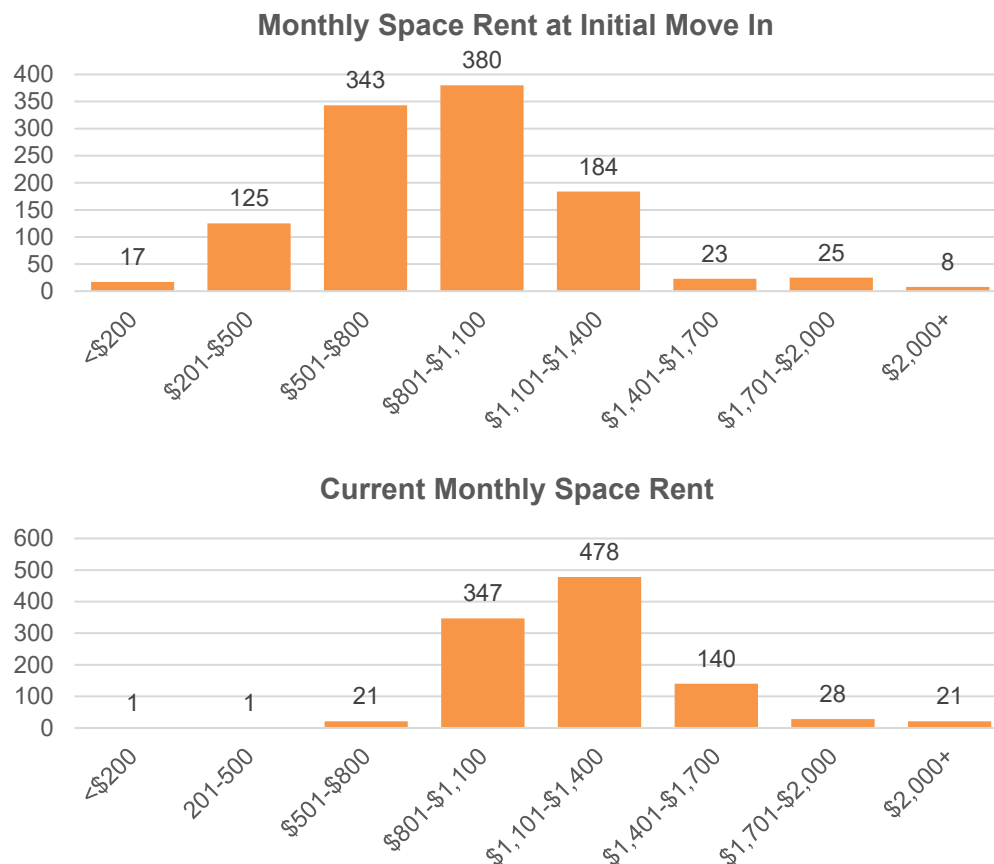
Mobile home park owners' responses related to various policy options for mobile home parks are discussed at the end of this chapter in the subsection that describes community input on mobile home park strategies.

Mobile Home Park Resident Survey

In addition to the mobile home park owners survey, the City conducted a survey of mobile home park residents during April and May of 2019. The survey included questions about current space rents, whether homeowners have outstanding loans on their homes and their monthly loan payment amount, residents' income, and lease terms, among other topics. The survey also asked mobile home park residents to provide input on potential strategies to address mobile home park housing issues in Sunnyvale. The City distributed 3,505 surveys to mobile home park residents and received 1,151 responses.

The responses to the resident survey indicate that many mobile home park residents have experienced increases in space rents during the time that they have lived in their mobile homes. Figure 15 shows the space rent that residents report paying when they first moved into their mobile home as well as their current space rent. As shown, the distribution of space rents at move-in skews lower than the distribution of current space rents. The average current space rent reported among respondents was \$1,239 per month.

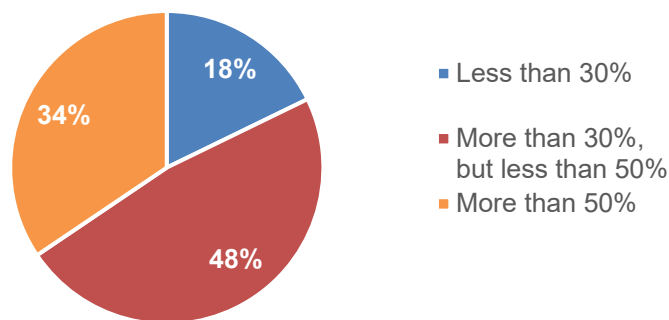
Figure 15: Mobile Home Space Rents Reported in Responses to Sunnyvale Mobile Home Park Resident Survey



Sources: Mobile Home Park Resident Survey, 2019; BAE, 2019.

The responses to the resident survey indicate that many mobile home park residents have a high housing cost burden. As shown in Figure 16, over 80 percent of survey respondents reported spending more than 30 percent of their monthly income on housing costs, and approximately one-third reported spending more than 50 percent of their monthly income on housing costs. These responses indicate that many mobile home park residents experience financial hardship due to their housing costs and are unlikely to be able to afford substantial increases in their space rents or other housing costs.

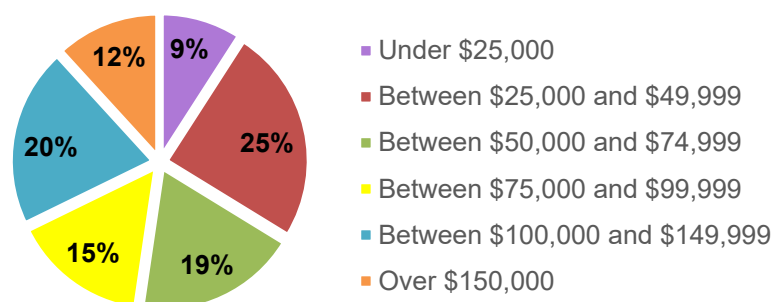
Figure 16: Percent of Monthly Income Spent on Housing Costs Among Respondents to Sunnyvale Mobile Home Park Resident Survey



Sources: Mobile Home Park Resident Survey, 2019; BAE, 2019.

The resident survey also indicated that households that live in Sunnyvale's mobile home parks have a wide range of incomes. As shown in Figure 17, approximately one-third of all respondents reported an annual household income of less than \$50,000, one-third reported an annual household income of at least \$50,000 but less than \$100,000, and the remaining third reported an annual household income over \$100,000. This distribution indicates that Sunnyvale's mobile home parks provide housing for households at a wide range of income levels, many of which would be unable to afford other types of owner-occupied housing in the City despite some having relatively high incomes.

Figure 17: Household Income Among Respondents to Sunnyvale Mobile Home Park Resident Survey



Sources: Mobile Home Park Resident Survey, 2019; BAE, 2019.

Mobile home park residents' responses related to various policy options for mobile home parks are discussed at the end of this chapter in the subsection that describes community input on mobile home park strategies.

Existing Mobile Home Park Programs and Policies

The California Department of Housing and Community Development regulates many aspects of mobile home parks, such as health and safety conditions within mobile homes and mobile home parks, code enforcement, and installation and removal of mobile homes. Mobile home park residents can file complaints related to space rents and other park management issues with the State Mobile Home Ombudsman.

The City of Sunnyvale has taken additional steps to preserve the City's mobile home parks by protecting mobile home park properties from redevelopment. The City's Mobile Home Park Conversion Ordinance regulates park closures or conversions of parks to other uses. Among other provisions, the Mobile Home Park Conversion Ordinance requires that property owners complete a Conversion Impact Report for review and approval by the City Council before any park conversion is approved. The Conversion Impact Report must define and address the social and economic impacts that the conversion would have on displaced residents and mobile home owners. The Conversion Ordinance also requires that the property owner provide displaced residents with relocation assistance.

In addition, the City of Sunnyvale's General Plan and Zoning Ordinance designate the City's existing mobile home parks exclusively for mobile home park use; only one park is currently zoned for residential uses other than mobile home parks. As a result, owners of mobile home parks in Sunnyvale must apply for a zone change and/or General Plan amendment before converting the parks to another use, which would require City Council approval.

Mobile Home Park Housing Considerations

This section provides an overview of key considerations related to addressing mobile home park issues in Sunnyvale.

Challenges Related to Moving Mobile Homes

Residents and others familiar with Sunnyvale's mobile home parks report a range of potential barriers to relocating many of the mobile homes that are located in Sunnyvale's mobile home parks. Many of the mobile homes in the City are fairly old and could not be moved without causing significant damage to the home. In cases where mobile homes could theoretically be relocated, the expense of relocating the unit would be cost-prohibitive for most mobile home households. Moreover, the inventory of unoccupied spaces for mobile homes in the region is severely limited, leaving few if any local relocation options for any owners that might otherwise move their mobile homes to a new location. This means that mobile home residents that own

their homes generally need to sell their units in order to move, rather than retaining ownership of their home and moving it to a new location.

Affordability Challenges from Space Rent Increases

For many mobile home park residents, space rent increases can make housing costs unaffordable, potentially causing households to choose between paying for housing costs and providing for other basic needs such as food or healthcare. Mobile home park households that decide or are forced to move due to space rent increases will be unlikely to find affordable housing nearby due to high housing costs throughout the region. Furthermore, in cases where space rent increases make their homes unaffordable, homeowners living in mobile home parks have to sell their homes in order to move, potentially causing some mobile home owners to remain in a housing situation that has become unaffordable until securing a buyer.

Effect of Mobile Home Park Space Rents on Mobile Home Sale Prices

Prospective mobile home buyers typically consider the total cost of mobile home ownership when making an offer to purchase a mobile home, including the cost of space rent and the cost of payments on any loans that the homeowner uses to finance the home purchase. If all else is equal, buyers will typically offer less for a home with a high space rent than for the same home with a lower space rent, mitigating the effect of a higher space rent cost by reducing monthly payments on a home loan. As a result, as mobile home space rents increase, there is a direct negative impact on the amount that mobile home owners will receive when they sell their homes. This means that mobile home owners are affected not just by the space rent that they pay, but also by the rent that a buyer would be charged once they sell their home and leave the mobile home park.

Potential Strategies for Addressing Mobile Home Park Housing Needs

The following strategies related to mobile home parks were evaluated during the Housing Strategy outreach process. It should be noted that the following strategies do not include any strategies related to resident acquisition of mobile home parks, though this strategy has been used in other communities. The high cost associated with purchasing mobile home parks in Sunnyvale would likely preclude resident acquisition or acquisition by a government or non-profit entity, and therefore this report focuses on more feasible strategies.

Mobile Home Space Rent Stabilization or Rent Control

Mobile home space rent stabilization or rent control would limit the amount by which mobile home park owners and operators can increase mobile home space rents each year. To pursue this strategy, the City would adopt a mobile home park rent stabilization or rent control ordinance that would specify the amount of the allowable annual increases as well as other program parameters. Under a mobile home space rent stabilization or rent control ordinance, in compliance with state law, any space with a lease longer than 12 months is exempt from the ordinance and only becomes subject to the ordinance if and when the space becomes subject to a lease with a term of 12 months or less (pursuant to Cal. Civ. Code § 798.17). At renewal, if no new lease is signed or if the new lease is 12 months or less, the space becomes subject to applicable rent regulation.

Policy Options

Vacancy Control/Vacancy Decontrol

Many jurisdictions with mobile home rent control include “vacancy control,” which limits the allowable increase in space rents when a homeowner sells their unit. Jurisdictions with vacancy control might not allow any increase above that which would have been allowed if the homeowner had not sold the unit. Alternatively, jurisdictions with vacancy control might allow mobile home park owners to increase the space rent when a unit is sold by a larger amount than the increase that would have been allowed if the unit had not turned over, but with a cap on amount of the increase. Other jurisdictions with mobile home rent control allow for “vacancy decontrol,” which allows park owners to increase space rents to market rates when a homeowner sells their unit.

Arguments in Favor

Mobile home space rent stabilization or control would provide mobile home park residents with predictability related to their long-term housing costs. Space rent stabilization or control can also largely prevent the negative impacts that large space rent increases can have on mobile home park residents that may have difficulty affording higher rents. In jurisdictions with mobile home park rent stabilization or rent control ordinances that include vacancy control provisions, these ordinances can also prevent or lessen the impacts that space rent increases would otherwise have on mobile home sale prices.

Arguments Against

Space rent stabilization or control would limit future increases in income to mobile home park owners, which could make it difficult for owners to invest in park maintenance and upgrades. Furthermore, to the extent that a rent stabilization or rent control ordinance allows property owners to increase space rents when a homeowner sells their home, some mobile home park owners may be motivated to evict long-standing tenants or pressure these tenants to sell. In addition, many mobile home park spaces in Sunnyvale are subject to leases with 12-month or longer terms that would be exempt from a rent stabilization. A space rent control or stabilization program would also be intensive for the City to administer.

Memorandum of Understanding/Accord

In the context of potential mobile home park housing strategies, a memorandum of understanding (MOU) or an accord would be an agreement between the local jurisdiction and the owners of the mobile home parks in the jurisdiction that sets rent increase limits, conditions for allowing rent increases, and a mediation process if one becomes needed. The MOU or accord could also establish provisions related to “vacancy control” and remedies should a park owner fail to follow the MOU.

To support the implementation of an MOU or accord, the City and legal consultant would lead a negotiations process that would establish the provisions of the agreement, incorporating the interests of both residents and mobile home park owners into the process. This process would result in a single MOU or accord, which all mobile home parks in the City would be required to agree to. While adhering to the MOU can be seen more as voluntary on the part of park owners, park owners are incentivized to participate in the interest of avoiding more onerous requirements such as a rent control ordinance. The City would also be responsible for holding participating park owners responsible for complying with the MOU or accord.

Policy Options

MOU Term

One key provision of an MOU agreement would be the length of the MOU term. The City of Rancho Cucamonga has a mobile home park MOU that will expire in February 2026, 20 years and 2 months after the effective date of the agreement. The City of Modesto adopted a mobile home park MOU in 2007 with a provision that the parties to the MOU would meet after five years to determine whether to continue the MOU as-is, continue the MOU with modifications, or discontinue the MOU. The City of Modesto and participating mobile home park owners in the City have since agreed to continue the MOU for additional five-year terms in 2012 and 2017. A shorter initial term may be ideal, and serve in a way as a pilot program to ensure the MOU operates successfully.

Relationship to Mobile Home Space Rent Stabilization or Rent Control

In many cases, mobile home park owners agree to sign on to a mobile home park MOU or accord out of a concern that the local jurisdiction will adopt a rent control ordinance with more onerous requirements at a future point in time if mobile home park owners do not agree to the MOU. The City can choose to immediately start on a Rent Stabilization Ordinance should MHP owners not comply with establishing the MOU, and the timed check ins with Council can ensure owners participate early and understand their options.

Memorandum of Understanding/Accord

Timeline for Reaching an Agreement

If pursuing an MOU or accord approach, the City may set a timeline for formulating the terms of the MOU, after which the City would terminate the negotiation process and potentially pursue mobile home space rent control or other strategies. Staff's initial recommendation is require a Council check in a six months after adoption of the Housing Strategy, with a one year goal to have the MOU terms agreed to or nearing completion. Failure to meet the timelines could result in termination of the MOU process to begin the Rent Stabilization Ordinance.

Arguments in Favor

A MOU or accord would provide some protection for residents while allowing for a collaborative approach to balancing mobile home park owner and mobile home park resident interests. An MOU would also have the flexibility to incorporate other terms that might not be included in a rent control ordinance.

Arguments Against

Compared to rent stabilization, a MOU or accord could be less effective at providing mobile home park residents with protection from rent increases, depending on the specific provisions of the MOU or accord, particularly over the long term as the MOU expires. In addition, this strategy leaves a possibility that some park owners may not honor the MOU or accord.

Mobile Home Space Rent Mediation

A mobile home space rent mediation program would establish a City-appointed board or other neutral party to hold meetings or hearings with mobile home park owners and tenants to provide mediation if a tenant wants to contest an increase in their space rent. Rent mediation programs typically establish a timeframe during which a tenant can file for mediation after receiving a notice of a rent increase.

Policy Options

Binding/Non-Binding Mediation

Mediation may be either binding, requiring the property owner to abide by the outcome of the mediation process, or non-binding. In cases where mediation is non-binding, the mediation process is advisory only.

Minimum Increase for Eligibility

Rent mediation programs often establish a minimum rent increase that makes a case eligible for mediation. For example, a rent mediation program might allow tenants to request mediation if they receive a notice for a rent increase of more than five percent. Alternatively, a jurisdiction can allow a resident to request mediation regardless of the amount of the increase.

Arguments in Favor

Rent mediation provides a process for mobile home park residents who want to dispute rent increases. Compared to rent stabilization, rent mediation could provide more flexibility for park owners to ensure sufficient income to invest in park maintenance and upgrades.

Arguments Against

Compared to rent stabilization, rent mediation would be less effective at providing mobile home park residents with predictability, stability, and protection from the negative impacts of large space rent increases, particularly if mediation is non-binding.

Safety Net Program

In the context of potential mobile home park housing strategies, a safety net program would require an agreement from mobile home park owners to provide assistance to mobile home park residents in the event of financial hardship. A safety net program would allow mobile home park tenants demonstrating hardship to qualify for a space rent freeze for a certain period of time, a lower space rent increase than is applied to other mobile home spaces, or other types of assistance.

Policy Options

Implemented Independently or as Part of an MOU

A safety net program could be an independent program, or included as a provision of a broader MOU or accord for mobile home parks.

Level of City Support

The City could support a safety net program by providing financial assistance and/or assisting in evaluating mobile home owners' requests for assistance. Alternatively, the City could choose not to provide financial or other support.

Arguments in Favor

A safety net program would protect the most vulnerable mobile home park residents from rent increases that they are unable to afford. A safety net program would also be means-tested, allowing park owners to charge higher space rents to households that do not apply and qualify for the program, which may increase owners' ability to continue to invest in mobile home park properties.

Arguments Against

Under a safety net program, tenants that do not qualify for assistance could still experience negative impacts from rent increases, and some tenants that are experiencing hardship may be reluctant to apply for assistance. In addition, a safety net program would not address the negative impacts that space rent increases have on mobile home resale values.

Community Input on Mobile Home Park Strategies

In general, mobile home park residents that participated in the community engagement process for the Housing Strategy indicated a strong preference for mobile home park space rent control. Among those that responded to the resident survey, 81 percent were in favor of mobile home space rent stabilization or rent control.

Table 3 below shows the priority ranking for each of the mobile home strategies, based on input received during the Farmers' Market Pop-Up on November 16, 2019, the November 21st, 2019 Open House on Strategy Prioritization, and the Community-Wide Survey that the City conducted during December 2019 and January 2020. As shown, mobile home space rent

stabilization was the strategy that received the highest priority ranking from those that participated in these portions of the community engagement process. The MOU or accord strategy and the safety net strategy followed rent stabilization in order of priority among those that participated in the process, while a space rent mediation program was the strategy that participants ranked lowest in priority.

Table 3: Mobile Home Park Strategy Priority Ranking from Community Engagement Process

Potential Strategy	Total Points, Farmers' Market Pop-Up and Prioritization Open House on Nov. 21 st	Rankings		
		Farmers' Market Pop-Up and Prioritization Open House on Nov. 21 st	Community-Wide Survey	Average
Mobile Home Space Rent Stabilization	48	1	1	1
Mobile Homes Space Rent Mediation	13	4	4	4
Memorandum of Understanding/Accord	27	2	3	2.5
Safety Net Program	24	3	2	2.5

In contrast, mobile home park owners indicated a preference for no new programs or policies related to mobile home parks and were most strongly opposed to mobile home rent control as a policy option. All of the mobile home park owners that responded to the mobile home park owner survey indicated a preference that the City not adopt any new regulations for mobile home parks, with rent stabilization as the policy option that park owners viewed least favorably. All of the mobile home park owners that responded to the survey indicated that a safety net program would be the most favorable of the potential policy options and most owners preferred the MOU approach over rent mediation. It should be noted that the survey required owners to rank all strategy options in order of preference and did not have the option to rank multiple strategies as least or most favorable.

AGE-FRIENDLY HOUSING ISSUES

The Sunnyvale City Council identified age-friendly housing strategies one of the focus areas for this Housing Strategy, building on the City’s past and ongoing actions to address age-friendliness as it relates to housing opportunities in Sunnyvale. This chapter provides an overview of existing housing needs and considerations related to age-friendliness in housing as well as the strategies to address age-friendliness in housing that were considered as part of the Housing Strategy process.

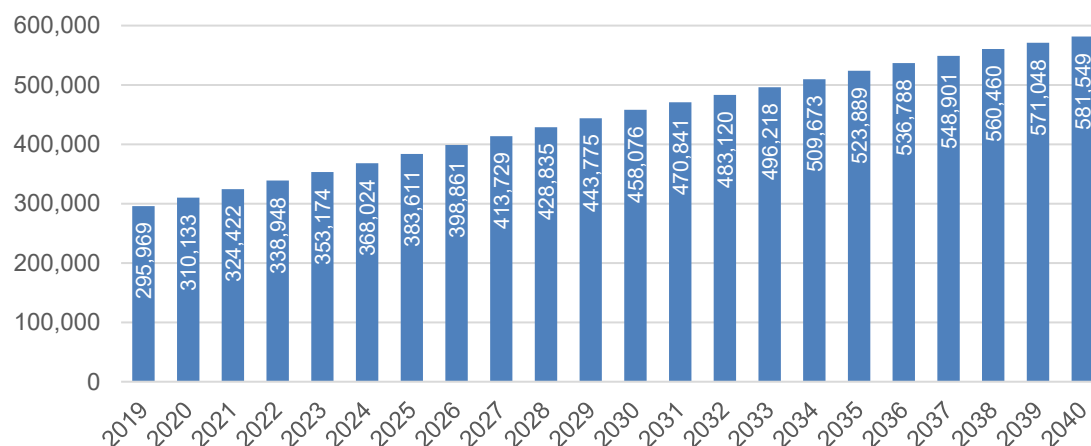
Age-Friendly Housing Background

This section provides background information related to age-friendly housing in Sunnyvale, with a focus on Sunnyvale’s senior population, including demographic data, findings from an age-friendly survey conducted by the City, and information on existing resources for seniors in Sunnyvale.

Senior Population Trends

Projected growth in the regional population aged 65 and older suggests a growing need to address senior housing needs over the coming decades. As shown in the Overview of Existing Conditions chapter of this report, approximately 17,700 members of Sunnyvale’s current population are 65 or older, accounting for 12 percent of City residents. Projections from the California State Department of Finance estimate that the population aged 65 and older in Santa Clara County will increase substantially over the next 20 years, from approximately 296,000 in 2019 to approximately 582,000 in 2040, a 96-percent increase (see Figure 18). Some of this growth in Santa Clara County’s older adult population is likely to impact housing demand and needs within the City of Sunnyvale.

Figure 18: Projected Growth in the Population Age 65+, Santa Clara County, 2019-2040



Source: California State Department of Finance, 2019; BAE, 2019.

Sunnyvale Age-Friendly Survey Findings

In August 2018, the Sunnyvale Library and Community Services Department conducted a survey to obtain input on Sunnyvale’s age-friendliness, which received a total of 388 responses. Among the respondents, living independently in their own home as they age was a top priority, ranked as either very important or extremely important in 92 percent of the responses. This was followed by the availability of home repair contractors who are trustworthy, do quality work and are affordable, which 91 percent of respondents ranked as either very important or extremely important. Other issues that a high proportion of respondents ranked as either very important or extremely important are shown in Table 4.

Table 4: Sunnyvale Age-Friendly Survey Findings, Top Issues Identified as Very Important or Extremely Important, 2018

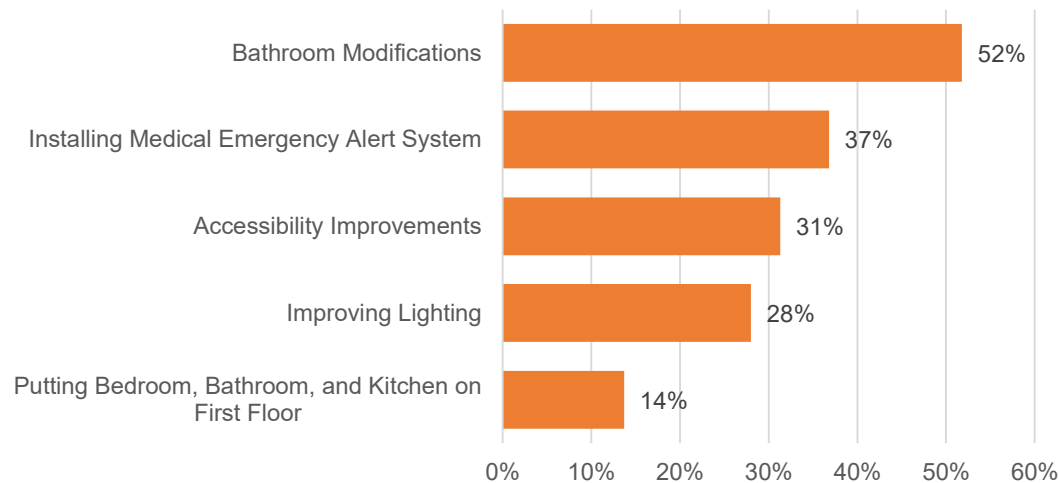
Percent of Respondents Who Felt Issue Was **Very Important** or **Extremely Important**:

Living independently in own home as they age	92.0%
Need for trustworthy, quality, affordable contractors	91.2%
Home repair services for lower-income and older adults	80.3%
Affordable housing options with different features for different income levels	81.7%
Homes with accessibility features	70.5%
Safe, well-maintained, low-income housing	73.9%
Affordable quality assisted living facilities	87.8%

Source: City of Sunnyvale, 2018; BAE, 2019.

Among respondents that anticipated a potential need to make modifications to their homes as they age, the most common type of modifications anticipated were bathroom modifications, such as grab bars, handrails, a higher toilet, or non-slip tiles. The second most highly anticipated modification was installation of a medical emergency alert system, followed by accessibility improvements, and lighting improvements. A small number of respondents anticipated a need to put a bedroom, bathroom, or kitchen on the first floor. These findings are summarized in Figure 19 below.

Figure 19: Sunnyvale Age-Friendly Survey Findings, Anticipated Home Modification Needs, 2018



Source: City of Sunnyvale, 2018; BAE, 2019.

Existing Resources for Elderly Residents

Sunnyvale's housing inventory includes 644 rental units for seniors that are affordable to lower-income senior households, as well as 35 residential care homes for seniors with nearly 800 beds. Approximately 350 seniors in Sunnyvale receive Section 8 housing subsidies. In addition, the City's Senior Center offers a variety of educational, recreational, and health-related services for older adults, including a Care Management program that offers free assessment, care planning, assistance with service arrangements, and client monitoring for Sunnyvale residents over the age of 50.

Current Age-Friendly Housing Policies and Programs

The City of Sunnyvale has adopted various policies and programs to address age-friendliness in housing in Sunnyvale. The City's most recent Housing Element includes policies to reduce parking standards for special needs housing, including housing for seniors, and to continue to address seniors' special housing needs through the provision of affordable housing and housing-related services.

The City of Sunnyvale has joined the World Health Organization's Global Network of Age-Friendly Cities and Communities (GNAFCC), pledging to become more age-friendly. The City's Library and Community Services Department is leading this effort and has created a Draft Age-Friendly Action Plan.

In addition to policies that are specifically targeted to senior households, many of the City's housing programs and policies assist seniors as well as other households. The City operates a Home Improvement Program that provides various types of assistance for homeowners to fund

needed improvements to their homes. Through the Home Improvement Program, the City provides grants for accessibility improvements, emergency repairs, purchase of paint for exterior painting to be completed by the homeowner, and minor energy efficiency improvements. These grants can enable seniors to undertake critical home improvements that allow them to age in place. In addition, the City's mobile home park preservation policies (described in the chapter above on mobile home park housing issues) benefit the substantial portion of mobile home park residents that are seniors. The City has also engaged in an effort to facilitate and promote the construction of new accessory dwelling units (ADUs) in Sunnyvale. ADUs can help to address senior housing needs by providing affordable housing for senior renters, providing rental income for senior homeowners that rent ADUs on their property, or providing an option for seniors to downsize to an ADU on their property and rent the primary house to another household. Other policies that address senior housing needs include the City's reasonable accommodation procedures related to zoning, permit processing, and building codes and the City's policy to encourage new developments to include units for tenants with special needs, including seniors, through incentives and prioritization in funding.

Age-Friendly Housing Considerations

This section provides an overview of some key considerations related to addressing age-friendly housing goals in Sunnyvale.

Changes in Housing Needs as Seniors Age

Most seniors experience some changes in their housing needs as they age, though the degree to which housing needs change and the type of changes that seniors need as they age vary substantially from one individual to the next. Many individuals develop a need for physical adaptations to the homes that they live in, such as entry ramps or shower grab bars, to improve accessibility and accommodate new physical limitations. For many seniors, having access to public transportation and other services becomes more important as they age due to decreased mobility or increased difficulty with driving. Because many seniors have low incomes, some may need financial assistance to afford rent, property taxes, mortgage payments, or home repairs. Seniors with more serious medical needs or physical limitations may require in-home care as they age.

There are a range of potential living arrangements that seniors may seek out as their housing needs change with age, depending on their specific needs, financial resources, and other factors. These can include remaining in their own homes, potentially with adaptability features or financial assistance; independent living for seniors, which may be market-rate or affordable; and various types of assisted living and skilled nursing facilities with services on-site.

Preferences for Aging in Place

Many individuals express a strong preference for aging in place, as did many of the Sunnyvale residents that responded to the City's survey on age-friendliness (see Table 4 above), despite changes in housing needs as adults age. Aging in place can enable seniors to continue living

in a familiar environment as they age, including living near other members of their social network, which can be important for both mental and physical health. Moreover, many older residents, particularly those that own their homes and have lived in the same home for a long time, would have substantially higher housing costs if they moved to another home in the region, in part because Proposition 13 limits increases in their property taxes. While remaining in the same home will not be possible or desirable for all older adults as they age, addressing age-friendliness in housing should incorporate strategies to enable seniors to age in place as appropriate.

Overlap Between Age-Friendly Housing Strategies and Other Housing Strategies

While senior housing needs are unique in many ways, there is substantial overlap between addressing senior housing needs and addressing the housing issues discussed in the other chapters of this report. For example, residents in Sunnyvale's mobile home parks include a high proportion of older adults, and therefore addressing housing affordability in mobile home parks will disproportionately benefit senior households. In addition, the Supply-Side Housing Strategies discussed in this report include strategies to increase production of ADUs. Facilitating ADU production may benefit seniors that wish to construct an ADU on their property to earn rental income, either by renting out the ADU itself or by renting out the primary residence to a larger household. Furthermore, strategies discussed in other chapters of this report that would increase the City of Sunnyvale's affordable housing supply could also potentially increase seniors' affordable housing options.

Potential Strategies for Addressing Age Friendliness in Housing

The Housing Strategy outreach process included evaluating the following strategies related to addressing age-friendliness in housing in Sunnyvale.

Promote New Age-Friendly Housing	
<p>Promoting the construction of new age-friendly housing units would increase the supply of housing in the City of Sunnyvale that serves senior residents. New age-friendly housing could potentially include both affordable and market-rate senior housing, and could include independent living as well as assisted living and skilled nursing facilities. Age-friendly housing could also include projects that incorporate universal design and accessibility features but are not necessarily age-restricted, as well as age-restricted projects.</p>	
Policy Options	
<p>Level and Type of City Support</p> <p>The City can take a variety of specific actions to promote the construction of new age-friendly housing, such as providing financial assistance to projects that will create new age-friendly housing units, or establishing policies to prioritize the next funding allocation or next development on City owned land for a senior affordable housing development. City actions to promote the construction of new age-friendly housing could also include a comprehensive evaluation and targeted update of the City's Zoning Ordinance and other sections of the Municipal Code to ensure that City ordinances actively support the production of senior housing and to potentially require universal design in some projects. The City could support implementation of various age-friendly housing initiatives by creating an age-friendly checklist that developers could complete to certify that a designated portion of units in a new development meet a defined set of age-friendliness criteria, allowing the City to evaluate eligibility for any age-friendly housing incentives and track progress toward meeting age-friendly housing production goals.</p>	
Arguments in Favor	Arguments Against
<p>Increasing the supply of senior housing helps to address unmet senior housing needs, both among the current population and as the senior population grows in Sunnyvale and the wider region. In addition, many age-friendly design elements also serve other special needs groups, such as persons with disabilities. Furthermore, the City could enact some of the measures that would be required to implement this strategy at a relatively low cost to the City.</p>	<p>Some implementation measures, such as financial incentives for developers of age-friendly housing, could be costly. Implementation measures such as an update to the City's zoning ordinance or adopting universal design requirements would require City staff time.</p>

Protect At-Risk Affordable Senior Housing Projects and/or Preserve Mobile Home Parks

Maintaining and preserving existing senior housing could include a wide range of actions, including preserving mobile home parks and preserving affordable senior housing that is at risk of conversion to market rate. These types of programs would complement existing City of Sunnyvale programs that already help to maintain housing for seniors, such as the City's Home Improvement Program and existing mobile home park preservation policies.

Arguments in Favor	Arguments Against
Maintaining housing where senior residents already live can help to protect existing senior households from displacement and allow them to age in place.	Maintaining existing housing does not address senior housing needs that are currently unmet, requiring supplemental strategies to address unmet needs. Furthermore, maintaining and preserving housing could require substantial City staff and financial resources, at least in some cases.

Adapt Homes to Age in Place

The City of Sunnyvale can help seniors with adapting their homes to age in place by facilitating home renovations through the Sunnyvale Home Improvement Program and/or special home adaptation permits (i.e. over the counter or streamlined permits for certain types of construction work to allow aging in place at low cost). The City could also offer or promote home repair and maintenance services.

Arguments in Favor	Arguments Against
Home adaptations can make it possible for many seniors to age in place. Additionally, renovations and home repairs are typically cost-effective relative to building new senior housing.	Adapting homes to age in place does not address senior housing needs that are currently unmet, requiring supplemental strategies to address unmet needs. Furthermore, the City would need to identify and dedicate additional financial resources if implementation of this strategy involves expanding the Home Improvement Program to serve more senior households than the program serves currently.

Facilitate New Ways to Use Homes through Home Sharing

In a home sharing arrangement, senior residents find others to rent a room in the senior's home or an ADU on the senior's property, and the renter might help to maintain the home in exchange for a reduced rent. Home sharing can include an emphasis on multigenerational living that involves matching senior residents with younger home-seekers, such as college students. In Santa Clara County, Catholic Charities operates a home sharing program that helps to match homeowners to home seekers, including performing background and reference checks prior to matching a home seeker with a home provider and conducting monthly follow-ups to discuss any issues. If the City were to pursue a strategy related to home sharing, the City's involvement would most likely consist of supporting this program or another existing program, rather than initiating an independent, City-operated program.

Arguments in Favor	Arguments Against
Home sharing can help seniors age in place by providing senior households with rental income and/or assistance with home maintenance. This strategy also uses existing housing resources to address unmet housing needs, making it relatively quick and cost-effective to use home sharing to house renters in need of a room.	In order to comprehensively address age-friendly housing objectives, the City would need to implement additional strategies to address senior housing needs for households for which home-sharing is not a feasible option due to the size of their home, lifestyle, specific housing needs, or other factors. In addition, it is not clear that City involvement is necessary given that existing organizations in the area already have programs in place to facilitate home-sharing arrangements.

Community Input on Age-Friendly Housing Strategies

Table 6 below shows the priority ranking for each of the age-friendly housing strategies, based on input received during the Farmers' Market Pop-Up on November 16, 2019, the November 21st, 2019 Open House on Strategy Prioritization, and the Community-Wide Survey that the City conducted during December 2019 and January 2020. As shown, input received during the Pop-Up Event and the Open House on Strategy Prioritization ranked preserving at-risk senior housing and/or mobile home parks as the highest priority among the potential age-friendly housing strategies. This was followed by promoting new age-friendly housing and adapting homes to age in place. Input received from the Community-Wide Survey ranked adapting homes to age in place as the highest priority, followed by promoting new age-friendly housing, then followed by protecting at-risk senior housing and/or mobile home parks as the highest priority. Community input received during all three prioritization activities ranked home sharing as the lowest priority among the age-friendly housing strategies.

Table 5: Age-Friendly Housing Strategy Priority Ranking from Community Engagement Process

Potential Strategy	Total Points, Farmers' Market Pop-Up and Prioritization Open House on Nov. 21 st	Rankings		
		Farmers' Market Pop-Up and Prioritization Open House on Nov. 21 st	Community- Wide Survey	Average
Protect At-Risk Affordable Senior Housing Projects and/or Preserve Mobile Home Parks	60	1	3	2
Promote New Age- Friendly Housing	52	2	2	2
Adapt Homes to Age in Place	51	3	1	2
Facilitate New Ways to Use Homes through Home Sharing	33	4	4	4

SUPPLY-SIDE HOUSING ISSUES

Many housing analysts cite a shortage of housing production as a key factor that has contributed to the high cost of housing in Bay Area communities. While the City of Sunnyvale has taken a number of actions to facilitate increased production of both market-rate and affordable housing, and currently has over 5,000 net new housing units in the development pipeline, housing costs continue to increase locally and regionally, and the City faces continued challenges in meeting its State-mandated housing production targets.

Accordingly, the Sunnyvale City Council identified supply-side housing strategies, or new strategies to aid in increasing the production of market-rate and affordable housing in the City, as one of the focus areas for this Housing Strategy. This chapter provides an overview of affordable and market-rate housing production trends in Sunnyvale and the wider region, key considerations related to supply-side strategies, and the supply-side strategies that were considered as part of the Housing Strategy process.

Supply-Side Housing Issues Background

The following subsections provide an overview of recent housing production in Sunnyvale and the Two-County Subregion, Sunnyvale's existing affordable housing supply, and existing programs and policies that support housing production in Sunnyvale.

Sunnyvale RHNA Progress

As part of their General Plans, all cities and counties in California are required under State Law to adopt a Housing Element, typically on an eight-year cycle, that identifies how the jurisdiction will address housing needs of over the time period covered by the upcoming Housing Element cycle. A major component of the Housing Element involves demonstrating how the jurisdiction plans to accommodate enough housing units to meet its Regional Housing Needs Allocation (RHNA) targets for the Housing Element cycle. The RHNA targets are established in part by the State of California Department of Housing and Community Development (HCD), which identifies the total RHNA that each Council of Governments (COG) must plan to accommodate during the Housing Element Cycle, including a breakdown of housing units by income level. Each COG then distributes the regional RHNA total among the local jurisdictions within the region. The Association of Bay Area Governments (ABAG) is the COG for the nine-county Bay Area region, including Santa Clara County and the City of Sunnyvale. The current Housing Element cycle covers the 2015 to 2023 planning period.

As is common among cities and counties throughout the State, the City of Sunnyvale is not currently on track to meet its below market rate RHNA goals for the 2015 to 2023 Housing Element cycle. The City's RHNA allocation for the 2015 to 2023 Housing Element cycle totals 5,452 units, including 1,640 very low-income units, 906 low-income units, 932 moderate-income units, and 1,974 above moderate-income units, as shown in Table 6. According to the

most recent Housing Element Annual Progress Report for the City of Sunnyvale, which accounts for units permitted in the City through the end of 2019, the City has issued permits for approximately 42 percent of its total RHNA, with 3,136 units remaining. Of the housing that has been permitted during this period, much has consisted of above moderate-income housing units, which make up approximately 87 percent of the total permitted units in Sunnyvale during the current cycle. As of the end of 2019, or more than halfway through the current eight-year cycle, the City had permitted a total of 342 units that would be affordable for very low-, low-, and moderate-income households, approximately ten percent of the total number of units needed to meet the City's RHNA targets for these income levels.

Table 6: Regional Housing Needs Assessment Allocation Progress, City of Sunnyvale, 01/31/2015-01/31/2023

Income Level	2015-2023 RHNA Allocation	Year					Total Units to Date (a)	Total Remaining
		2015	2016	2017	2018	2019		
Very Low-Income (30%-50% AMI)	1,640	43	0	46	0	25	114	1,526
Low-Income (50%-80% AMI)	906	0	1	20	0	0	21	885
Moderate-Income (80%-120% AMI)	932	26	32	47	62	40	207	725
Above Moderate-Income (>120% AMI)	1,974	796	222	381	207	609	2,215	0
Total	5,452	865	255	494	269	674	2,557	3,136

Note:

(a) Data current as of 12/31/2019.

Sources: City of Sunnyvale, 2019 Annual Progress Report on Implementation of the General Plan Housing Element; BAE, 2020.

Regional Jobs/Housing Balance

Throughout San Mateo and Santa Clara Counties, the rate of housing production has lagged the rate of employment growth for over a decade, which is commonly believed to be a major contributor to the rapid increase in housing costs during this period. As shown in Table 7, the number of jobs in the Two-County Subregion increased by 21 percent between 2007 and 2018, far outpacing growth in housing units, which increased by just seven percent over the same period. Put differently, the subregion added one housing unit for every 4.4 jobs between 2007 and 2018. As a result of these trends, the jobs-to-housing unit ratio in the Two-County Subregion increased from 1.4 in 2007 to 1.6 in 2018.

Table 7: Employment and Housing Unit Growth, 2007-2018

			2007-2018 Change	
<u>San Mateo County</u>	<u>2007</u>	<u>2018</u>	<u>Number</u>	<u>Percent</u>
Employment (a)	339,827	401,800	61,974	18.2%
Housing Units (b)	268,001	278,044	10,043	3.7%
Employment-to-Housing Ratio	1.3	1.4		
<u>Santa Clara County</u>				
Employment (a)	897,037	1,098,270	201,233	22.4%
Housing Units (b)	618,608	667,970	49,362	8.0%
Employment-to-Housing Ratio	1.5	1.6		
<u>Two-County Subregion</u>				
Employment (a)	1,236,864	1,500,070	263,207	21.3%
Housing Units (b)	886,609	946,014	59,405	6.7%
Employment-to-Housing Ratio	1.4	1.6		

Notes:

(a) Employment data are sourced from Bureau of Labor Statistics, Quarterly Census of Employment and Wages. Figures are averages from the second quarter of each year shown.

(b) Housing unit counts are sourced from CA Dept. of Finance, E-5.

Sources: Bureau of Labor Statistics, Quarterly Census of Employment and Wages; California Department of Finance, E-5 Population and Housing Estimates; BAE, 2018.

Existing Affordable Housing Resources in Sunnyvale

Existing affordable housing units in the City of Sunnyvale include units in 100 percent affordable developments, affordable units in market-rate developments pursuant to the City's Inclusionary BMR requirements, and affordable units in market-rate developments that agreed to provide affordable units in exchange for a density bonus. The City's inventory of 100 percent affordable units totals 1,541 rental units in 22 developments operated by non-profit affordable housing operators, many of which received City funds during the development process. These 100 percent affordable properties serve extremely low-, very low-, and low-income households and are distributed throughout the City. In addition, the City's affordable housing inventory includes 175 affordable rental units serving low-income households that were built as inclusionary BMR units in eight market-rate developments. One additional development in the City's development pipeline will provide 40 additional BMR rental units along with market-rate units. An additional five market-rate developments provide a total of 62 rental units for very low-income households, which developers included in these projects in exchange for density bonuses pursuant to the State Density Bonus Law. In total, these projects provide 1,778 rental units affordable to households with incomes equal to 80 percent of AMI or less.

The City also has an inventory of approximately 575 BMR ownership units, all priced to be affordable to median-income (i.e., 100 percent of AMI) households and sold to moderate-income households.

Existing Programs to Increase Housing Supply

The City of Sunnyvale has implemented a number of programs, policies, and ordinances to increase the production of residential units for households at all income levels. Major actions that the City has taken to increase the supply of market-rate and affordable housing include the following:

Planning to Accommodate Housing Growth. The City has taken several steps to accommodate housing growth through its long-range planning efforts. The 2017 Land Use and Transportation Element (LUTE) planned for growth of 12,800 housing units throughout the city. In addition, the City is in the process of reviewing several area plans located at significant transit locations with the goal of further increasing the production of residential units in the City, especially at transit-rich locations. The maximum number of units being considered for addition to the plans (above the currently adopted 12,800 in the General Plan and Specific Plans) include:

- Downtown Specific Plan update: 750 additional units;
- Lawrence Station Area Plan update: 2,323 units allowed in adopted plan and LUTE, plus an additional 3,607 being studied for a total of 5,930;
- El Camino Real Specific Plan update: The 2017 LUTE would allow an additional 4,200 housing units over existing zoning along El Camino Real; the “Residential Plus” alternative will consider a potential of 2,700 additional residential units along this transit corridor;
- Moffett Park Specific Plan update: will consider adding residential units to the plan area.

The Sunnyvale City Council has also initiated a study of additional housing in the City’s Peery Park area, which could allow for 500 or more additional units than allowed by current zoning.

Below Market Rate (BMR) Ordinance for Ownership Housing. The City of Sunnyvale has had an inclusionary housing policy since 1980. The BMR Program requires 12.5 percent of units in ownership projects with eight or more units to be sold at prices affordable to households earning up to 120 percent of AMI. The maximum sales price for a BMR unit is set based on the sales price affordable to a median income household for a unit’s assumed household size. BMR units in owner-occupied projects must remain affordable for thirty years. As an alternative to providing BMR units on-site, developers of market-rate ownership projects have the option of paying an in-lieu fee equal to seven percent of the contract sales price of all units in a project, subject to approval by City Council. Funds generated through payment of in-lieu fees go into a BMR housing trust fund, which can be used to support the development of additional affordable housing units in the City.

Inclusionary BMR Ordinance for Rental Housing. In November 2019, the City adopted inclusionary requirements for rental housing. The City had previously implemented inclusionary requirements for rental housing, but removed these requirements for rental units

following the *Palmer/Sixth Street Properties L.P. v. City of Los Angeles* court decision in 2009, which effectively barred local governments from requiring inclusionary BMR units in rental projects. Following the Palmer decision, the City replaced the inclusionary requirement for rental developments with a requirement to pay a Rental Housing Impact Fee. Funds from the fee accrued to the City's Housing Mitigation Fund, which supports the development of affordable housing. In December 2017, the California State legislature adopted AB 1505, which restored the authority of local governments to adopt inclusionary housing requirements for rental developments. The City Council responded to AB 1505 by designating the adoption of an inclusionary rental housing ordinance as a high priority, leading to the adoption of the inclusionary BMR ordinance in 2019.

The Inclusionary BMR Ordinance for Rental Housing now requires that developers of rental projects in the City with three or more units make 15 percent of the total units in the project affordable, with at least ten percent of units affordable to low-income households and five percent of units affordable to very low-income households.⁴ BMR rental units must remain affordable for 55 years. Developers of projects with three to six units have the option to satisfy the requirements of the ordinance by paying an in-lieu fee rather than providing the affordable units, without the need for Council approval. Developers of projects with seven or more units can propose to satisfy the requirements of the ordinance through an alternative means of compliance, which can include payment of an in-lieu fee, contributing to an affordable housing development, preserving affordable units, or dedicating land to an affordable housing development. However, for projects with seven or more units any alternative means of compliance is subject to a recommendation by the Housing and Human Services Commission and final approval by the City Council. All in-lieu fees accrue to the City's Housing Mitigation Fund to support the development of affordable housing in the City.

Housing Impact Fee for Non-Residential Development. The City of Sunnyvale assesses Housing Impact Fees on non-residential development projects to mitigate the effect that new commercial development has on the need for affordable housing in the City. Like the in-lieu fees on residential development, revenue from Housing Impact Fees accrues to the City's Housing Mitigation Fund and are used to support the production of affordable housing. As of the 2019/2020 fiscal year, the Housing Impact Fee rate for office, industrial, and R&D projects was \$8.60 per net new square foot for the first 25,000 square feet and \$17.20 per net new square foot for any additional square footage. The fee rate for retail and lodging projects was \$8.60 per net new square foot.

Affordable Housing Development. The City has made several city-owned properties available for new affordable housing developments in recent years. Recent affordable projects on city-owned sites include the Fair Oaks Plaza Senior Housing Project (124 units), Onizuka Crossing

⁴ The total unit count as it relates to this requirement does not include any density bonus units.

(58 units), Habitat Homes (2 units), and Parkside Studios (59 units). In 2017, the City secured \$7.43 million in gap financing (includes \$600,000 HOME loan) to help fund the construction of 66 new affordable units in the Benner Plaza project at 460 Persian Drive. The Benner Plaza project opened in May 2019. Since 2016, the City has been working with the Related Companies on a new 90-unit affordable housing development on City owned land in the downtown core. This development, known as Block 15, is currently under planning review and will be entitled in mid-2020. Construction is slated to begin in 2021. This project has received over \$16 million in Housing Mitigation Funds. In late 2019, Sunnyvale also began working with two non-profits on two new affordable housing developments; while these projects are in very early stages, they are slated to bring nearly 300 affordable units to the community in the next three years.

Density Bonuses. Like all cities in California, the City of Sunnyvale offers density bonuses and other development incentives and concessions to residential developments that provide affordable units, pursuant to the State Density Bonus Law. The State Density Bonus Law provides density bonuses, incentives, and concessions on a sliding scale based on the proportion of affordable units in the project. Projects that include market-rate and affordable units are eligible for a maximum density bonus of 35 percent. These projects are eligible for the maximum 35 percent density bonus if the project dedicates at least 11 percent of all units to very low -income households or 20 percent of all units to low-income households. For-sale developments can also qualify for up to a 35 percent density bonus by providing moderate-income units and are eligible for the maximum bonus if 40 percent of units are affordable to moderate-income households.⁵ Projects that are 100 percent affordable are eligible for an 80 percent or greater density bonus, dependent on location, pursuant to a 2019 amendment to the State Density Bonus Law.

In addition to the density bonuses available under State Law, the City of Sunnyvale adopted additional density bonuses as affordable housing incentives within the Lawrence Station Area Plan that the City adopted in 2019. Projects in the Lawrence Station Area with a mix of market-rate and affordable units are eligible for density bonuses that are larger than those available under State Law in exchange for making more than 11 percent of units affordable to very low-income households, up to a maximum density bonus of 50 percent.

Supply-Side Housing Considerations

This section provides an overview of some key considerations related to addressing supply-side housing issues in Sunnyvale.

Housing Production Targets/RHNA Allocations

Sunnyvale and other local jurisdictions throughout the State of California will need to place an increased emphasis on housing production to achieve State-mandated RHNA targets. As

⁵ All affordable unit percentages are calculated excluding any units added due to a density bonus.

discussed above, the City of Sunnyvale is not currently on track to meet its below market rate State-mandated RHNA targets during the current Housing Element cycle. While the RHNA targets for the upcoming Housing Element cycle are yet to be determined, cities throughout the State, particularly those in urban areas, are anticipating that RHNA allocations will increase during the next cycle due to changes in State law. Moreover, Housing Elements produced in the next cycle will be subject to more stringent requirements related to identifying potential housing development sites, which could limit the sites that cities and counties can use to demonstrate an ability to meet their housing production targets. Because of these changes, Sunnyvale and many other cities will need to consider additional strategies aimed at increasing housing production to address current RHNA targets as well as anticipated RHNA targets in the upcoming Housing Element cycle.

Role of Both Market-Rate and Deed-Restricted Affordable Housing Production

Market-rate housing and housing with restricted rents and sale prices both serve an important role in addressing affordable housing needs. Adding new market-rate developments to the region's housing supply has an incremental effect on the current imbalance between the demand for housing in the region and the availability of housing to meet that demand. However, given the current high cost of housing, it will be necessary to substantially increase the rate of housing production at the regional scale to potentially impact housing costs to the point at which a significant portion of the inventory of market-rate units in Sunnyvale would become affordable to lower-income households. In the meantime, other changes that affect the regional housing market, such as future increases in the number of jobs in the region, could wholly or partially counteract the impact that the addition of market-rate units would otherwise have on housing costs. Due to these and other factors, adding market-rate units to the housing supply will likely have only a limited impact on the availability of housing affordable to lower-income households for the foreseeable future, leaving a much of the low-income housing need unmet. In any event, robust new housing production is needed to prevent the housing supply/demand imbalance from deteriorating further.

Consequently, units that are deed-restricted to be affordable are necessary to meet a sizeable portion of the housing need among low- and moderate-income households, at least in the near term, and potentially into perpetuity. These affordable units help to fill the significant gap in the housing market that is largely unmet by market-rate housing production.

Potential Supply-Side Housing Strategies

The Housing Strategy outreach process included evaluating the following strategies related to increasing Sunnyvale's Housing Supply.

Up-Zone Land to Facilitate Increased Residential Development	
<p>Up-zoning to facilitate increased residential development involves reviewing and amending existing City ordinances and plans to identify areas of the City where adding additional residential development potential would be appropriate. Sunnyvale has already initiated this process by reviewing plans for several transit-accessible area plans within the City to explore the potential for residential development that would exceed the development that is currently envisioned in existing plans, as discussed above. Given that these efforts are ongoing, implementing this policy would likely involve continuing this work.</p>	
Policy Options	
<p>Up-zoning involves numerous policy decisions related to which areas are evaluated for up-zoning potential and the specific changes to existing ordinances that will enable up-zoning. However, the City has the option to implement this policy by continuing ongoing efforts related to up-zoning that are already in progress, rather than initiating a separate effort to implement this strategy.</p>	
Arguments in Favor	Arguments Against
<p>Providing more opportunities to build housing is one way that the City can help to address housing shortages. Market-rate residential developers that participated in the developer stakeholder meeting for the Housing Strategy cited the City's height limits and density restrictions as some of the primary barriers to increasing housing production in Sunnyvale. Furthermore, up-zoning would align with the City's ongoing efforts to review City plans for opportunities to increase residential development potential.</p>	<p>May require upfront investment of City staff time to undertake zoning amendments. Additionally, some community members may be opposed to additional density.</p>

Increase Ownership Inclusionary Requirement to 15 Percent

This strategy would increase the BMR requirements for new for-sale developments to require that 15 percent, or greater at the Request of the Council, of units be made affordable to moderate-income households, an increase from the current rate of 12.5 percent. This would make the requirements for for-sale developments more consistent with the recently-adopted inclusionary BMR requirements for rental developments. This would not affect any existing developments.

Arguments in Favor

Increasing the inclusionary requirement for for-sale developments would generate additional affordable units in for-sale developments constructed in Sunnyvale in the future, helping to address “missing middle” housing needs. Increased the ownership percentage to 15 percent would match the newly established rental inclusionary requirement, and the new ordinance would not require a nexus study or HCD review.

Arguments Against

The City would want to ensure the burden on developers is not too great, and that projects are still able to be financially feasible. If the Council considered an amount greater than 15%, that request could potentially impact the feasibility of new for-sale residential development. To increase the inclusionary percentage greater than 15%, a nexus study would need to be completed and the ordinance is subject to review by the California Department of Housing and Community Development.

Encourage “Missing Middle” Housing

Policies and programs that encourage the production of missing middle housing seek to address housing needs for middle-income households. In Sunnyvale and other high-cost housing markets, middle-income households are often unable to afford market-rate housing but do not qualify for publicly-subsidized housing, most of which is reserved for households with incomes equal to 80 percent of AMI or less due to restrictions on the funding sources needed to finance these developments. A strategy that addresses missing middle housing would seek to produce units for households with incomes above 120 percent of AMI that are not able to afford market-rate housing prices in Sunnyvale. During implementation of this strategy, the City should continue prioritizing RHNA goals of low and very low-income housing, while creating new approaches for missing middle-income housing.

Policy Options

Facilitating Production of Units that are “Affordable by Design”

Regulatory modifications to encourage construction of smaller units could potentially lead developers to create units that are “affordable by design,” or units that are affordable due to the small size of the units rather than due to regulatory requirements. Regulatory modifications that support the construction of co-housing developments could also potentially lead developers to create co-housing developments that are “affordable by design.” This approach would tackle the missing middle housing product, a housing type with densities often between condos and single-family homes.

New or Expanded Forms of First Time Homebuyer Assistance

As discussed elsewhere in this report, the City operates a down payment assistance program for first time homebuyers. One component of addressing missing middle housing needs could include exploring other types models for a first time homebuyer program, such as a shared equity program, and/or advocating for the County to amend its first time homebuyer program to make it more accessible for middle-income households.

Using City Funds to Address Missing Middle Housing Needs

Adding moderate-income housing construction as a qualified use of Housing Mitigation Funds could help to fill the funding gaps associated with developing missing middle housing. Modification to the existing ordinance and Council Policy would be required, as funding is currently only available to up to 120% AMI housing units.

Encourage “Missing Middle” Housing

Missing Middle Units as an Option for Inclusionary Compliance

If given the option, some developers would likely choose to provide moderate-income units, or units in the 120 to 80 percent of AMI range, to address the City’s Inclusionary BMR requirements (e.g., providing a higher percentage of units affordable to missing middle households instead of a lower percentage affordable to lower-income households). This would require potentially establishing a new income range and incentives, while ensuring low-income and very-low income units are still being developed.

Arguments in Favor	Arguments Against
Encouraging the production of missing middle housing will address unmet housing needs for households that do not qualify for most existing affordable housing but cannot afford market-rate housing in Sunnyvale. Providing housing to middle-income households generally requires less subsidy per unit than providing housing for lower-income households, enabling housing resources to assist a larger number of households.	Regulatory modifications that encourage smaller units are likely to provide only limited benefits to middle-income households because even small units in new buildings in Sunnyvale could be priced at levels that are unaffordable to middle-income households. Additionally, providing City Housing Mitigation Funds or dedicating inclusionary units to middle-income households would require a reduction in housing production to serve lower-income households, for which the gap between affordable housing costs and market-rate housing costs is more significant.

Promote Accessory Dwelling Units (ADUs)

Accessory dwelling units (ADUs) are second units built on the same lot as a single-family home, either in a separate, stand-alone structure or within the same walls as the primary home. ADUs can serve as housing to address moderate income and workforce housing needs, as City of Sunnyvale staff have found that ADUs in Sunnyvale often rent at rates that are affordable to moderate-income households. ADUs can also help to address senior housing needs by providing a means for senior householders to generate rental income, potentially by moving into an ADU on their property and renting the primary residence on the lot to a larger household. Recent legislation has created significant changes to the zoning regulations for development of ADUs and Sunnyvale continues to see large increases in the number of ADU permits issued. The City is actively educating the community on these new changes.

Policy Options

Potential strategies to promote accessory dwelling units could include:

- Amending local legislation to remove any existing impediments to ADU production;
- Encouraging developers to provide ADUs in new developments or to incorporate design features in new developments that would enable future construction of ADUs by homeowners;
- Establish pre-approved building permit plan types for streamlined application and development;
- Providing grants or loans to assist homeowners with ADU construction costs, potentially in exchange for an agreement that the homeowner will rent the ADU to a low- or moderate-income household at an affordable rental rate;
- Offering technical assistance and/or assisting homeowners with cost/benefit analysis.

Arguments in Favor

In addition to increasing the City's housing supply in general, ADUs can address a range of specific housing needs, such as senior housing needs and missing middle housing needs, with little to no impact on the character of existing neighborhoods. ADUs are also often built with no public subsidies to finance construction, unlike many other types of affordable housing.

Arguments Against

Implementation measures that require City funds could potentially divert resources that the City could otherwise use to fund other types of affordable housing, and some implementation measures could require significant staff time. Additionally, the extent to which ADUs add units to the City's rental housing inventory is dependent on the degree to which homeowners reserve ADUs for personal use and/or short-term rentals

Modify Density Bonus Program to Allow Requests Greater Than 35 Percent

As discussed above, the State Density Bonus Law provides up to a 35-percent density bonus and various incentives and concessions for qualifying projects that provide both market-rate and affordable units, and up to an 80-percent density bonus for 100-percent affordable projects. Some cities in California offer supplemental density bonuses (i.e., more than 35 percent additional density and/or additional incentives or concessions) for projects that are not 100 percent affordable but provide more affordable units than necessary to qualify for the maximum 35-percent density bonus that State law provides for these projects. The City of Sunnyvale already offers a supplemental density bonus as an affordable housing incentive in the Lawrence Station Area.

Policy Options

The City of Sunnyvale would have a range of policies options to consider if the City Council decides to adopt a supplemental density bonus program, which would be evaluated as part of a separate process. The City could extend the supplemental bonus that is already in place in the Lawrence Station Area city to other areas of the City or citywide or adopt a different supplemental bonus program for other areas of the City or citywide.

Arguments in Favor	Arguments Against
<p>A supplemental bonus would incentivize on-site production of affordable units within market-rate projects. Because density bonuses are an incentive-based program and not compulsory, adopting this strategy would not negatively impact the feasibility of new residential development.</p>	<p>Adopting a supplemental bonus would require the City to relax development standards for qualifying projects and would require City staff time to develop a new ordinance. It may be more appropriate for the City to evaluate supplemental density bonuses as part of the process that the City is currently undertaking to evaluate the potential for additional residential development in various area plans throughout the City, rather than as a separate effort. In addition, the new 2020 density bonus legislation for affordable housing developments meets a key need in higher density bonuses for 100 percent affordable developments.</p>

Utilize Surplus or Under-Utilized City or Other Public Property for Housing Development

This strategy would involve identifying publicly-owned surplus or under-utilized sites in Sunnyvale that could be used for residential development, likely with an emphasis on City-owned sites. Implementation of this strategy would align with the provisions of California State Assembly Bill 1486, which requires identification of all public land that can be available for housing development.

Arguments in Favor	Arguments Against
Land scarcity and the high cost of land are key contributors to the housing shortage. Making publicly-owned land available for housing development provides one opportunity to expand the availability of land for housing and to make the land available at a reasonable cost in exchange for long-term affordability. Contribution of public land can also make affordable housing developments more competitive for other subsidies.	The City of Sunnyvale does not currently own any surplus sites and already has a policy that, should City Council identify surplus sites in the future, applicants proposing affordable housing on any surplus site that already allows housing would have right of first refusal. This strategy would therefore have little to no effect on the likelihood that housing would be developed on sites that the City controls. Actions that the City would take to facilitate housing production on sites owned by other public agencies may be largely duplicative of activities that will already occur due to AB 1486.

Add Developer Incentives for Unit Production into Rental Inclusionary Program

The purpose of adding incentives for affordable unit production would be to encourage more developers to build inclusionary units as part of their projects, rather than paying in-lieu fees. Incentives would be contingent on an affordable housing development agreement.

Policy Options

Eligible Project Sizes

This strategy could be applied to smaller projects with three to six units only, as these projects do not require Council approval to pay in-lieu fees rather than providing affordable units. Alternatively, the strategy could apply to all projects, including larger projects that are required to obtain Council approval to pay in-lieu fees rather than provide inclusionary units.

Geographic Scope

The City could choose to offer these incentives citywide or only in specific areas, such as TOD overlay areas.

Type of Incentives Offered

Possible incentives could include provision of housing set aside funds; relaxation of zoning or development standards, potentially subject to review and City approval; and/or expedited review and processing.

Arguments in Favor

To the extent that incentives increase the production of inclusionary units, these units would have several advantages over affordable units built in 100 percent affordable projects using in-lieu fees, such as that inclusionary units:

- Are integrated with market-rate units, which many housing advocates support as a means for advancing equity in housing outcomes;
- Are built at the same time as the market-rate units;
- Do not require financing from a variety of limited public funding sources; and
- Do not require acquisition of a separate site to produce affordable units.

Arguments Against

Incentivizing the inclusionary units over in-lieu fees could reduce revenue to the City's Housing Mitigation Fund. In addition, providing incentives would require the City to either provide financial assistance, which could be costly, or relax development standards and/or reduce discretionary review of development projects, which could conflict with other policy objectives. Furthermore, this strategy would have only a limited impact if it is only applied to smaller projects that currently do not require Council approval to pay in-lieu fees.

De-Emphasize Dwelling Units per Acre as a Development Standard	
<p>When zoning specifies the maximum dwelling units per acre, it will tend to encourage construction of larger units, to better spread land costs and other fixed costs across the project. Development standards that emphasize Floor Area Ratio (ratio of building square feet to lot square feet) or other metrics such as lot coverage and building heights as the measure of density could remove disincentives to produce smaller housing units.</p>	
Policy Options	
<p>Geographic Applicability The City could choose to implement this strategy citywide or only within specific areas of the City. One option would be to evaluate removing or de-emphasizing dwelling unit per acre standards within various area plans as part of the process that the City is currently undertaking to up-zone in each area plan.</p>	
<p>Applicability by Project Type The City could de-emphasize dwelling units per acre as a standard for all residential development or for certain types of projects, such as affordable housing and/or senior housing.</p>	
Arguments in Favor	Arguments Against
<p>Reducing incentives to produce larger units can help to encourage provision of smaller units that may be more affordable than larger units, without negatively impacting development feasibility.</p>	<p>Encouraging smaller units might leave gaps in the housing inventory for larger households. In addition, smaller units might not be substantially more affordable than larger units. If implemented, the City should actively understand the unit size needs, and work with the developer community to monitor vacancy rates in certain unit sizes.</p>

Modify Fee Programs to Add Further Gradations of Unit Sizes for Fee Payments

This strategy would consist of modifying the fee structures for City impact fees, utility connection fees, and other City fees that apply to residential development projects to reduce financial disincentives to build smaller units. Fees that are charged on a fixed charge “per unit” basis may tend to encourage developers to build larger units to better spread the fixed cost of a fee payment across a larger unit. Adjusting fees to charge on a per-square-foot basis, a per-bedroom basis, or with other gradations based on unit size could reduce the incentive to build larger units, potentially encouraging developers to build smaller, more affordable units.

Arguments in Favor	Arguments Against
Reducing incentives to produce larger units can help to encourage provision of smaller units that may be more affordable than larger units, without negatively impacting development feasibility.	Encouraging smaller units might leave gaps in the housing inventory for larger households. In addition, smaller units might not be substantially more affordable than larger units.

Add Ongoing Affordable Housing Payment Option In-Lieu of Inclusionary Units or Up-Front In-Lieu Fee

In some cases, a project may not be able to feasibly pay up-front in-lieu fees due to project economics. In such cases, it may be more feasible for the project to pay an ongoing affordable housing fee from project cash flow. This strategy would allow developers the option to make an ongoing recurring payment rather than paying an upfront in-lieu fee.

Policy Options

If the City implements this strategy, it will be necessary to determine the appropriate fee amount and the payment term.

Arguments in Favor	Arguments Against
An ongoing payment may be more desirable than reducing or eliminating up-front in-lieu fee payment due to hardship.	Implementation would require ongoing monitoring and regulation from the City to ensure payment. In addition, the City may want to avoid strategies that make fee payments more feasible in favor of strategies that encourage developers to provide inclusionary units.

Community Input on Supply-Side Housing Strategies

Table 8 below shows the priority ranking for each of the supply-side housing strategies, based on input received during the Farmers' Market Pop-Up on November 16, 2019, the November 21st, 2019 Open House on Strategy Prioritization, and the Community-Wide Survey that the City conducted during December 2019 and January 2020. As shown, up-zoning land was ranked as the highest priority in the prioritization activities at the Farmers' Market Pop-Up and Prioritization Open House as well as in the Community-Wide Survey. Those that responded to the Community-Wide Survey ranked increasing the inclusionary ownership percentage as the second-highest priority, followed by encouraging missing middle housing and promoting ADUs. Community members that participated in the prioritization activities at the Farmers' Market Pop-Up and Prioritization Open House also ranked these three additional strategies relatively highly. However, findings from the Pop-Up and Open House also included a relatively high ranking for utilizing under-utilized public property, which received a relatively low ranking in the community survey.

Table 8: Supply-Side Housing Strategy Priority Ranking from Community Engagement Process

Potential Strategy	Total Points, Farmers' Market Pop-Up and Prioritization Open House on Nov. 21 st	Rankings		
		Farmers' Market Pop-Up and Prioritization Open House on Nov. 21 st	Community-Wide Survey	Average
Up-Zone Land to Facilitate Increased Residential Development	80	1	1	1
Increase Ownership Inclusionary Percentage	45	4	2	3
Modify Programs and/or Policies to Encourage Missing Middle Housing	50	3	3	3
Promote ADUs	54	2	4	3
Modify Density Bonus Program to Allow Requests > 35%	29	7	5	6
Utilize Surplus or Under-Utilized City of Other Public Property for Housing Development	50	3	6	4.5
Add Developer Incentives for Unit Production into the Rental Inclusionary Program	39	5	7	6
De-Emphasize Dwelling Units per Acre as Development Standard	38	6	8	7
Modify Fee Programs to Add Further Gradations of Unit Sizes	11	9	9	9
Add Ongoing Affordable Housing Payment Options	15	8	10	9

DEMAND-SIDE HOUSING ISSUES

Demand-side housing strategies are strategies that focus on issues related to the demand side of the housing market, including strategies to that help residents to afford housing and strategies that help residents maintain and remain in their homes. The Sunnyvale City Council identified demand-side housing issues as one of the four study areas for this Housing Strategy. This chapter provides an overview of existing conditions that affect resident's ability to access and afford housing, existing strategies to address these challenges, and the demand-side strategies that were evaluated as part of the Housing Strategy process.

Demand-Side Housing Issues Background

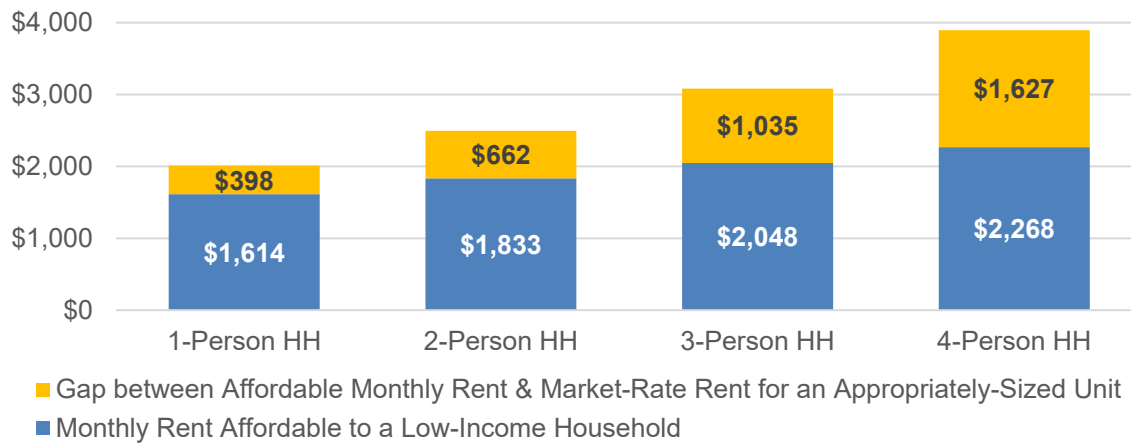
The following subsections provide an overview of the affordability of Sunnyvale's market-rate housing stock and existing programs and policies that address demand-site housing issues in Sunnyvale.

Affordability of Sunnyvale's Housing Stock

The high cost of housing in Sunnyvale presents affordability challenges for many low- and moderate-income households, consistent with the data on housing cost burden presented in the Existing Conditions chapter of this report. These trends affect both rental and for-sale housing affordability, as described below.

Rental Housing Affordability. Market-rate rents for apartments in Sunnyvale are generally higher than the rental rates that low-income households can afford. Figure 20 shows the affordable rental rate for low-income households of various sizes, assuming the affordable rent is equal to 30 percent of gross household income after accounting for any tenant-paid utility costs, based on 2018 HCD income limits for Santa Clara County. Figure 20 also shows the gap between these affordable rents and the average 2018 market-rate rent for an appropriately-sized multifamily rental unit in Sunnyvale, according to data from CoStar, assuming a unit size equal to the number of persons in the household plus one. As shown, market-rate rents exceed the affordable rent for a one-person, low-income household by \$398 per month and by wider margins for larger households. For a four-person, low-income household, the gap between the affordable rent and the market rate rent is a \$1,627 per month. The affordability gap for extremely low- or very low-income households would be larger than shown in Figure 20.

Figure 20: Affordability of Market-Rate Rental Units for Low-Income Households by Household Size, Sunnyvale, 2018



Note: Affordable rents are based on HCD income limits for low-income households of each size in Santa Clara County, assuming an affordable rent equal to 30 percent of gross household income, less utilities.

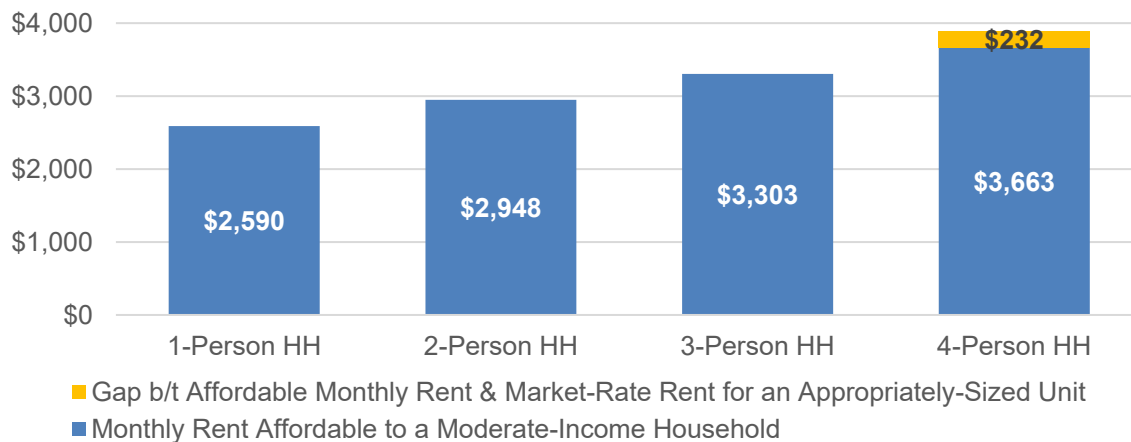
Sources: California Department of Housing and Community Development, 2018; Santa Clara County Housing Authority; CoStar, 2019; BAE, 2019.

In contrast, market-rate apartment rents in Sunnyvale are generally affordable for many moderate-income households. Figure 21 shows the affordable rental rate for moderate-income households of various sizes, assuming the affordable rent is equal to 30 percent of gross household income, after accounting for any tenant-paid utility costs, based on 2018 HCD income limits for Santa Clara County. Figure 21 also shows the gap (where applicable) between these affordable rents and the average 2018 market-rate rent for an appropriately-sized unit in Sunnyvale, according to data from CoStar, assuming a unit size equal to the number of persons in the household plus one. As shown, average market-rate rents in Sunnyvale are within the affordability range for one-person, two-person, and three-person moderate-income households in Sunnyvale. While the average market-rate rent for a three-bedroom unit exceeds the affordability threshold for a moderate-income four-person household by \$232 per month, the same household would be able to afford a two-bedroom rental unit.

However, Figure 21 may overstate the extent to which market-rate rental units in Sunnyvale are affordable to moderate-income households. In part, this is because the average market-rate rents shown in Figure 21 reflect rents among all multifamily rental units in Sunnyvale that CoStar tracks, and are therefore likely somewhat lower than the average rental rate among newer properties. As a result, there may be a shortage of existing units affordable to moderate-income households in Sunnyvale, with a lack of new market-rate housing supply in the pipeline to meet continued needs among moderate-income households. Perhaps more importantly, the affordable rental rates shown in Figure 21 are based on the rent that would be affordable to a moderate-income household with an income equal to 120 percent of AMI.

Most moderate-income households have incomes that are somewhat lower than this maximum (ranging down to just over 80 percent of AMI), and would therefore have affordability gaps that fall somewhere between those shown in Figure 20 and those shown in Figure 21.

Figure 21: Affordability of Market-Rate Rental Units for Moderate-Income Households by Household Size, Sunnyvale, 2018

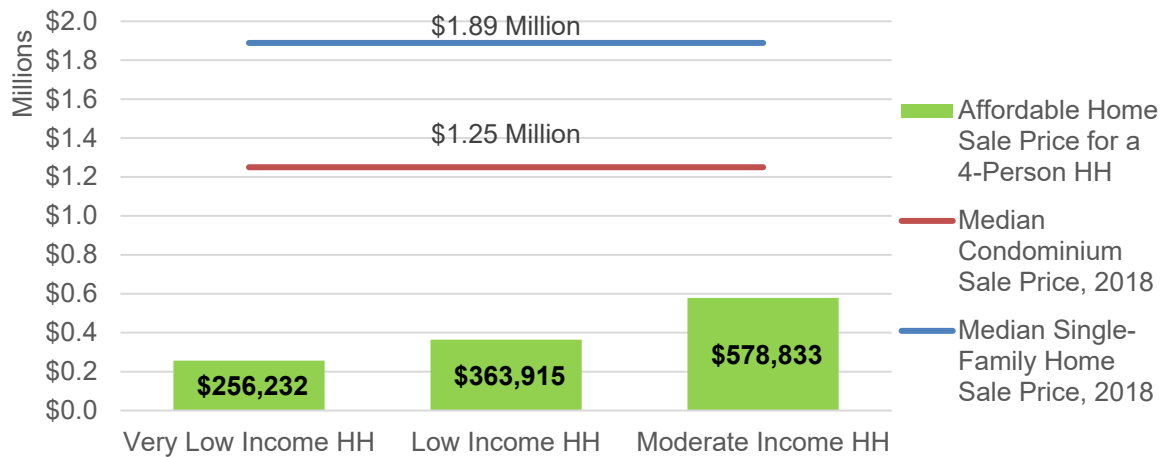


Note: Affordable rents are based on HCD income limits for moderate-income households of each size, assuming an affordable rent equal to 30 percent of gross household income, less utilities.

Sources: California Department of Housing and Community Development, 2018; Santa Clara County Housing Authority; CoStar, 2019; BAE, 2019.

For-Sale Housing Affordability. Sunnyvale's for-sale market offers few if any market-rate homes that are affordable to moderate-income households, and lower-income households face an even larger affordability gap. As shown in Figure 22, the affordable single-family home sale price for a four-person moderate-income household in Santa Clara County is approximately \$579,000, less than half of the 2018 median condominium sale price in Sunnyvale and less than one third of the 2018 median single-family home sale price in Sunnyvale. The affordability gap is substantially lower for lower-income households.

Figure 22: Affordability of For-Sale Housing for Four-Person Households by Income Level, Sunnyvale, 2018

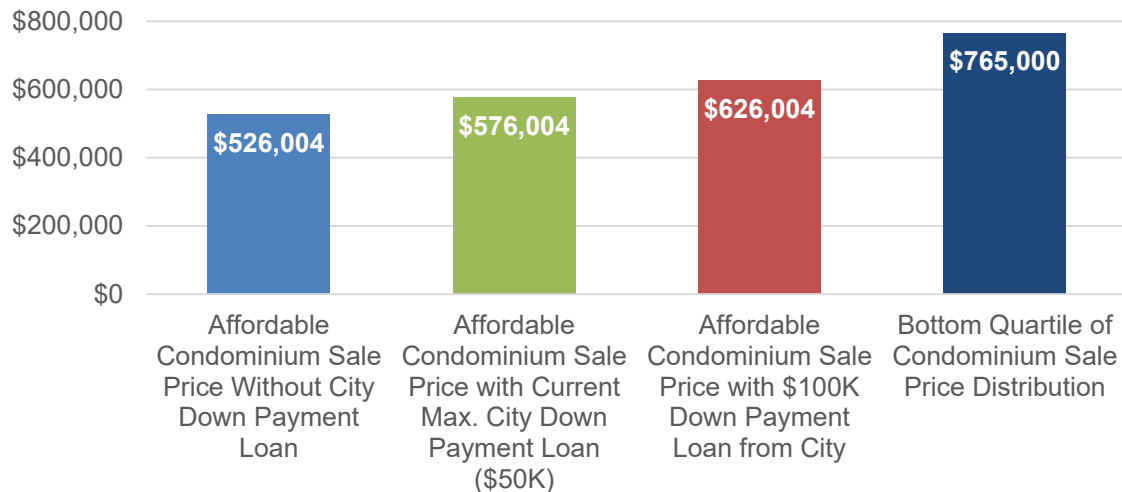


Note: Affordable home sale prices reflect the affordable home sale price for a single-family home; affordable sale prices for condominiums are slightly lower to enable HOA payments.

Sources: California Department of Housing and Community Development, 2018; Freddie Mac, California Department of Insurance; BAE, 2019.

Even with down payment assistance from the City, moderate-income households are unlikely to be able to afford most market-rate units in Sunnyvale. Figure 23 shows the affordable condominium sale price for a four-person moderate-income household in Santa Clara County with no down payment assistance, with the maximum \$50,000 down payment loan offered by the City, and with a higher \$100,000 down payment loan that would exceed the current limits of the City's down payment assistance program. Figure 23 also shows the bottom quartile of the price distribution for sales of condominiums in Sunnyvale in 2018, or the sale price that is higher than 25 percent of condominium sales and lower than the remaining 75 percent of sales. As shown, the affordable sale price in all three of these scenarios is lower than the bottom quartile of the condominium sale price distribution in Sunnyvale in 2018. This indicates that there is almost no inventory of market-rate housing in Sunnyvale that is affordable to moderate-income households, even with relatively substantial down payment assistance.

Figure 23: Affordable Home Sale Price for a Four-Person Moderate-Income Household, With and Without City Down Payment Assistance, 2018



Sources: California Department of Housing and Community Development, 2018; Freddie Mac, California Department of Insurance; ListSource, 2019; BAE, 2019.

Existing Demand-Side Housing Strategies

The City of Sunnyvale has long-standing programs and policies that help residents afford housing in Sunnyvale and stay in their current homes. These include the City's Home Improvement Program and mobile home park preservation policies, as discussed in previous chapters of this report. In addition to these programs, the City's First Time Homebuyer Program (FTHBP) provides low-interest, deferred second mortgages of up to \$50,000 to help low- and moderate-income households that live or work in Sunnyvale purchase their first home. Although most program participants purchase homes through the City's BMR Housing Program, the program also allows participants to purchase moderately-priced market rate homes. In 2019, the City provided five FTHBP loans to home buyers of BMR units.

Demand-Side Housing Considerations

This section provides an overview of some key considerations related to addressing demand-side housing issues in Sunnyvale.

Gap Between Market-Rate Housing Costs and Costs Affordable to Lower-Income Households

As demonstrated by the data presented in this report, there is a significant gap between the residential rents and sale prices that lower-income households can afford and market-rate rents and sale prices. The high cost of housing in Sunnyvale, as well as in much of the surrounding region, make it difficult for many moderate-income households to secure housing that they can afford, while lower-income households face even greater challenges. This also means that programs to help residents afford housing, such as down payment assistance,

may often be insufficient to close the affordability gap between an affordable housing cost and the market-rate housing cost.

Displacement Prevention

Cities throughout the Bay Area are increasingly considering strategies to prevent the displacement of lower- and moderate-income residents that are facing growing pressures due to high housing costs and a shortage of available units. Many of the strategies discussed in other chapters of this report would help to alleviate some of this displacement pressure for Sunnyvale households, including mobile home park residents, seniors, and residents that may be eligible for new affordable units built in Sunnyvale. This chapter includes additional strategies to mitigate some of this displacement pressure for Sunnyvale households.

Potential Demand-Side Housing Strategies

The Housing Strategy outreach process included evaluating the following strategies to enable residents to better afford and access housing in Sunnyvale.

Increase City Down Payment Loan Amount	
The City's existing down payment assistance program provides a maximum of \$50,000 per household. This strategy would increase the maximum loan that the program can provide.	
Policy Options	
If the City chooses to increase the down payment amount, a key decision will involve deciding on a new maximum loan amount.	
Arguments in Favor	Arguments Against
Increasing the loan amount could help moderate-income households afford homes with higher sale prices than these households can afford with the current limit, bringing the affordable sale price for these households closer to actual sale prices for market-rate homes in Sunnyvale.	Even a relatively large increase in the maximum loan amount might have only a limited impact on moderate-income households' ability to afford market-rate housing due to the large gap between the affordable sale price for moderate-income households and market-rate home sale prices. In addition, providing households with larger loans could reduce the total number of households that the FTHBP can serve, depending on available funding.

Increase Loan Amounts/Modify Terms for Home Improvement Program	
This strategy would involve modifying the terms for the home improvement program, such as increasing the loan amount or making the repayment terms more flexible, with the goal of enabling the program to serve a wider range of households.	
Arguments in Favor	Arguments Against
Modifying loan terms could make the program available to more households.	Providing larger loans and/or more flexible terms could reduce the total number of households that the Home Improvement Program can serve, depending on available funding.

Adopt a Right to Lease Ordinance	
Right to lease ordinances require that landlords offer renters a lease, providing renters with stability and predictability of costs during the term of their lease. Council established this topic as a 2019 Study Issue.	
Policy Options	
Required Lease Term	
Right to lease ordinances typically specify a minimum lease term that landlords must offer to their tenants, such a six-month or a one-year lease term.	
Arguments in Favor	Arguments Against
Right to lease ordinances ensure that tenants are informed in writing of their rights and responsibilities as a tenant. Furthermore, leases provide tenants with a written agreement regarding their rental rate, including information on when their current monthly rent may be subject to an increase. A right to lease ordinance would therefore mitigate the potential for unpredictable rent increases and provide other rights to renters	Implementation and enforcement of a right to lease ordinance would require City staff resources.

Adopt a Relocation Assistance Requirement

Relocation assistance requirements require that landlords provide financial assistance to tenants who are being displaced from rental units due to factors such as lease termination, unaffordable rent increases, or demolition of rental properties.

Policy Options

Situations that Require Relocation Assistance

A relocation assistance ordinance would define the situations in which a property owner would be required to provide tenants with relocation assistance.

Amount of Relocation Payment

Relocation assistance requirements can require property developers to make a flat payment or cover actual relocation costs and rent increases over a set period.

Arguments in Favor

Relocation assistance requirements create a disincentive for property owners to take actions that lead to tenant displacement and provide displaced renters with resources to find new housing.

Arguments Against

These requirements could create a financial and administrative burden for some owners of rental properties. In addition, creating a relocation assistance program would require an initial dedication of City staff time to develop a new ordinance and ongoing City staff time to conduct enforcement activities.

Establish a Safe RV Parking Program

With increasing homelessness, some households are living in RVs, which can create safety and neighborhood problems if there are no appropriate places to park RVs. In some cases, individuals and households living in RVs are penalized with parking fines or by having their vehicle towed, which can exacerbate the financial and other challenges that these households are already facing. Some cities have sought to address these issues by establishing safe RV parking programs that designate an area within the city where RVs can park safely and legally. These sites often include services such as electricity, water, trash pick-up, security, portable toilets, and mobile showers. Safe RV parking programs may also have eligibility criteria, such as requiring that RVs parked at the site are operational and have valid registrations and that participants in the program enroll in on-site case management.

Policy Options

Entity to Implement Program

Many cities that have safe RV parking programs partner with a non-profit agency to implement the program with City financial support and oversight.

Site Selection

Implementing a safe RV parking program requires identifying an appropriate site for the program, which may be on land owned by a non-profit entity that implements the program.

Arguments in Favor

This strategy would provide a safe area for households living in RVs to park legally, while reducing illegal RV parking in areas outside of safe RV zones.

Arguments Against

Community members that live, work, or spend time near a safe RV parking zone may oppose this strategy. Furthermore, safe RV programs are relatively costly to operate, and the City does not currently have an identified funding source to cover these costs.

Community Input on Demand-Side Housing Strategies

Table 9 below shows the priority ranking for each of the demand-side housing strategies, based on input received during the Farmers' Market Pop-Up on November 16, 2019, the November 21st, 2019 Open House on Strategy Prioritization, and the Community-Wide Survey that the City conducted during December 2019 and January 2020. As shown, the Community-Wide Survey ranked a safe RV parking program as the highest priority strategy, followed by a right to lease ordinance and a tenant relocation assistance requirement. Input received during the Pop-Up Event and Prioritization Open House ranked a right to lease ordinance as the highest priority, followed closely by increasing the City down payment loan amount, adopting a relocation assistance requirement, and a safe RV parking program.

Table 9: Demand-Side Housing Strategy Priority Ranking from Community Engagement Process

Potential Strategy	Total Points, Farmers' Market Pop-Up and Prioritization Open House on Nov. 21 st	Rankings		
		Farmers' Market Pop-Up and Prioritization Open House on Nov. 21 st	Community- Wide Survey	Average
Increase City Down Payment Loan Amount	37	2	5	3.5
Increase Loan Amounts/Modify Terms for Home Improvement Program	19	5	4	4.5
Adopt a Right to Lease Ordinance	41	1	2	1.5
Adopt a Relocation Assistance Requirement	35	3	3	3
Establish a Safe RV Parking Program	33	4	1	2.5

RECOMMENDED STRATEGY PRIORITIZATION

This chapter presents the policy recommendations from the Housing Strategy process, which are summarized in Table 10 below. As shown in the table, the Housing Strategy process resulted in 13 recommended policies, including policies that address each of the four Housing Strategy study issues initially identified by the City Council.

Policy Selection Methodology

The policy recommendations are based primarily on the input provided by individuals that provided their priority rankings on each policy during the Farmers' Market Pop-Up Event, the Open House on Community Priorities, Community-Wide Survey and Council Study Session. In most cases, the policies that were highly-ranked during the Farmers' Market Pop-Up and Open House aligned fairly closely with those that were highly-ranked on the Community-Wide survey. To the extent that the priority rankings diverged, the results of the survey were weighted slightly more heavily because the survey received more responses. Other factors that affected whether specific policies were included on the list of recommended policies are noted below.

Selection of Age-Friendly Housing Policies

The recommendations include three policies related to age-friendly housing. Among the four age-friendly housing strategies evaluated in the Housing Strategy process, priority rankings from the Pop-Up Event and Open House identified the same top three strategies as the top three rankings from the Community-Wide survey. As a result, these three strategies are recommended in Table 10 below.

Selection of Supply-Side Policies

The evaluation of supply-side policies included more policies than were evaluated for the other three Housing Strategy issues, and therefore the recommendations in Table 10 include five supply-side policies. Four of the five recommended supply-side policies are those that were ranked most highly on the Community-Wide Survey, which were: 1) increasing the ownership inclusionary percentage, 2) promoting ADUs, 3) encouraging missing middle housing, and 4) up-zoning to increase residential development. These four policies were also among the top five priorities identified in the Pop-Up Event and Open House. However, the recommended policies do not include utilizing surplus or under-utilized public property, despite the fact that this policy was tied for third in the priority rankings from the Pop-Up Event and Open House. This policy was omitted from the recommendations in part because it received a relatively low ranking on the Community-Wide Survey. More importantly, the City of Sunnyvale does not currently own any surplus sites and has an existing policy stating that applicants proposing affordable housing will be offered right of first refusal on any sites that are identified as surplus in the future. As a result, it is unlikely that this policy would have a material impact on whether affordable housing is built on sites that the City controls. Furthermore, actions that the City would take to facilitate housing production on sites owned by other public agencies or

on underutilized City-owned sites may be largely duplicative of activities that will occur regardless, due to AB 1486, which requires identification of all public land that can be made available for housing development.

In addition, the recommended supply-side policies include de-emphasizing dwelling units per acre as a development standard as a fifth policy. While this policy was not prioritized during the public engagement process, multiple members of the Sunnyvale City Council expressed support for this policy during a study session on the housing strategy on February 4, 2020.

Selection of Demand-Side Policies

The recommendations include three policies to address to demand-side housing issues. The three recommended policies were those that were ranked mostly highly in the Community-Wide Survey. These policies were also among the top four demand-side priorities identified in the Pop-Up Event and Open House. However, although the second-highest priority identified in the Pop-Up Event and Open House was the policy that would increase to the City's maximum down payment assistance loan, this was not included as a recommended policy in Table 10. This policy was omitted from the recommendations in part because it received a relatively low ranking on the Community-Wide Survey. Additionally, as discussed in the demand-side chapter of this report, even a relatively large increase in the maximum down payment amount could have little to no impact on moderate-income homebuyers' ability to afford market-rate homes due to the large gap between market-rate sale prices and the sale price affordable to a moderate-income household.

Selection of Mobile Home Park Policies

To a greater degree than the policies related to the three other Housing Strategy issues, three of the four potential mobile home park policies – mobile home space rent stabilization, rent mediation, and an MOU or accord – are closely linked to one another. Adoption of one of these three policies would have a direct effect on the manner in which the City could potentially implement one of the other policies. Out of these three policies, input received during the Pop-Up Event, Open House, and Community-Wide Survey strongly ranked rent stabilization as the preferred option, while an MOU or accord was the second most highly rated policy along with a safety net program. Support was generally low for a space rent mediation program. Consequently, the recommendations shown in Table 10 include rent stabilization and an MOU/accord as the two recommended policy options for mobile home parks to enable City Council to consider both options and direct City staff to move forward on one of these options. During the City Council study session on February 4th, multiple members of the City Council expressed an interest in pursuing the MOU or accord policy with a fixed time frame to establish an agreement and an option to consider mobile home space rent control if an agreement is not reached during the designated time frame. Staff has since updated its recommendation to reflect that which includes ranking the MOU as Tier 1 and Rent Stabilization Ordinance as Tier 3. This recommendation also includes a one-year timeframe be placed on implementation of the MOU/Accord. Within six months of adoption of the Housing

Strategy, Staff will return to Council with an update on the progress. If the Park Owners of the Sunnyvale Mobile Home Parks are not actively participating in the MOU or if initial terms have not been identified by this six month mark, Council may direct staff to engage work on the Rent Stabilization Ordinance and end the MOU negotiations. This will encourage MHP park owners to be actively involved in the MOU process, which may be of greater benefit to them, and provide more opportunity for their input, as opposed to a Rent Stabilization Ordinance.

The fourth mobile home park policy evaluated in the Housing Strategy process would implement a safety net program for mobile home park residents, which would necessarily preclude any of the other three options. If the City moves forward with an MOU or accord, it would be possible to include provisions for a safety net program in the agreement.

Implementation Priority Rankings

Table 10 also includes a priority ranking for each of the recommended policy options other than those related to mobile home parks, based on a three-tiered system. Policies in Tier 1 are those that are either currently underway or recommended as a priority for 2020 or 2021, while policies in Tier 2 are recommended as a priority for 2021 or 2022. Policies in Tier 3 were identified as lower priority policies, and the timing for implementation of these policies would be assessed once the City has implemented some of the higher-priority policies and also would be subject to identification of necessary funding. The City can continue to evaluate timing and implementation of Tier 3 policies over time through the Sunnyvale City Council study issue process.

The tier ranking for each recommended policy was based on several factors. These factors included the strength of community support for each policy, based on findings from the public engagement process. In addition, the tier rankings were informed by a qualitative assessment of the level of new funding needed to implement the policy, the level of new City staff resources needed to implement the policy, and whether the policy would require a change to any City ordinances, all shown in Table 10. Each recommended policy has a “high,” “medium,” or “low” ranking for both the level of new funding and the level of new staff resources, which are based on both the up-front and ongoing needs associated with implementing each policy. Finally, the tier rankings were informed by the relative benefits and drawbacks of each strategy, as discussed in more detail in the preceding chapters of this report.

Table 10: Summary of Tier Recommendations and Implementation Requirements

		Implementation Requirements				
		New Funding Needs	Ordinance or Policy Change	New Staff Resources	Staff's Tier Recommendation	Notes
1	Age-Friendly Housing Policy Options					
a	Protect At-Risk Affordable Senior Housing Projects and/or Preserve MHPs	High	No	High	3	Could combine portions with 4a.
b	Promote New Age-Friendly Housing	High	No	Medium	2	
c	Adapt Homes to Age in Place	Medium	No	Low	3	
2	Supply-Side Housing Policy Options					
a	Increase Ownership Inclusionary Percentage	Low	Yes	Low	1	
b	Promote ADUs	Low	No	Low	1	Underway
c	Modify Programs and/or Policies to Encourage Missing Middle Housing	High	Yes	Low	3	
d	Up-Zone Land to Facilitate Increase Res Development	Low	Yes	Low	1	Underway
e	De-Emphasize Dwelling Units per Acre as a Development Standard	Low	Yes	Medium	3	Could combine with 2d
3	Demand-Side Housing Policy Options					
a	Adopt a Right to Lease Ordinance	Medium	Yes	Medium	2	Could combine with 3b
b	Adopt a Tenant Protection/Relocation Assistance Requirement	Medium	Yes	High	1	Could combine with 3a
c	Establish a Safe RV Parking Program	High	Yes	High	3	
4	Mobile Home Park Policy Options					
a	Mobile Home Space Rent Stabilization	High	Yes	High	3*	*Staff is recommending a one year timeframe to implement the MOU. A six month check with Council will inform how much progress has been made. If any Park Owners fail to comply or participate by that time, the Council can choose to end the MOU and immediately begin on the Rent Stabilization Ordinance.
b	Memorandum of Understanding/Accord	Medium	No	Low	1*	

New Funding Needs:

Low - limited one-time and ongoing costs
Medium - high one-time costs or significant ongoing costs
High - significant ongoing costs

New Staff Resources:

Low - limited up-front and ongoing staffing increases
Medium - high up-front or significant ongoing staff increases
High - significant up front and ongoing staff increases

Tiered Implementation:

1 = Currently under way or priority in 2020-21
2 = Priority in 2021-2022
3 = Timeframe to be Assessed

Policy Goals

This section provides goals for the Tier 1 and 2 policies shown in Table 10. This report does not include goals for Tier 3 policies because the timing of implementation and availability of funding for Tier 3 policies is uncertain as of the writing of this report. Due to these unknowns, it is not possible to reasonably assess the goals that these policies might be able to achieve. Also, please note that due to COVID, staff has pushed some Tier 1 strategies back to Fall 2021, ensuring there is ample time to include virtual outreach and obtain consultants as needed.

The goals for each policy (shown in Table 11 below) are based on achieving outcomes over which the City has a relatively high level of control through its policymaking process. Accordingly, the policy goals do not include achievements related to the broad overarching objectives of the Housing Strategy, such as reducing housing cost burdens for Sunnyvale households, preventing homelessness through affordable housing production, and preventing the displacement of current residents. While the policies recommended in this report are anticipated to assist the City to addressing these broad objectives, implementation of these policies will not occur in a vacuum. Consequently, other changes in the housing market and overall economy could potentially offset the gains achieved by implementing the recommended policies. In this case, it is possible that metrics related to achieving these broader objectives will show no change or worsening conditions, even if the City's policies have had the effect of improving outcomes compared to the conditions that would have occurred if the City had not implemented the policies. The policy goals shown in Table 11 therefore focus on adopting policies and producing units within defined timeframes.

Table 11: Goals for Recommended Tier 1 and 2 Policies

		Staff's Tier Recommendation	Policy Goal
1	Age-Friendly Housing Policy Options		
b	Promote New Age-Friendly Housing	2	15% of new or renovated units (10% ADA plus an additional 5% age friendly) to meet age friendly housing criteria within the next 5 years.
2	Supply-Side Housing Policy Options		
a	Increase Ownership Inclusionary Percentage	1	Council consideration of amended ordinance for adoption by Fall 2021
b	Promote ADUs	1	200 new ADUs within the next 5 years
d	Up-Zone Land to Facilitate Increase Res Development	1	Complete enough rezonings to accommodate the City's 6th cycle RHNA (estimated at 12,000) before adoption of the next Housing Element
3	Demand-Side Housing Policy Options		
a	Adopt a Right to Lease Ordinance	2	Council consideration of ordinance by June 2022
b	Adopt a Tenant Protection/Relocation Assistance Requirement	1	Council consideration of ordinance by Fall 2021
4	Mobile Home Park Policy Options		
b	Memorandum of Understanding/Accord	1	*Staff is recommending a one year timeframe to implement the MOU. A six month check with Council will inform how much progress has been made. If any Park Owners fail to comply or participate by that time, the Council can choose to end the MOU and immediately begin on the Rent Stabilization Ordinance.

Housing Strategy- Draft Tier Recommendations and Implementation Requirements

		Implementation Requirements				
		New Funding Needs	Ordinance or Policy Change	New Staff Resources	Staff's Tier Recommendation	Notes
1	Age-Friendly Housing Policy Options					
a	Protect At-Risk Affordable Senior Housing Projects and/or Preserve MHPs	High	No	High	3	Could combine portions with 4a.
b	Promote New Age-Friendly Housing	High	No	Medium	2	
c	Adapt Homes to Age in Place	Medium	No	Low	3	
2	Supply-Side Housing Policy Options					
a	Increase Ownership Inclusionary Percentage	Low	Yes	Low	1	
b	Promote ADUs	Low	No	Low	1	Underway
c	Modify Programs and/or Policies to Encourage Missing Middle Housing	High	Yes	Low	3	
d	Up-Zone Land to Facilitate Increase Res Development	Low	Yes	Low	1	Underway
e	De-Emphasize Dwelling Units per Acre as a Development Standard	Low	Yes	Medium	3	Could combine with 2d
3	Demand-Side Housing Policy Options					
a	Adopt a Right to Lease Ordinance	Medium	Yes	Medium	2	Could combine with 3b
b	Adopt a Tenant Protection/Relocation Assistance Requirement	Medium	Yes	High	1	Could combine with 3a
c	Establish a Safe RV Parking Program	High	Yes	High	3	
4	Mobile Home Park Policy Options					
a	Mobile Home Space Rent Stabilization	High	Yes	High	3*	<p>*Staff is recommending a one year timeframe to implement the MOU. A six month check with Council will inform how much progress has been made. If any Park Owners fail to comply or participate by that time, the Council can choose to end the MOU and immediately begin on the Rent Stabilization Ordinance.</p> <p>Per AB 2782, long term rental agreements entered into on or after 2/13/20 will be subject to either 4a or 4b.</p>
b	Memorandum of Understanding/Accord	Medium	No	Low	1*	

New Funding Needs:

Low - limited one-time and ongoing costs
Medium - high one-time costs or significant ongoing costs
High - significant ongoing costs

New Staff Resources:

Low - limited up-front and ongoing staffing increases
Medium - high up-front or significant ongoing staff increases
High - significant ongoing staff increases

Tiered Implementation:

1 = Currently under way or priority in 2020-21
2 = Priority in 2021-2022
3 = Timeframe to be Assessed



City of Sunnyvale

Agenda Item

17-0219

Agenda Date: 2/17/2017

2017 COUNCIL STUDY ISSUE

NUMBER

CDD 17-09

TITLE 2017 Housing Strategy

BACKGROUND

Lead Department: Community Development

Support Department(s): Office of the City Attorney, Office of the City Manager

Sponsor(s):

City Manager

History:

1 year ago: N/A

2 years ago: N/A

SCOPE OF THE STUDY

What are the key elements of the study?

This study issue is offered as an alternative to the housing related studies that have been proposed:

- CDD 17-03 Rent Stabilization for Mobile Home Parks
- CDD 17-05 Consider Revising Certain Requirements of the Sunnyvale Municipal Code Chapter 19.72: Mobile Home Park Conversions
- CDD 17-06 Explore Introduction of a Rent Stabilization Ordinance

As discussed during the Strategic Policy Priority setting process, City staff relayed that the larger message taken from the collection of submitted housing study issues is that there is a desire to make sure that the City's housing policies, particularly for affordable housing, were appropriately meeting the needs of the community and goals of the City Council. Rather than absorbing a collection of issues to examine, it may be that these individual study issues combined will not fully address the housing needs of the community and staff would like the opportunity for the City Council to consider a more comprehensive approach that exceeds the topics submitted (and, in some cases, may integrate them fully) as it manages limited staff resources.

Plus, there is the following potential study issue, as previously sponsored by the Planning Commission and later voted to drop:

- CDD 17-07 Review and Consider Increasing the Below Market Rate (BMR) Ownership Housing Requirements (Chapter 19.67 of the Municipal Code)

As an alternative, staff feels that the City's sponsored Study Issue would complement several other

17-0219

Agenda Date: 2/17/2017

planned activities for the Housing Division in 2017.

- Legislative Advocacy: Monitoring (and advocating on the City's behalf, as needed) federal and state housing policy changes, including matters related to funding, key federal program regulations, and new legislation (mainly at the state level). State legislation already in process or expected to appear includes a variety of topics important to the City, such as: clean-up bills related to 2016 accessory dwelling unit bills; bills proposing to significantly change local permit processes ("by-right" bills) and/or the CEQA process related to housing development, and bills related to local jurisdictions' performance under current housing laws, such as the housing element law and various related laws. By the end of January 2017 there were at least seven new housing-related bills in various stages of preparation, at the state legislature. Various changes in federal housing policy, federal rule-making, and funding availability have either begun to occur or are expected to occur within the fiscal year, particularly during the federal appropriations process for the next federal fiscal year. Some federal policy makers have already suggested significant cuts to federal programs, even complete elimination of the Community Development Block Grant (CDBG) under which the City receives approximately \$1 million in grant funds annually
- Major Capital Projects: (new or rehabilitated housing developments completed with City financing and oversight). Staff is currently managing several major affordable housing development projects at various stages in the pipeline, including two new construction projects (Benner Plaza and the Block 15 affordable housing site in Downtown) and several rehabilitation projects (Eight Trees, Crescent Terrace, Orchard Gardens). In addition, many older properties previously assisted by the City have reached a phase where time-consuming compliance and asset management activities are required, such as updating and modifying existing agreements to allow for the exit of limited investor partners, revisiting loan terms, etc.
- Housing Element Policy Objectives: The adopted 2015-2023 Housing Element includes several actions requiring further study that are supposed to be completed within the next year or two. These include: a study of options to expand areas where accessory dwelling units (ADUs) can be developed, primarily by lowering the minimum lot size requirement; a study of options for requiring landlords to provide relocation assistance for tenants of standard rental units (apartments, etc.) when those units are removed from the market through redevelopment or substantial rehabilitation requiring temporary or permanent relocation; a study of possible incentive programs or policies for Priority Development Areas to encourage development of more affordable units; and a study of funding policies and priorities for the City's current housing mitigation fee revenues
- Development Review (Housing Related): There are several major developments already entitled or in the application phase that will require significant amount of time from the Housing and legal staff this year; completing the project's Below Market Rate, Density Bonus, and/or fee-related agreements, due to the variety of options developers can pursue in complying with the City's BMR and/or fee requirements. These projects include the AMD site redevelopment, Butcher's Corner, Town Center, and several density bonus rental projects (Sobrato on Karlstad and Greystar on Kifer, among others). In addition, the large number of affordable units currently in the pipeline (~500) will require significant work by Housing staff in assisting developers to market and lease or sell these units, as applicable, such as through lotteries, waiting lists, or general marketing efforts. Development review efforts also include oversight of proposed and/or approved mobile home park conversions and/or subdivisions of various kinds, and any tenant relocation efforts in process. In addition, properties with expiring affordable units, such as the recent Grove Garden project and upcoming expirations in BMR

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rental projects, require significant staff effort to assist tenants in finding other housing.

Staff has proposed this study to undertake a more comprehensive look at the City's current market conditions, current policies, programs, planned studies, proposed studies, and existing pipeline of affordable units, in the context of external forces that impact the City's housing stock, including federal, state, and private sector actions. The intended outcome of this study would be a comprehensive strategy that would offer the City guidance in using its limited funding and staffing resources in the most effective way to positively impact current local housing conditions for local residents and workers, focusing on issues such as affordability, accessibility, quality, and sustainability (both in the financial and environmental sense). The study could also propose changes in the City's existing practices that promote the Council's desired goals.

Additional ideas that may be analyzed as part of this study could include any of those on the list below, which were presented at the City Council strategic planning sessions in 2017.

Supply-side (producer) approaches

- Relax development standards to reduce development costs
- Further streamline development review process / Expand by-right zoning (state may impose on cities anyway)
- More generous project funding/underwriting standards*
- Develop Land Acquisition Assistance Program*
- Condo conversion ordinance update*

Demand-side (consumer) approaches

- Expand down payment & renter assistance programs
- Expand current programs to new income levels (e.g., above 120% AMI)
- Increase Education Programs (financial literacy, homebuyer education, tenant education)*
- BMR expansion (related to proposed Study Issue: CDD-17-07)
- Rent stabilization (related to other proposed Study Issues: CDD 17-03 and CDD 17-06)
- Other mobile home related items (related to proposed Study Issue: CDD 17-05)

*Staff has preliminarily identified these strategies as being the most impactful for Sunnyvale.

What precipitated this study?

There is growing concern about the affordability and availability of housing in Sunnyvale and the region. There are several other proposed study issues focused on specific concerns or solutions; this study is proposed as a more holistic examination of the overall local housing context, to analyze which strategies could be implemented by the City most effectively and to assist the largest number of local residents and/or housing seekers. These strategies could consist of modifications/enhancements to existing housing programs, integration of proposed study issues, introduction of new programs, changes to City policies or regulations, or other strategies.

Planned Completion Year: 2017/2018

17-0219

Agenda Date: 2/17/2017

FISCAL IMPACT

Cost to Conduct Study

Level of staff effort required (opportunity cost): Major

Amount of funding above current budget required: \$ 200,000

Funding Source: Will seek budget supplement

Explanation of Cost:

There is minimal capacity in the Community Development Department for housing-related studies this year due to the large number of affordable housing development projects, policy projects, development review-related workload, legislative advocacy and general operational workload currently impacting staff, as described above. The funding would be used to hire one or more specialized consultants with expertise in these areas, such as an economic/financial firm and housing policy/programs firm, as well as short-term provisional or contract staff to manage the consultant contracts, plan and manage public outreach efforts, and respond to public inquiries related to the study. The work of the staff and consultants would be overseen by the Housing Officer.

Cost to Implement Study Results

Unknown. Study would include assessment of potential costs.

Explanation of Cost: The study will include an assessment of existing revenue sources for housing programs and projects, and whether changes in how the various housing activities are administered and/or current City codes or policies could be modified to reduce project or program costs.

EXPECTED PARTICIPATION IN THE PROCESS

Council-approved work plan: Yes

Council Study Session: Yes

Reviewed by Boards/Commissions: Housing and Human Services; possibly Planning Commission if changes to zoning regulations are proposed.

STAFF RECOMMENDATION

Position: Support

Explanation: The study is recommended as an alternative to the other housing-related study issues proposed for 2017 to provide a more comprehensive review of options for improving the production and availability of affordable housing and addressing other areas of public concern related to housing.

Prepared By: Suzanne Ise, Housing Officer

Reviewed By: Trudi Ryan, Director, Community Development

Reviewed By: Kent Steffens, Assistant City Manager

Approved By: Deanna J. Santana, City Manager

EXISTING POLICY
Detailed list of Policies Relevant to Housing Strategy

GENERAL PLAN Chapter 2 – Community Vision

Excerpt from Vision:

A strong, diverse community ... that is inclusive of and accessible to people of all cultures, ages, and lifestyles. Neighborhood and citywide events regularly provide residents with opportunities to connect with each other and to actively participate in city government. Sunnyvale offers a variety of housing options for its diverse and changing population.

Citywide Vision Goals

VI. Affordable Housing Options: To provide a variety of housing options by style, size, density and tenure, so all segments of the population may find appropriate high-quality housing in Sunnyvale that is affordable to them. The City of Sunnyvale does not build housing, but through its land use regulations it can influence and control the type and quality of housing that is developed. Sunnyvale cannot have a major impact on the regional housing market which drives the high cost of housing, but it can take steps to provide and protect affordable housing within its boundaries. The City has historically lead the way in affordable housing and will continue to do so in the future.

XIV. Caring Community: To provide support for those in the community who are not able to fully support themselves, so all residents may enjoy the City's high quality of life. Sunnyvale is fortunate that most residents are physically, mentally and financially able to support themselves. A caring community provides support for those among them who are not fully self-supporting. Although responsibility for health and welfare programs rests primarily with the county, state and federal governments, Sunnyvale can play a role to ensure that its residents have access to those services, to support local nonprofit agencies which fill gaps in those services, to provide facilities in targeted areas of need for delivery of those services (such as the Columbia Neighborhood Center), and to promote housing which is affordable to low-income households, the elderly and those with special physical or mental needs.

GENERAL PLAN Chapter 3 - Land Use and Transportation (LT)

GOAL LT-7 DIVERSE HOUSING OPPORTUNITIES - Ensure the availability of ownership and rental housing options with a variety of dwelling types, sizes, and densities that contribute positively to the surrounding area and the health of the community.

- **Policy LT-7.1** In addition to more traditional forms of housing (single-family detached, townhouses, garden apartments, and shared corridor multi-family housing), support alternative housing types including co-housing, single-room occupancy units, live/work spaces, transitional housing, assisted living, and other types that may become necessary and appropriate to serve a changing population.

- **Policy LT-7.2** Determine the appropriate residential density for a site by evaluating the site planning opportunities and proximity of services (such as transportation, open space, jobs, and supporting commercial and public uses).
- **Policy LT-7.3** Encourage the development of housing options with the goal that the majority of housing is owner-occupied.
- **Policy LT-7.4** Promote new mixed-use development and allow higher-residential density zoning districts (medium and higher) primarily in Village Centers, El Camino Real nodes, and future industrial-to-residential areas.
- **Policy LT-7.5** Consider the impacts of all land use decisions on housing affordability and on the housing needs of special needs groups within Sunnyvale.

GENERAL PLAN Chapter 4 - Housing Element (HE)

GOAL HE-1 ADEQUATE HOUSING - Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

- **Policy HE-1.1** Encourage diversity in the type, size, price and tenure of residential development in Sunnyvale, including single-family homes, townhomes, apartments, mixed-use housing, transit-oriented development and live-work housing.
- **Policy HE-1.2** Facilitate the development of affordable housing through regulatory incentives and concessions, and/or financial assistance.
- **Policy HE-1.3** Utilize the Below Market Rate (BMR) Housing requirements as a tool to integrate affordable units within market rate developments, and increase the availability of affordable housing throughout the community.
- **Policy HE-1.4** Continue to require office and industrial development to mitigate the demand for affordable housing.
- **Policy HE-1.5** Work with Sunnyvale's major employers, educational and health care institutions to facilitate and encourage the development of workforce housing. Promote the City's affordable housing programs with local employers.
- **Policy HE-1.6** Provide first time homebuyer assistance to low and moderate income households, with priority to buyers who currently work and/or live in Sunnyvale.
- **Policy HE-1.7** Support collaborative partnerships with non-profit organizations, affordable housing builders, and for-profit developers to gain greater access to various sources of affordable housing funds.

GOAL HE-2 ENHANCED HOUSING CONDITIONS AND AFFORDABILITY - Maintain and enhance the conditions and affordability of existing housing in Sunnyvale.

- **Policy HE-2.1** Encourage property owners to maintain rental and ownership units in sound condition through the neighborhood preservation and rehabilitation programs
- **Policy HE-2.3** Provide community outreach and comprehensive neighborhood improvement programs within Sunnyvale's Neighborhood Enhancement areas to improve housing conditions and the overall quality of life.

- **Policy HE-2.3** Strengthen multi-family neighborhoods through partnership with non-profit housing organizations in the acquisition and rehabilitation of older residential properties and maintenance as long term affordable housing.
- **Policy HE-2.4** Work with property owners, tenants and non-profit purchasers to facilitate the preservation of publicly-assisted rental housing to maintain affordability to lower income households.
- **Policy HE-2.5** Support the provision of rental assistance by the Santa Clara County Housing Authority to lower income households.
- **Policy HE-2.6** Preserve Sunnyvale's mobile home parks as an affordable housing option. Maintain at least 400 acres of mobile home park zoning.
- **Policy HE-2.7** Regulate the conversion of rental apartments to condominium ownership, and only permit conversions when the citywide vacancy rate for rental units warrants, and a benefit to the overall housing supply can be shown.

GOAL HE-3 MINIMIZED GOVERNMENTAL CONSTRAINTS ON HOUSING - Minimize the impact of governmental constraints on the maintenance, improvement and development of housing.

- **Policy HE-3.1** Monitor 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.
- **Policy HE-3.2** Revise the City's Zoning Code to clarify provisions for supportive and transitional housing, and emergency shelters.
- **Policy HE-3.3** Establish reduced parking standards for special needs housing, and housing in close proximity to public transit.

GOAL HE-4 ADEQUATE HOUSING SITES - 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 HE-4.1** Provide site opportunities for development of housing that responds to diverse community needs in terms of density, tenure type, location and cost.
- **Policy HE-4.2** Continue to direct new residential development into specific plan areas, near transit, and close to employment and activity centers.
- **Policy HE-4.3** Require new development to build to at least 75 percent of the maximum zoning density, unless an exception is granted by the City Council.
- **Policy HE-4.4** Assist residential developers in identifying sites through dissemination of the sites inventory, and assist in consolidation of parcels with Redevelopment Project Areas.
- **Policy HE-4.5** Provide opportunities and incentives for mixed use, multi-family infill, and transit-oriented development in Downtown Sunnyvale as part of the City's overall revitalization strategy for the area.
- **Policy HE-4.6** Provide expanded areas for higher density housing through the conversion of underutilized industrial areas to residential use, if the sites are fit for residential uses (i.e. no health hazards exist).

- **Policy HE-4.7** Take advantage of existing infrastructure and public improvements to provide additional housing by allowing accessory living units within residential neighborhoods

GOAL HE-5 EQUAL HOUSING OPPORTUNITIES - Promote equal housing opportunities for all residents, including Sunnyvale's special needs populations, so that residents can reside in the housing of their choice. (*Housing Goal E/ Adopted in 2009*)

- **Policy HE-5.1** Support the provision of fair housing services and tenant/landlord mediation to residents.
- **Policy HE-5.2** Implement City ordinances regarding prohibition of discrimination in housing.
- **Policy HE-5.3** Continue to address the special housing needs of seniors through provision of affordable housing, and housing-related services, such as home rehabilitation programs, paint grants, and maintenance, shared housing match, and housing counseling (i.e. reverse mortgage counseling, etc.) and various referral services.
- **Policy HE-5.4** Continue to address the special needs of persons with disabilities through provision of supportive housing, accessibility grants, and development of procedures for reasonable accommodation.
- **Policy HE-5.5** Encourage the provision and distribution of residential care facilities throughout the community.
- **Policy HE-5.6** Participate in the County Collaborative on Affordable Housing and Homeless Issues to provide a continuum of care of services and facilities for the homeless. Facilitate and sponsor the provision of housing for homeless people if the Onizuka base conversion plan is approved by the federal agencies. Support local service providers that offer facilities and support services to homeless individuals and families, and persons at risk of homelessness.

GOAL HE-6 SUSTAINABLE NEIGHBORHOODS - Maintain sustainable neighborhoods with quality housing, infrastructure and open space that fosters neighborhood character and the health of residents.

- **Policy HE-6.1** Continue efforts to balance the need for additional housing with other community values, including preserving the character of established neighborhoods, high quality design, and promoting a sense of identify in each neighborhood.
- **Policy HE-6.2** Promote neighborhood vitality by providing adequate community facilities, infrastructure, landscaping and open space, parking, and public health and safety within new and existing neighborhoods.
- **Policy HE-6.3** Continue a high quality of maintenance for public streets, rights-of-way, and recreational areas, and provide safe pedestrian, bike, and transit linkages (accessibility) between jobs, residences, transportation hubs, and goods and services.
- **Policy HE-6.4** Continue to implement a citizen-oriented, proactive education program regarding neighborhood preservation. Encourage resident involvement in identifying and addressing neighborhood needs in partnership with the City.

- **Policy HE-6.5** Promote the preservation of historically and architecturally significant buildings and neighborhoods through land use, design and housing policies.
- **Policy HE-6.6** Encourage use of sustainable and green building design in new and existing housing.
- **Policy HE-6.7** Continue to permit and encourage a mix of residential and job-producing land uses, as long as there is neighborhood compatibility and no unavoidable environmental impacts.

Policy 2.3.2 Housing Incentive Fund

POLICY PURPOSE:

The purpose of the Housing Incentive Fund is to implement specific housing policies of the Housing and Community Revitalization Sub-element of the City's General Plan by providing a funding source to defray construction costs and make possible the rehabilitation and new development of housing affordable to low income persons.

POLICY STATEMENT:

It is the policy of the City of Sunnyvale to utilize monies received as Housing Mitigation Fees as a Housing Incentive Fund. The Housing Incentive Fund shall be available to all developers proposing to construct, preserve affordability or rehabilitate rental housing within the City of Sunnyvale which is primarily occupied by persons earning 80% or less of the county median income.

Types of Projects

New Construction and Preservation Projects. For projects that have 100% of the units affordable to households earning 80% of the median income or less, the incentive fund can contribute 100% of the cost of items listed below.

1. Land writedown
2. Public utilities
3. Undergrounding of electrical lines
4. Required street improvements
5. Water and sewer facilities
6. City fees or assessments which pay the project's share of the items listed in items 1-5 above.
7. Fees associated with processing of applications for mortgage insurance and insured loan commitments under programs including those administered by HUD, FMHA, FNMA and GNMA.
8. Other redevelopment and construction costs.

Rental Rehabilitation Projects. For projects that have 51% to 100% of the units affordable to persons earning 80% or less of the median income, the incentive fund can contribute 100% of the cost for items eligible to be funded under the City's Rental Rehabilitation Program. All loans require specific City Council approval.

Underwriting Criteria

Sunnyvale provides loans (not grants) to assist with the financing of real estate projects. No single project will eliminate the affordable housing crisis in Sunnyvale; therefore, all funding to assist in the acquisition, construction or rehabilitation of real property requires that funds are secured on the property and have a fixed repayment over time. This approach allows funds to recycle for use on future projects.

- Applications

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An applicant for funding will submit (at minimum), a market study, an environmental review, an appraisal, evidence of site control, a detailed sources and uses statement, a projected timeline for construction and occupancy, a proforma statement through the proposed loan term, an experience statement of the proposed development/management team, and the level of commitment by other funding sources.

- Project Priority

Priority will be given to projects that address affordability issues by offering below market rents to a predetermined high need group, as defined in the Consolidated Plan and to projects that provide long-term affordability restrictions and are located in identified action areas in the City. Projects that have obtained funding commitment from other sources, are “ready to go” and have leveraged a high percentage of other funds to City funds will receive the highest preference.

- Loan Amounts and Terms:

The loan to value ratio for all liens shall not exceed 100% of the appraised value. The debt coverage ratio shall be a minimum of 1.1. All deferred interest shall accrue. Loan terms shall not exceed thirty years, unless the primary lender requires a loan term consistent with the primary loan. The City loan is due in full upon refinance of the primary loan. All loans will have a fixed term and repayment schedule (above the line); residual receipt payments will not be accepted.

City loans should be considered “gap financing”; therefore, the loan request for new construction/preservation project should reflect a cost per unit of \$15,000 to \$30,000, and rental rehabilitation projects should be limited in costs to \$20,000 per unit. Projects that are targeting affordability to benefit very low or extremely low-income households may request an increased cost per unit. City support of rental units will be limited to units with rental rates that are at least 20% below existing median rental rates in Sunnyvale.

Approved Concept:

A developer wishing to use the fund should contact the Housing Officer, who will process the proposal through the necessary citizen review for new development or through the Rental Rehabilitation Program procedures. In the case of new development, the City Council will make the ultimate decision to commit funds to a particular project.

If a developer of new construction is applying for rental or loan assistance through a state or federal program, that developer will be required to submit the assistance application with the total full costs. The City will provide a letter stating the amount of subsidy available if needed by the developer. The City will release the funds only when it is demonstrated that the funds are necessary to make the project economically viable within the rent and mortgage limitations set by the approving agency.

Securities:

The City will require the developer to place a deed restriction on the property which will assure that the developer carries out the intended plan over time. The restriction will provide remedies if the developer/owner fails to operate the development in the approved manner.

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(Adopted: RTC 87-492 (9/15/1987))

Lead Department: Community Development Department

COUNCIL POLICY MANUAL

Policy 2.3.3 Strategies for Affordable Housing and the Use of Housing Mitigation Fees

POLICY PURPOSE:

The Housing and Community Revitalization Sub-Element of the General Plan sets housing policy for the City. However, the City's ability to accomplish all its goals is limited by both financial and land availability constraints. As Federal and other sources of funding diminish, it is important to develop a long-term strategy for the effective use of limited funds.

The purpose of this policy is to outline a strategy for housing programs for those households with incomes between 30-120% of median and housing for the homeless to meet the goals of the Housing and Community Revitalization Sub-Element. The strategy includes all funding sources available to the City for housing, including uses for the Housing Mitigation Fees.

POLICY STATEMENT:

It is the policy of the City to:

1. Use the Housing Mitigation Fees for an initial Downpayment Assistance Program, provision of loans or seed money to non-profit developers, projects for the homeless, and assistance for Sunnyvale municipal employees and school district employees serving Sunnyvale schools (including Homestead High).to the extent a majority of the employee's effort continues to benefit Sunnyvale students
2. Utilize some available funds such as the Housing Mitigation Fees to assist in the construction of new single room occupancy (SRO) projects or the maintenance of existing SRO hotels, if the opportunity becomes available. SRO's are a needed form of transitional and permanent housing and would be an important contribution to Sunnyvale's housing stock.
3. Set aside a maximum of \$50,000 from the Housing Mitigation Fund to contribute to a modular housing demonstration project if it appears to be a feasible project.
4. Budget for the Rental Rehabilitation Program from Community Development Block Grant (CDBG) funds while they exist and in the Ten-Year Plan in the future.
5. Augment diminishing CDBG funds for outside groups through the General Fund.
6. Continue the Single Family Rehab Program with CDBG money, repayments from loans and any shortfall should come from the General Fund as anticipated in the Ten-Year Plan.
7. Join lobbying efforts to insure the continuance of the Federal Section 8 rental subsidy program.
8. Encourage private/non-profit partnerships on City-owned sites available for housing development so that part of the site may be developed for low to moderate income housing.

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(Adopted: RTC 89-356 (9/12/89); Amended: RTC 01-220 (6/19/2001); (Clerical/clarity update, Policy Update Project 7/2005))

Lead Department: Community Development

COUNCIL POLICY MANUAL

Policy 5.1.3 Human Services

POLICY PURPOSE:

The City of Sunnyvale recognizes that the supportive human services programs of the Federal, State and County governments do not fully meet the needs of all its population. The City, therefore, shall make its best efforts to provide supplemental human services, which include but are not limited to the emergency services, senior services, disabled services, family services and youth services.

The City establishes this Human Services Policy to insure that Human Services are identified and provided in the most efficient and effective manner.

This policy establishes guidelines for funding programs/services that may be provided on behalf of the City by outside groups. The intent of this policy is to:

- A. Establish a process through which outside groups can be funded to provide needed human services cost-effectively.
- B. Establish a methodology by which programs/services proposed by outside groups can be assessed.
- C. Establish an evaluation system that assures equity in the process of funding considerations by Council.
- D. Establish the type and amount of funding commitment that the City will provide.

This policy does not apply to those outside groups with whom the City contracts to provide City services other than human services. Human Services Agencies are defined as those which provide supportive services to a specific group of people, at least 51% of whom are low and moderate income (80% or less than of area median income).

POLICY STATEMENT:

- I. The City will bi-annually, prior to adoption of the two-year Resource Allocation Plan, review prevailing conditions of human needs within the City and give appropriate attention to Human Services Policies in the City. The Housing and Human Services Commission, following one or more public hearings, will recommend to City Council priority human service needs for the next two years. Following a public hearing, City Council will adopt a two-year priority of human service needs.
- II. The City seeks to meet as many Human Service needs as possible using its limited available resources. The primary resource utilized for funding human services is the Federal Community Development Block Grant (CDBG) which permits up to 15% of the annual grant entitlement to be utilized for such purposes. The City Council may choose to supplement CDBG funding of human services through the annual Operating Budget process.
- III. The City assumes an advocacy role to manage the use of its resources to meet human service needs in Sunnyvale in the following ways:

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- Encourages and advocates coordination and cooperation among organizations providing Human Services in Sunnyvale
- Advocates, encourages and wherever possible, facilitates the co-location of human service providers
- Actively pursues the cooperation of Federal, State, County and other agencies to enhance the quality and availability of human services to residents of Sunnyvale.

IV. The City *may directly provide* needed Human Services when:

- Specifically targeted intergovernmental funds (such as CDBG) are available. The City is the most cost-effective or logical provider of the service, AND
- Provision of such services by the City is compatible with the City's General Plan, policies and/or action plans.

V. The City *may fund service providers* of needed human services when:

- Specifically targeted intergovernmental funds (such as CDBG) are available,
- Another agency is the most cost-effective or logical provider of the service, AND
- Provision of such services by the City is compatible with the City's General Plan, policies and/or action plans.

VI. PROPOSAL FUNDING CATEGORIES:

Programs requesting funding must qualify under one of the categories below:

Operational: Funding of programs and services to address identified community needs or problems as specified in the City's General Plans or other policies through direct financial support and/or in-kind contributions.

- Programs/services funded under this category must represent a service that can be more cost-effectively operated by the proposer than by the City, or
- Must be such that the proposer because of its role in the community is the most logical service provider.
- Funding may be provided on a multi-year basis but is not guaranteed. Continued funding is contingent upon City budget limitations and proposer's previous program performance.
- Proposer must demonstrate good faith efforts to secure funding for programs/service from other sources.

Emergency: Funding of operational programs offered in the community that meet an existing need for which normal funding is no longer available.

Proposers and programs qualifying under this category must demonstrate:

- Good performance of current programs;
- Current financial difficulties will largely curtail the services currently provided to City residents;
- Future funding to continue the program can be obtained from other sources with reasonable probability;
- Funding for programs qualifying under this category shall be limited to one year.

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Seed Program: Funding for start-up of new programs designed to meet a significant community need or problem.

- Proposers must demonstrate a high probability that funding can be sustained beyond the commitment of City funds;
- Initial funding for seed programs is limited to one year;
- Second year funding may be possible if the program demonstrated good performance or special factors related to the continued need for funding can be demonstrated;
- Prospect must demonstrate good faith efforts to secure funding for programs/services from other sources.

Project: Funding of capital or other one-time projects designed to address a significant community need or problem.

- Funding of such projects shall be limited to a specific time frame, usually not more than one year.

VII. APPLICATION POLICY STATEMENT:

The City wishes to consider funding of needed and appropriate services. In order to determine which agencies should be awarded funding, the Council has adopted a formalized human services funding application procedure. All groups desiring to act as service providers, and requesting City funds to do so, must submit a complete application by specific due dates. Public notice of the availability of requests for proposals and the specified dates will be provided in ample time for applications to be prepared.

All applicants desiring a grant from the City to provide human and social services will be required to comply with the application procedure and time schedule. All applications will have to meet the following three criteria:

1. Provide a service consistent with an existing recognized City priority need, policy, goal or objective;
2. Request funds for a program or project that qualifies under one of the four previously identified funding categories;
3. Have completed the application process and the application has been determined to be accurate and complete.

VIII. EVALUATION PROCESS:

To assure all applications for City funding of human services receive due consideration and to ensure Council is provided with the information it needs to make its funding decisions, the following evaluation process will be applied to requests received:

1. Applications not received by the due date will be rejected. Applicants submitting applications, which are materially incomplete, will have five working days from notification by staff to correct any deficiencies, or their applications will not receive further evaluation.

COUNCIL POLICY MANUAL

2. Staff will determine proposal eligibility based on guidelines provided in this policy. Proposals not qualifying will not be recommended to Council for funding and will not receive further evaluation.
3. Staff will prepare a technical evaluation of the applications and make recommendations to the Housing and Human Services Commission based upon the priorities adopted by City Council and upon its evaluation of the applicant's ability to effectively deliver such services.
4. The Housing and Human Services Commission will conduct formal evaluations of the applications, including the opportunity for each group to present its program in public hearing for evaluation. The Commission will make recommendations to the City Manager and Council for allocation of available CDBG funds to outside groups to provide human services. The Commission may also notify the City Manager and City Council of applications where a significant need will remain unmet even if Council allocates CDBG funds as recommended. The City Manager may recommend, and the City Council may provide supplemental funding from the annual Operating Budget.
5. The City Manager will forward the Commission recommendation to Council with a staff recommendation thereon.

The Housing and Human Services Commission shall develop evaluation criteria, which criteria must be consistent with adopted Council policy. Staff and the Commission will apply these criteria uniformly to all applications reviewed. The following guidelines for general evaluation criteria include (but are not limited to):

Critical Evaluation Factors. Each of these factors must be met for the program to receive a recommendation for City funding.

- The organization must meet minimum eligibility standards to receive funding.
- The organization and its program must have demonstrated good performance and capability to effectively provide the program.
- The organization and its program must deliver services in a cost-effective manner.
- The organization must be an appropriate agency to deliver this program.
- The program must not be a duplication of services provided in the same service area.
- The organization and its programs must demonstrate strong financial management *and effective management controls*.
- The proposed program must have a contingency plan for funding if City support is limited or eliminated in the future.

Favorable Evaluation Factors. The proposed program must address one or more of the following factors to receive a positive recommendation.

- The proposed program addresses a priority adopted by the City Council and is related directly to a general plan policy.

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- The proposed program is a needed enhancement of any existing City program, and can be better performed by an outside group than by the City directly.
- The program has a diverse funding base and is not heavily reliant upon City funds to support its operation.
- The program has leveraged City funds with other funding sources to maximize service provision.

(Adopted: RTC 81-617 (10/13/1981); Amended: RTC 99-430 (10/19/1999); Amended: RTC 06-112 (4/11/2006))

Lead Department: Community Development Department



City of Sunnyvale

Meeting Minutes - Final (excerpt) Housing and Human Services Commission

Wednesday, August 26, 2020

7:00 PM

Telepresence Meeting: City Web Stream

2 [20-0254](#) Consideration of Draft 2020 Housing Strategy (Study Issue)

Housing Officer Jenny Carloni and Matt Kowta, Managing Principal at BAE Urban Economics, provided the staff report.

After some clarifying questions of staff, Chair Hiremath opened the public hearing.

Gail Rubino, Sunnyvale resident, expressed that in her opinion the report lacks enough information about MOUs and rent stabilization ordinances for the Commissioners to make an informed recommendation. She added that no legal advise is available for park residents and they are expected to negotiate an MOU without an attorney. Lastly, she noted that a majority of mobile home park residents have existing leases for 12 months or longer and that renders them exempt from any MOU or rent stabilization ordinance.

Ryan Jasinsky, Director Of Property Management at Brandenburg Staedler & Moore, owners of four mobile home parks in Sunnyvale, spoke in support of an MOU. He shared having been in communication with a large contingency of park owners and working with WMA to obtain 100% participation by all Sunnyvale mobilehome park owners. Lastly, he cited some examples of successful MOUs.

Mike Serrone, on behalf of Livable Sunnyvale, spoke in support of the letter submitted by SV@Home. On demand side housing, spoke in support of right-to-lease study issue, RV parking program that includes people living in their cars. On supply side housing, spoke in support of a fifteen percent inclusionary housing requirement, upzoning and emphasizing maximum dwelling units, age friendly housing, home sharing, home repair and maintenance services. Lastly, he expressed support for MOU negotiations, but only in parallel of a rent stabilization ordinance to encourage progress.

Doug Johnson of Western Manufactured Housing Communities Association (WMA), representing owners and operators throughout California, spoke in support of

working on an MOU that is tailored to the needs of the Sunnyvale community.

Justin Wang on behalf of Greenbelt Alliance expressed support of the SV@home letter and Livable Sunnyvale statements. He urged the commissioners to take strong steps to ensure that affordable housing is created, and that the most vulnerable communities, such as mobilehome park residents, are protected.

Julia Liu, member of Livable Sunnyvale and 35-year Sunnyvale resident, spoke in support of establishing a safe parking program for vehicle residents, preparing and proceeding with a rent stabilization ordinance in parallel with MOU negotiations, and home sharing to utilize existing housing stock. She noted that home sharing was not clearly represented during outreach presentations, and could explain lesser support.

Colleen Hausler, resident of Sunnyvale and member of Livable Sunnyvale, spoke in support of the letters from SV@home and Greenbelt Alliance and noted that the overlap of sustainability regarding mobile homes being at a lower elevation and over time being at risk of flooding and tide problems was not addressed in the report. She urged to implement a safe parking program as soon as possible and to not bypass homelessness. She noted that an increase in homelessness is anticipated due to COVID-19.

Chair Hiremath closed the public hearing.

After a lengthy discussion and questions of staff, Chair Hiremath asked for a motion.

MOTION: Commissioner Gilbert moved and Commissioner Kwok seconded the motion to Recommend to City Council Alternative 2 and Alternative 5 as follows:

Alternative 2 – Approve the Housing Strategy with the following modifications:

- Include additional background information, clarification, and data on MOUs and Rent Stabilization in California.

Alternative 5 – Approve the Implementation Schedule with the following modifications:

- Create 1d to add “Facilitate New Ways to Use Homes through Home Sharing” to the Age Friendly Strategies to implement.
- 4a and 4b shall require the creation of Community Advisory Committee for implementation.
- 4a and 4b shall provide a legal expert that can advise the Community Advisory

Committee during implementation.

- 4a and 4b shall provide ongoing legal support for the residents of mobile home parks after implementation.
- 4b shall include parameters in the MOU that include residents on long term space rent leases and residents with existing space rent leases.
- 4b shall mandate that 4a be implemented after a 6 month check in with the Council if no significant progress has been made on 4b (MOU negotiations).

The motion carried by the following vote:

Yes: 6 - Chair Hiremath
Vice Chair Stetson
Commissioner Gilbert
Commissioner Kwok
Commissioner Sell
Commissioner White

No: 0

Memorandum

Members of City Council:

Larry Klein
Nancy Smith
Michael Goldman
Gustav Larsson
Russ Melton
Mason Fong

Members of Housing Departments:

Jenny Carloni, Housing Officer
Trudi Ryan, Community Development Director



Re: Housing Study 2017-2020

Three Key factors that this study doesn't cover:

FACTOR 1: MOU (Memorandum of Understanding)

1. An MOU is NOT a legal document. Which means, the park owners can sign it, but there is no possibility of litigation, so no consequences for not complying.
2. Terms of an MOU can be so vague or "loosely" written that it would be impossible for the park owners not to comply. City of Sunnyvale, off the hook.

FACTOR 2: The idea of "fair market value". What is fair market value for Apartment Rent, and what is fair market value for Mobile Home Space Rent? The 2 are as different as apples and oranges. See the comparison chart below.

MOBILE HOME COSTS	APARTMENT COSTS
1. Pay space rent (only the dirt)	1. Rent the square footage in a building
2. Pay Utilities (gas, electric, cable sewer garbage)	2. May Pay Utilities (gas, electric, cable)
3. Pay homeowners and flood insurance	3.
4. Buy the home - Have a Mortgage	4.
5. Pay personal property tax	5.
6. Pay to have yard landscaped not reimbursed	6.
7. Home maintenance & repair	7. Call the landlord
8. Capital Expense Pass Through	8. Huh?
9. Rent is too high - sell or pay	9. Move - pull up a truck, load & go
10. This is an Apple	10. This is an orange
	

Based on above information how can fair market value of mobile homes and apartments be lumped together under "fair market value for rent"? How? Because those looking at the word "rent" are ignorant of what "rent" includes and does not include in Mobile Home Parks verses Apartments.

FACTOR 3:

Equity firms have come in and purchased 1 mobile home park (Plaza del Re) for way over “market value”, raised the rents 2 times higher than other parks across the street in 2 different directions. Sold for a 20% profit and caused home owners to lose equity in their homes and go under water on their loans.

The second owner raised the rent to potential new owners so high that the current home owners have to lose even more money to sell and still owe the bank as much as \$50,000. Homes across the two streets are selling for between \$90,000-\$130,000 more.

New space rent in Casa is \$1200/mo, Adobe new residents get a \$100 bump from current resident which is around \$1100. Plaza \$2380-2540. Is it the residents fault that these equity firms paid too much for the property? When they bought the property, they knew what the taxes would be, they knew what the maintenance would be, they knew the going rent for mobile home parks in Sunnyvale, yet they purchased the property and are now causing residents to lose cold hard cash. Does the word greed come to mind? It should.

There are 25 homes for sale in Plaza. House number 1 has been for sale over 16 months, owned by the property owner, Home Town America, yet they are taking away amenities to put in 4 new homes to sell.

Another park (El Dorado) used the Plaza model as an excuse to raise their space rent 8%, to long time residents, 2 years in a row. Many of them senior citizens living on a fixed income. Why? Just because they could.

Realtors lament that homes in other parks as not selling because potential buyers are afraid the other parks will follow Plaza's rent model.

During a time when residents of Sunnyvale are moving out to areas where they can afford to live and the Corona Virus Covid-19, is causing loss of jobs for workers and consequently lack of ability to pay rent to landlords. Isn't it time to do something to prevent price gouging in your mobile home parks?

Sunnyvale is way under their agreement to provide affordable housing per the Housing Element.

Terms of rent control would be the same as is already offered in 4 of the parks in North Sunnyvale.

Are you aware of the situation across 101?

August 25, 2020

Jenny Carloni
Housing Officer
City of Sunnyvale, Community Development Department

RE: Comments on the Sunnyvale Draft Housing Strategy and Implementation Tiers

Dear Ms. Carloni:

Hometown America ("Hometown") is the owner of Plaza Del Rey. I am writing on behalf of Hometown to provide feedback on the draft City of Sunnyvale Housing Strategy created by BAE Urban Economics (the "Housing Report").

Hometown purchased Plaza Del Rey from the Carlyle Group in late 2019, after the City held the mobile home park owner's meeting. Although I was able to have one discussion in January 2020 with Stephanie Hagar, Associate Principal at BAE Urban Economics about our commitment to keeping Plaza Del Rey an affordable housing option, I would like to take this opportunity to reiterate that commitment.

Hometown's official comment on the Draft Strategy and Implementation Tiers is that we welcome the opportunity to discuss solutions with the City. While the Housing Report does briefly discuss a Safety Net Program solution, Hometown would like to see the Safety Net option elevated as Tier 1, followed by a Memorandum of Understanding as Tier 2.

A Safety Net program allows direct relief to those that need it the most. At Plaza Del Rey, we currently offer residents that are experiencing a financial hardship access to a Safety Net lease that keeps rent flat for two years and then increases rent just 2% per year for the next five years. This is a means based program that is independently verified by a third party. Hometown welcomes the opportunity to discuss the details of our Safety Net program, and we are open to discuss how to expand access to the program.

Hometown looks forward to creating a partnership with the City and working collaboratively and constructively to address the need to preserve affordability while also protecting the value of our investment.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Kravenas".

Ken Kravenas
Chief Operating Officer

August 25, 2020

Jenny Carloni, Housing Officer
City of Sunnyvale
56 W. Olive Ave.
Sunnyvale, CA 94086

Dear Jenny,

On behalf of SV@Home, Liveable Sunnyvale, and Greenbelt Alliance we write to provide our initial comments on the City of Sunnyvale's Draft Housing Strategy. Thank you to City Staff for all of your hard work to develop a comprehensive approach to housing issues in Sunnyvale as well as to the Sunnyvale City Council for prioritizing this approach. In general, we strongly support the overall direction of the Draft Housing Strategy and offer several recommendations for how the City should prioritize its implementation.

We appreciate the Draft Housing Strategy's 3Ps (Production, Preservation, and Protection) approach to housing policy, which reflects best practices from across the Bay Area and Santa Clara County. Taking this comprehensive approach will burnish Sunnyvale's credentials as a leader on affordable housing in the South Bay. The proposed strategies are timely, data-backed, and will move Sunnyvale forward.

We recommend that the City of Sunnyvale further build upon the staff recommendations by:

- 1. Placing as a number one priority the development of a mobilehome rent stabilization policy.**
 - While we understand the staff-proposed approach to first pursue a Memorandum of Understanding between park owners and tenants and assess its success before pursuing a full rent stabilization policy, Sunnyvale must act more quickly to address the needs of mobilehome residents in the city.
 - As demonstrated through the City's research included in the Strategy document, mobilehome owners and tenants in general have lower incomes than the city average, making them especially vulnerable to displacement. With the economic impacts of COVID-19 placing people living on fixed and low incomes in even more precarious positions, now is the time to begin the process to further explore mobilehome rent stabilization.
 - **We recommend that the Sunnyvale City Council instruct staff to pursue further development of a mobilehome rent stabilization ordinance as a top priority.**
- 2. Placing as a number one priority policies to enable the development of missing middle housing types and de-emphasize dwelling units per acre (DUA) as a development standard city-wide.**
 - Both of these proposed strategies are designed to increase flexibility in housing types and densities that will allow developers to respond to the housing needs of middle-income families.
 - The allowing of "plex" housing types such as duplexes, triplexes, and quadplexes would match similar initiatives taking place in San José (the proposed Opportunity Housing policy) and other cities around the country.

- De-emphasizing DUA as a development standard increases flexibility around producing innovative, denser housing types while allowing the city continued control over building massing and heights, potentially boosting housing production without affecting other community impacts.
 - **We recommend that the Sunnyvale City Council instruct staff to pursue these strategies as immediate top priorities for the city.**
- 3. Beginning the development of a comprehensive anti-displacement policy similar to those being pursued by neighboring jurisdictions, including Mountain View and San José.**
- Staff's recommended strategies include several anti-displacement best practices, including a Relocation Assistance Requirement, which we strongly support. With Sunnyvale pursuing significant housing and jobs growth in several major planning areas, we can expect that pressures to redevelop existing older apartment buildings will only increase, as we have seen over the last several years in Mountain View.
 - Sunnyvale should take a page out of Mountain View's book and undertake a specific policy study on displacement vulnerabilities in the city that would also identify additional tools that could be deployed to prevent the displacement of lower income families and preserve existing naturally occurring affordable homes.
 - While recent state legislation, including SB330, has addressed some aspects of residential displacement, it is in the interest of the City to clarify and formalize its own policies to ensure tenant protections in this area.
 - **We recommend that the Sunnyvale City Council instruct staff to both prioritize the proposed anti-displacement best practices, including the Relocation Assistance Requirement, and conduct a city-wide study on displacement pressures and potential anti-displacement policies that would protect vulnerable residents.**

When taken in conjunction with the other staff recommendations in the Draft Housing Strategy, we believe these proposals will strengthen Sunnyvale's overall 3Ps housing policy approach and more quickly provide the City with the tools necessary to meet its housing and affordable housing needs. We continue to strongly support the City of Sunnyvale's initiatives to increase the production of housing and affordable housing city-wide for people of all incomes and abilities.

Sincerely,

David K Meyer
Director of Strategic Initiatives
Silicon Valley at Home

Richard Mehlinger
Chair
Liveable Sunnyvale

Justin Wang
Advocacy Specialist
Greenbelt Alliance

From: [Debbi Headley](#)
To: [Jenny Carloni](#)
Subject: Housing Strategy comments
Date: Wednesday, August 12, 2020 7:25:21 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I am happy to see the Sunnyvale City Council address housing needs in Sunnyvale. I am particularly interested in expanding the ADU capability on single family home lots. I would like to see less restrictions on ADUs. My husband and I own our home in Sunnyvale. We would love to build an ADU as a second story on our existing detached garage. Under the current rules, this is prohibited. I am in favor of the policy change to amend local legislation to remove any existing impediments to ADU production.

Sincerely,
Debbi Headley
Sunnyvale Homeowner

From: [Ilya Katsnelson](#)
To: [Jenny Carloni](#)
Subject: Housing Strategy comments:
Date: Monday, August 24, 2020 11:59:15 AM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hello:

These are some comments about the [Housing Strategy](#) plan.

Sunnyvale is growing, especially in terms of office space, but it is still in the 1960s in terms of housing. Yes, it would be nice for everyone to have a single family home with a yard and within 20 minutes from the office. But there is only so much land.

I support the recommendations 2d and 2e. I hope we can really Up-Zone land use and build up. It will provide a lot of benefits. 2e is also important. A lot of recent developments are just giant, very expensive, not every efficient apartments. We can build a lot more smaller housing units in the same area.

Thank you for your work.
-Ilya Katsnelson.

From: [Holly Lofgren](#)
To: [Jenny Carloni](#)
Subject: Housing Strategy
Date: Sunday, August 23, 2020 3:44:10 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Housing and Human Services Commission,

These are my comment regarding the housing strategy draft document,

I was delighted to see issues related to assisting mobile home residents stay in their homes and a recognition that mobile homes are indeed affordable housing. I was also heartened to see a focus on improving agree friendliness in housing. The number of persons over age 65 will increase in our area. In survey after survey, people overwhelmingly state they wish to stay in their homes as they age. In the last Sunnyvale-wide survey I had seen, one area where we lapsed was Sunnyvale being a good place to retire. So, I was happy to see both issues as priorities.

However, I don't think table ES-1 goes far enough to support these strategies. I wondered why recommendations 1a and 4a, initiatives to preserve people in mobile homes were rated a 3 instead of a 2 and would encourage we move faster as a policy. I wondered why item 1c, adapting homes to age in place was rated a 3 instead of a 2. Why was promoting new age friendly housing rated a 2 when the survey stated: "Among the respondents, living independently in their own home as they age was a top priority, ranked as either very important or extremely important in 92 percent of the responses." The rankings in table ES-1 are perplexing. While I think promoting new age friendly housing, senior affordable housing living is highly desirable, it is not a replacement for aging in place, residents' strong preference.

I don't believe that supply-side housing strategies (density bonuses) has any place in the discussion of solving housing affordability. Recommendation 2d, up zoning land to facilitate a population increase in residential development is not helpful at all. "Facilitating a population increase" has little to do with supporting existing Sunnyvale residents. The more you upzone, the higher the land prices go, the worse it gets. I believe the expansion of office space and upzoning, the most profitable and desirable real estate propositions, has a detrimental effect on housing affordability.

Also, in this time of WFH brought on by COVID-19, and a clear need to supply preeminently affordable housing, a policy to upzone without specifically, and solely specifying that work towards affordable housing does not meet the stated need. Providing for only a small percentage (15-25%) of affordable units in projects does not keep up with the real demand and makes the situation worse. I believe, this goal should be postponed, as further clarity both emerges post COVID-19.

Additionally, I am utterly opposed to the use of "pop-up" data collection. This puts the city in the position of promoter, (staff have personal beliefs, they act upon). I personally saw this happen in both Measure B Farmer's Market (which is itself not representative at all of the population of Sunnyvale) and the community meetings held to gather input regarding the civic center. The personnel in charge wrote down the input from the opinions they agreed with and ignored the input from those they did not agree with. The HHS Commission should immediately strongly object to this practice. Unbiased surveys produced by third parties are much more reliable.

The entire paragraph, "Role of Both Market-Rate and Deed-Restricted Affordable Housing Production", shows a clear lack of direction and internal logic, and states its own policies are likely to fail. Clearly, regarding policy recommendation 2d, the document is incongruous in its conclusions.

All the demand-side housing ideas need much more precedence in our strategies. Loans and other forms of assistance from a well-endowed (maybe less this year, but overall) city such as Sunnyvale,

would go a long way to helping people get into homes and stay in homes. Since the paper itself admits that its supply-side programs are bound to fail, why not pursue what is humanly possible to keep the people who really need the help housed. Yet, so many more pages were dedicated to what one can summarize as simple 'upzoning'. As stated above, we will not achieve the recommended goals the document addresses with this strategy, we will just fall further into displacement.

Other comments:

<!--[if !supportLists]-->a) <!--[endif]-->The RHNA goals set forth by an unelected, and ineffective body MTC/ABAG should be objected to in a way Sunnyvale resident can hear it.

<!--[if !supportLists]-->b) <!--[endif]-->The Missing Middle was addressed, but needs both more emphasis and more clarity about the protection of SFH neighborhoods and homeowners.

<!--[if !supportLists]-->c) <!--[endif]-->ADUs can be a good solution, except that protections to the character of SFH neighborhoods receives little attention at both the city and state level and this needs to be addressed.

<!--[if !supportLists]-->d) <!--[endif]-->Utilizing surplus land is an excellent idea. I am hopeful that this proposal area would receive more visibility.

I agree with the strategy to increase the ownership percent (regardless of type of home) versus leasing, since a permanent, committed population makes for a better community than a transitory one.

Thank you,

Holly Lofgren

From: [Richard Mehlinger](#)
To: [Jenny Carloni](#)
Subject: Housing Strategy: Missing Middle vs. Moderate Income
Date: Friday, August 14, 2020 3:35:14 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hi Jenny,

I was a bit confused by something that I saw in the housing strategy on pages 51 and 52. It appears that this section is conflating missing middle and moderate income housing, which are not quite the same thing. While missing middle housing is typically affordable to moderate income earners, from everything I've seen the term "missing middle housing" really primarily refers to the *built form* of the housing. For instance, <https://missingmiddlehousing.com/> describes missing middle housing as ranging from duplexes to small apartment buildings, like LA's famous dingbats.

Really, "encouraging affordability by design" seems to be about zoning, while the other pieces in this section are about subsidies. I would therefore suggest splitting the "Encourage 'Missing Middle' Housing" section into two pieces: "Missing Middle" and "Moderate Income".

Do you think this would make sense? I'd be happy to hop on a call if you're interested.

Cheers,
Richard

Ms. Jenny Carloni
Housing Officer
Department of Community Development
Housing Division
City of Sunnyvale
August 24, 2020

Dear Ms. Carloni,

I am writing in response to your invitation for comments on the Sunnyvale Draft Housing Strategy. As a co-owner of Mary Manor Estates mobile home park, I will confine my comments to the mobile home section of the document.

Mary Manor Estates has 117 spaces and has been in operation since 1974. The median length of residency for our current residents is ten years. In the midst of the Coronavirus pandemic all but two of our residents are up to date on their rent, and those residents have enrolled in our rental assistance program.

The owners of Mary Manor all grew up in Sunnyvale and are second generation owners – children of Augustine Garcia, a local developer and home builder, and Donald Koreski, realtor, Sunnyvale City Council member and mayor. Our parents were good stewards of the property and so are we. You will find no instances of rent-gouging in Mary Manor's past, and there will be none in the future under our ownership. Our rent increases have always been modest, and we regularly invest in the park in order to maintain its quality.

We believe that we have a good business model and that additional controls on our operation are unnecessary. However, having said that, we are keenly aware of the times in which we live, and we understand the pressure on any type of housing where rents are involved. We are also in support of effective strategies to address housing affordability in Sunnyvale. We do not believe that mobile home space rent stabilization is an effective strategy, so we are heartened that staff has made it a low priority recommendation. Rent stabilization is not only acrimonious, but it also provides a disincentive for owners to invest in park maintenance and improvements.

We believe that staff's recommendation to implement a Memorandum of Understanding {MOU} is a preferred approach if the City decides to implement any of the mobile home strategies included in the draft document. Again, while we do not believe our current business model needs regulation, we find that our approach to rent increases generally aligns with the MOU examples that staff has provided on the City website, both as to the method of calculation and the allowable range of increases. This gives us hope that we will be able to find common ground with the City should it decide to go forward with an MOU approach.

One concern that will need to be addressed should the City go forward with an MOU is what happens to rent when a space becomes vacant. Existing MOUs diverge widely on this issue, ranging from no regulation, to strict regulation, to something in between, such as a percentage cap on increases. As owners of a property with many space rents below market, we are particularly interested in the development of this aspect of an MOU.

Thank you for the opportunity to comment on the Draft Housing Strategy.

Sincerely,

Dan Garcia, Co-owner
Mary Manor Estates

cc:

Robert Garcia
Thomas Garcia
Janice Byrd
David Koreski
Robert Koreski

From: [Stone, Jonathan](#)
To: [Jenny Carloni](#)
Subject: RE: [EXT] Sunnyvale Draft Housing Strategy Now Available for Public Review
Date: Wednesday, August 12, 2020 4:09:55 PM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.png](#)

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Hi Jenny,

Per your E-mail below, I wanted to pass on our comments. We are certainly supportive of the efforts outlined in the Sunnyvale Draft Housing Strategy. We'd like to convey that the more Sunnyvale can do to modify the Supply-Side policies and increase densities throughout the City will help to address the housing crisis at all levels. Items 2d and 2e we would like to point to as areas of focus as well as potentially adding another option of form based zoning which is in line with 2e.

We look forward to the upcoming meetings on August 26th and October 13th.

Thanks,

Jonathan Stone | Senior Director of Development | PROMETHEUS REAL ESTATE GROUP, INC. | Est. 1965

From: Jenny Carloni <JCarloni@sunnyvale.ca.gov>
Sent: Wednesday, August 5, 2020 4:58 PM
To: Jenny Carloni <JCarloni@sunnyvale.ca.gov>
Subject: [EXT] Sunnyvale Draft Housing Strategy Now Available for Public Review
Importance: High

.
Stakeholders,

Thank you for your continued involvement and patience as we worked through COVID challenges in releasing our draft Housing Strategy. We are pleased to announce that the [Sunnyvale Draft Housing Strategy](#) is now available for public review. The Draft Housing Strategy recommends 13 strategies (Table 10 of the report, pg. 74) to address the most critical housing needs of the community. These strategies have been assigned an Implementation Tier which identifies the priority level and timeframe for each strategy to be completed.

Staff is currently seeking comments and input on the Draft Strategy and Implementation Tiers. All comments should be emailed to jcarloni@sunnyvale.ca.gov no later than 5 p.m. Tuesday, August 25, 2020.

In addition, two public hearings will be held on the Draft Housing Strategy:

1. **Housing and Human Services Commission:** Wednesday, August 26, 2020 at 7 p.m.
Telepresence meeting information will be available [online](#) on Aug. 21.
2. **City Council:** Tuesday, October 13, 2020 at 7 p.m. Telepresence meeting information will be available [online](#) on Oct. 8.

Thank you!



Follow us on:



JENNY CARLONI
Housing Officer
Community Development Department

Direct Line: 408-730-7465

Fax: 408-737-4906

Sunnyvale.ca.gov

Please note: Sunnyvale's Housing Division is currently working remotely. We appreciate your patience during this time!

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From: [Doug Johnson](#)
To: [Jenny Carloni](#)
Subject: Re: Sunnyvale Draft Housing Strategy Now Available for Public Review
Date: Tuesday, August 25, 2020 12:43:54 PM
Importance: High

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Dear Ms. Carloni:

The Western Manufactured Housing Communities Association (WMA) is a nonprofit trade association representing the owners and operators of mobilehome communities throughout the state of California. Having been founded in 1945, WMA is one of the oldest, largest and most respected trade associations of its kind in the United States.

WMA has carefully reviewed the Sunnyvale Draft Housing Strategy — as it pertains to the city's 13 mobilehome communities — and we fully support the development of a fair and balanced MOU. Several cities and counties in California already use these instruments as effective and cost-efficient forms of rent stabilization. Some MOUs have been in place for more than 20 years.

WMA and our Sunnyvale members look forward to working earnestly — with city staff and mobilehome park residents — on the creation of this important affordable housing solution.

Best regards,

DOUG JOHNSON

Senior Regional Representative
Local Government & Public Affairs

WESTERN MANUFACTURED HOUSING COMMUNITIES ASSOCIATION
Northern California & Bay Area Regional Office
1667 Columbus Road
West Sacramento, CA 95691-4902

WMA — Advancing and Protecting the Manufactured Housing Industry since 1945

From: [Antonio Johnson](#)
To: [Jenny Carloni](#)
Subject: Senior Mobile Home Parks
Date: Monday, August 10, 2020 12:37:31 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Greetings,

Please develop a rent control policy for Seniors living in Sunnyvale mobile home parks because the majority of these individuals are retired on a fixed income and the space rent at the Senior Mobile Home Parks increase every year. This increase in space rent is forcing seniors out of their mobile homes and becoming homeless. Thanking you ahead for your efforts in resolving this issue.

Sincerely
Antonio Johnson



San Francisco Office
312 Sutter Street, Suite 510
San Francisco, CA 94108
(415) 543-6771

August 25, 2020

City of Sunnyvale
Attn: Jenny Carloni
456 W. Olive Ave
Sunnyvale, CA 94086

Dear Jenny:

First of all, Greenbelt Alliance would like to thank city staff for their hard work on the Housing Strategy. By and large, we favor the conclusions that the City has come to in addressing the current housing crisis. Many of our coalition partners have and are addressing the urgent need to produce, preserve, and protect housing. We fully support their letters and suggestions. As an organization that looks at land-use issues through an environmental lens, we would be remiss to not emphasize several things:

1. Climate Adaptation:

We have seen the devastating impacts that flooding can have on mobile home park residents and other socioeconomically vulnerable populations. Given that the survey indicated that over 80% of mobile home park residents have a high to severe housing cost burden, the looming threat that sea-level rise and groundwater flooding pose cannot be left unaddressed. These communities are particularly susceptible to the displacement and monetary costs that climate change can represent.

It is key that the city prioritizes climate adaptation in conjunction with its Housing Strategy. With opportunities like the Moffett Park Specific Plan representing potential homes for thousands of residents, it is crucial that Sunnyvale gets it right. Sunnyvale's own Climate Action Playbook, released in 2019, calls out the fact that "there are no community-specific plans to address response to extreme weather events, which may increase in frequency and severity due to climate change... [including] heat waves, intense rain storms, and sea level rise". The time to plan for and address these issues is now.

2. Green Infrastructure:

As the Housing Strategy called out, the regional population aged 65 and older is projected to substantially increase over the next 20 years. Sunnyvale and the Bay Area at large recently experienced an extreme heat wave; this is the new normal that we must be preparing for. Given that senior citizens are significantly more at risk of negative outcomes from excessive heat, any conversation about age-friendly housing must also talk about adaptations to extreme weather patterns.

One tool that the city should utilize is emphasizing green infrastructure. One of many benefits of creating open spaces and increasing canopy cover is the ability to mitigate the urban heat island effect, which would help to offset the rise in global temperatures. Moreover, it would be a key step in allowing seniors to age in place—an indicated preference in the Housing Strategy—without the associated increased monetary or environmental costs on the individuals, many of whom are living on fixed incomes, that may arise from other solutions.

3. Housing

To be clear, none of this is said to discount the urgent need we have for more housing. Our region is in a housing crisis and we have a responsibility to do what we can to address it. Sunnyvale has taken a tremendous step forward with this Housing Strategy. However, we don't just need housing: we need the *right* housing, and we need to adapt the housing that we already have. Greenbelt Alliance believes that taking the above steps would serve to make Sunnyvale a better, more vibrant place for all residents.

Sincerely,

Justin Wang
Advocacy Specialist
Greenbelt Alliance
(408)891-3668

From: [Mike Serrone](#)
To: [Jenny Carloni](#); [Council AnswerPoint](#); [PlanningCommission AP](#); [livable_svl_board](#)
Subject: Sunnyvale Housing Strategy Report - Livable Sunnyvale comments
Date: Tuesday, August 25, 2020 3:15:06 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

August 25, 2020

Re: Sunnyvale Housing Strategy Report.

To Jenny Carloni, Housing Officer, Mayor Klein, Vice-Mayor Smith, City Council Members and Planning Commissioners,

Livable Sunnyvale commends City Staff on the Sunnyvale Housing Strategy Report. We look forward to providing additional feedback before the final version is approved by the City Council.

Our first comments:

Mobile Home Park Issues

Staff recommendation is to spend a year negotiating terms of an MOU with Mobile Home Park owners. If that is not successful, then the Council might consider an ordinance limiting rent increases. Realistically, the MOU process would not start for at least 6 months, when preparation of an RFP would begin. So negotiations would likely not start for at least a year - it could easily be two years before a conclusion is reached on the viability of an MOU.

The primary incentive for MHP owners to negotiate an MOU would be the threat of an ordinance with terms more restrictive than the MOU. If an ordinance is not under consideration, the City has no leverage.

We recommend that the preparation of a rent stabilization ordinance begin immediately and proceed in parallel with the MOU negotiations. The tradeoffs and issues related to the MOU and the ordinance are very similar, so this would make more efficient use of Staff time and is more likely to result in successful MOU negotiations.

Age Friendly Housing

1.

We strongly support the strategy to "Adapt senior homes to age in place by facilitating home renovations through the Sunnyvale Home Improvement Program" and "The City could also offer or promote home repair and maintenance services." Both of these will provide housing relief in the short term with relatively low expenditures per preserved housing unit.

2. Home sharing can potentially produce thousands of housing units without any new development - it would utilize existing housing stock. This will benefit seniors who own homes and everyone else looking for housing. Catholic Charities has a very small scale operation. Because they support only affordable alternatives, most rooms that are offered for rent in this area are too expensive for their program. The City should also look for public/private relationships with companies like Silvernest or Homily.

Supply-Side Housing

1. We encourage Up-zoning - "Up-Zone Land to Facilitate Increased Residential Development".
2. We support increasing the Ownership Inclusionary Requirement to 15 Percent. The current rate is 12.5%. **Livable Sunnyvale recommends increasing this to 15%. We believe this will not discourage development of new housing.**
3. We strongly support affordable by design units, which provide affordable housing without subsidies.
4. Offering supplemental density bonuses (i.e., more than 35 percent additional density and/or additional incentives or concessions) for projects that are not 100 percent affordable will offer more flexibility for residential developers.
5. We encourage the City to "De-Emphasize Maximum Dwelling Units per Acre as a Development Standard". This will also provide more flexibility to housing developers to respond to changing market needs.

Demand-Side Housing

1. Livable Sunnyvale has previously endorsed the Right-to-Lease study issue and supports pursuing this as a strategy alternative.
2. **Establish a Safe RV Parking Program.** This is critical. The alternative will be unsafe RV parking.

We will continue to provide feedback as we participate in review meetings with commissions and at the September 2nd, Livable Sunnyvale General Meeting.

Best Regards,

Mike Serrone on behalf of the Livable Sunnyvale Board

From: [HousingHumanServices AP](#)
To: [Edith Alanis](#)
Cc: [Jenny Carloni](#); [Trudi Ryan](#)
Subject: INFO ONLY -- FW: Housing strategy
Date: Thursday, August 27, 2020 3:48:18 PM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.png](#)

Dear Commissioners,

Forwarding item from Housing and Human Services Commission Answer Point.

These comments did not arrive in time to forward to you for last night's meeting, but will be forwarded to City Council.

Outside of official board or commission meetings, individual board and commission members are not authorized to represent the City or their board or commission and therefore this item is being forwarded as Information Only and you should not respond to the individual."

Kind regards,



EDITH ALANIS (pronouns: she/her/hers)
Housing Programs Technician
Community Development Department
Phone: 408-730-7254
Fax: 408-737-4906

Follow us on:



[Sunnyvale.ca.gov](https://sunnyvale.ca.gov)

I am currently working remotely and may access phone and email less frequently. Thank you for your patience and understanding.

*Due to the shelter in place order for Santa Clara County, the City of Sunnyvale offices are closed to in-person services. Updates about all City Services are available on the City webpage:
<https://sunnyvale.ca.gov/news/topics/coronavirus.htm>.

From: fred kameda
Sent: Wednesday, August 26, 2020 6:05 PM
To: HousingHumanServices AP <HousingHumanServices@sunnyvale.ca.gov>
Subject: Housing strategy

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments

or links.

Hello, my group representing a coalition of mobile home residents have read your extensive analysis as regards to Mobile Homes / rent stabilization. Please find the following:

While the analysis provides good data as to the situation and impact to our (low income) residents: the summary that MOU's should be first entertained would be disastrous. The problem and impact is now! Not in the undefined future. Low and fixed income residents (82% of us) are in eminent danger of losing our homes NOW. MOU's have proven to drag out for too long and almost always end up favoring park owners.

The most severe issue is where park owners are imposing extreme increases for new buyer space rents. We are looking at an 87.4% increase over current space rents. The net effect of an increase of \$1,100.00 in monthly space rent effectively wipes out any equity in our homes. In many cases where the resident has a mortgage on their home they would face a negative equity. This coupled with non regulated current space rents places them in near term forced eviction. Low and fixed income residents face financial disaster from this and have no means of recuperation.

Almost every other bay area city has recognized this issue and implemented rent stabilization to protect. Sunnyvale has long ignored taking action to resolve the problem. Even state and federal HUD organizations are now concerned.

We must have rent stabilization and vacancy control legislated NOW.

Sunnyvale City Council Members,

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. An MOU will only delay this obviously needed legislation to “some day”. We need rent stabilization and vacancy control desperately NOW.

If rent is not stabilized in the mobile home community many people, like myself who are senior citizen’s and would like to sell my house and move where my children and grandchildren are in other states can not leave.

Mobile homes are a growing area of home purchase for many in the mid-income bracket as home purchase is part of the American dream and an investment for families.

The impact of new buyer space rents has devastated the equity of homes, like mine.

My home would be ideal for a family to move into, but with the cost of the space rent here at Plaza Del Rey, no one can afford to buy. We have 40 homes for sale here and not selling due to the outrageous space rent. Like stated above I want to live close to family. I have no one here to take care of me as I get older and I need to sell.

Kathy Ingols

CHRISTINE RYCZKOWSKI

[REDACTED] Casa de Amigos Mobile Home Park, Sunnyvale, CA 94089
[REDACTED] [REDACTED]

September 27, 2020

Sunnyvale City Council
c/o Jenny Carloni
Housing Officer
456 W. Olive Ave.
Sunnyvale, CA 94086

Re: Support for Rent Stabilization

Dear Sunnyvale City Council Members:

One of the policies within the City of Sunnyvale's General Plan is to "preserve Sunnyvale's Mobile Home Parks as an affordable housing option" and to maintain at least 400 acres of Mobile Home Park zoning (Policy HE-2.6). The California Housing Consortium states that "Most affordable housing developments are built for families and individuals with incomes of 60% or less than the area median income (AMI)." According to the U.S. Census Bureau, the median income in Sunnyvale is \$131,791. Therefore, most affordable housing in Sunnyvale should accommodate individuals and families who earn no more than \$79,075, and total housing costs would amount to no more than 30% of monthly income, which equates to \$1,976.86 when also factoring utilities, insurance, mortgage, and property tax. But at the Plaza del Rey Mobile Home Park, space rent alone has as soared to \$2,380.

Many mobile home parks in Sunnyvale are increasing new buyer space rents exorbitantly which is decimating home equity because there is no vacancy control. Without Rent Stabilization, rent at mobile home parks is exceeding an affordable rate, and mobile home parks are no longer providing affordable housing as the General Plan envisioned. Would not Rent Stabilization support Policy HE-2.6 of the General Plan and preserve affordable housing for Sunnyvale residents?

You have received minimal response from the mobile home park community regarding the issue of Rent Stabilization, but this silence is rooted in the myriad of our daily concerns and the very need for rent control. We have been silent not because we are apathetic, but because we are coping with life in a pandemic, adjusting to working from home, balancing work with caring for elderly family members and raising children, and caring for ourselves. We have been silent because we are also concerned about polluted air from raging fires, the increasing frequency of power outages, threatening encounters with mentally ill individuals who roam our streets, neighborhood robberies, and drug use in our parking lots. But we will no longer stay silent because the proposed Memorandum of Understanding would lead to continual rent increases that would burden many of us and force us to move.

As a resident of Casa de Amigos Mobile Home Park, I share a home with my friend and her 85-year-old father, who sustained two strokes in the past five years and requires nearly 24-hour monitoring. Both my friend and I work and share the responsibility of looking after her father. We are fortunate that Veteran's benefits pay for a Comfort Keeper program that offers assistance with transportation to medical appointments and grocery shopping. But we have had to be proactive in researching affordable options for care because we cannot do it alone. We are fortunate to have affordable housing that enables my friend's elderly father to live with us; otherwise, he would have no safe, dignified place to live. We are fortunate that the City of Sunnyvale has secured 400 acres of mobile home park land for affordable housing that allows two single women who earn an income barely within a middle-income bracket to live independently.

Policy HE-2.6 allows us to live in the Bay Area, to care for our families, and to be a part of the region's strong workforce, which in turn boosts the economy. The Bay Area is already in the midst of a housing crisis with neighboring San Jose aiming to develop 10,000 affordable housing units by 2022. The City of Sunnyvale has more than 3,500 mobile home units that are a vital component of affordable housing and alleviate the housing shortage. Therefore, Rent Stabilization is crucial to combating the housing crisis and protecting Sunnyvale residents. Please consider the needs of Sunnyvale's mobile home park community as we contribute to the economic and cultural vitality of this city and the Bay Area.

Respectfully,

A handwritten signature in black ink that reads "Christine Ryczkowski". The script is cursive and fluid, with the first name "Christine" written in a larger, more prominent style than the last name "Ryczkowski".

Christine Ryczkowski
Casa de Amigos Mobile Home Community Resident



From: [Lynn Sanders](#)
To: [Larry Klein](#); [Nancy Smith](#); LarrisonCouncil@sunnyvale.ca.gov; [Glenn Hendricks](#); [Russ Melton](#); [Michael S. Goldman](#); [Mason Fong](#)
Cc: [Jenny Carloni](#)
Subject: FW: Please vote for Mobile Home Rent and Vacancy Stabilization Ordinance on October 13, 2020
Date: Tuesday, September 29, 2020 1:42:31 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Dear Councilmember:

My mother, Edythe, and I only recently became aware of this Ordinance and we are very much in favor of Mobile Home Rent Stabilization Ordinance under discussion. We do not support an MOU over a Rent and Vacancy Stabilization ordinance.

An MOU is not a legal agreement and does not protect the interests of Mobile Home owners. If the owner breaks the MOU, we would need to go to court and pay legal fees to defend our situation with no reason to believe that we could win against a wealthy land owner with deep pockets and the ability to draw out the proceedings until we are forced to give up.

Though mobile home owners are not yet acknowledged as a significant segment of affordable housing in Sunnyvale and the Bay Area, we should be. The ordinance would give a legal foundation to prevent the land owners from taking advantage of the situation mobile home owners are in regarding excessive rent increases. So many of the residents in mobile home parks are seniors, as we are, and many are living on fixed incomes and cannot afford unlimited rent increases. Owners may even be unable to sell due to prospective buyers facing unlimited "new owner" rent increases that discourage them from buying.

Please approve a Mobile Home Rent and Vacancy Stabilization Ordinance on October 13, 2020

Sincerely, Edythe (91 years old) and Lynn Sanders (69 years old)
El Dorado Mobilehome Park residents since 1990

From: [fred kameda](#)
To: [Jenny Carloni](#)
Cc: [Anne Teng](#); [Bonnie Boucher](#); [Ebben Beth](#); [Cor Van de Water](#); [Christine Ryczkowski](#); [Daniela Mahler](#); [Denise Casey](#); [enid fox](#); [F Stanley](#); [Gail Rubino](#); [Henry Yin](#); [Judy Pavlick](#); [Julianne702](#); [Julie Marquart](#); [Kathy I](#); [Leia Mehlman](#); [MJ Laroche](#); [Mary Ann Stanfield](#); [Noelle Grotegut](#); [sandra fagundes](#)
Subject: Fwd: Protections for Owners of Manufactured Homes Are Uncertain, Especially During Pandemic | The Pew Charitable Trusts
Date: Monday, September 28, 2020 12:58:22 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

----- Forwarded message -----

From: Fred Kameda <kamedafm@gmail.com>
Date: Mon, Sep 28, 2020 at 12:32 PM
Subject: Protections for Owners of Manufactured Homes Are Uncertain, Especially During Pandemic | The Pew Charitable Trusts
To: fred kameda <kamedafm@gmail.com>

More information about our difficulties and why so many are facing foreclosure.

<https://www.pewtrusts.org/en/research-and-analysis/articles/2020/09/11/protections-for-owners-of-manufactured-homes-are-uncertain-especially-during-pandemic>

Sent from my iPhone

From: [fred kameda](#)
To: [Jenny Carloni](#)
Subject: Fwd: Your upcoming meeting regarding mobile home rent stabilization
Date: Wednesday, September 23, 2020 4:37:28 PM
Attachments: [Vacancy Control.pdf](#)
[new buyer rents.pdf](#)

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hello ,

Please find attached the information I sent to your commission email and (at his request) congressman Ro Khanna.

----- Forwarded message -----

From: fred kameda <kamedafm@gmail.com>
Date: Wed, Sep 23, 2020 at 4:04 PM
Subject: Your upcoming meeting regarding mobile home rent stabilization
To: <housing@sunnyvale.ca.gov>

Hello I am responding to the summary that you plan to recommend an MOU rather than the needed rent stabilization / vacancy control legislation. I sent a response previously but heard that it was not presented to your members.

Now you are planning a final meeting on this subject prior to your final recommendation to the city council. My attachments here exhibits information and data that clearly exhibits the negative impact an MOU instead of Rent Stabilization and Vacancy Control .

The current impact at Plaza Del Rey alone totals a loss of \$80,000,000.00 to residents. Now without vacancy control most of the other parks in Sunnyvale are following suit by increasing their new buyer space rents.

You need to present the attached information to your commission members before presenting your summary to the city council!. Please confirm you received this email

Regards, Fred Kameda

PARK	ADDRESS	TYPE/SPC	AVE SPACE RENT TO NEW BUYERS	# OF HOMES ON MKT 9/15/2020	AMENITIES
Adobe Wells 408-734-8424	1220 Tasman DR Sunnyvale, CA 94089	Family Spaces: 613	1200	8	Activities Available, Car Wash Area, Clubhouse/Rec Room, Game Room, Laundry Facilities, Pool/Spa, RV/Boat Storage, BBQ Area, Billiards, Lake, Greenbelt, Children's Play Area
Cape Cod 408-734-8700	1050 Borregas AV Sunnyvale, CA 94089	Senior Spaces: 188	1340	6	Activities Available, Clubhouse/Recreation Room, Pool/Spa, Sauna, Billiards, RV access
Casa de Amigos 408-734-3379	1085 Tasman DR Sunnyvale, CA 94089	Family Spaces: 923	1200	13	Activities Available, Car Wash Area, Clubhouse/Recreation Room, Game Room, Laundry Facilities, Pool/Spa, RV/Boat Storage, Barbecue Area, Billiards
El Dorado 408-734-7929	600 E Weddell DR Sunnyvale, CA 94089	Family Spaces: 284	1600	6	Activities Available, Clubhouse/Recreation Room, Pool, Billiards
Fairoaks Mobile 408-736-1929	580 Ahwanee AV Sunnyvale, CA 94089	Family Spaces: 102	1495	1	Clubhouse/Recreation Room, Pool, Billiards
Fox Hollow 408-734-8800	690 Persian DR Sunnyvale, CA 94089	Senior Spaces: 99	1400	3	Activities Available, Clubhouse/Recreation Room, Pool/Spa, RV/Boat Storage access
Mary Manor 408-245-4700	125 N Mary AV Sunnyvale, CA 94085	Family Spaces: 116	1500	3	Activities Available, Car Wash Area, Clubhouse/Recreation Room, Pool/Spa, Laundry Facilities, RV/Boat Storage
Plaza Del Rey 408-734-2746	1220/1225 Vienna DR Sunnyvale, CA 94089	Family Spaces: 800	2380 and 2540	38	Activities Available, Car Wash Area, Library Clubhouse/Recreation Room, Game Room, Gym, Pool, Spa, Billiards, Playground
Rancho La Mesa 408-243-6633	1201 Sycamore TE Sunnyvale, CA 94089	Family Spaces: 215	1450	2	Car Wash Area, Clubhouse/Recreation Room, Exercise Room, Laundry Facilities, Park Pool/Spa, RV/Boat Storage
Willow Ranch 408-734-8900	1111 Morse AV Sunnyvale, CA 94089	Senior Spaces: 236	1300	4	Activities Available, Clubhouse/Recreation Room, Pool/Spa, RV/Boat Storage access

Rent Stabilization / Vacancy Control

For Mobile Home residents

In Sunnyvale, CA

Our coalition of mobile home residents has long pressed the city council to pass legislation for mobile home rent stabilization.

The council put the request under a “study” status.

Last year the city housing commission performed a survey to determine the residents household income vs affordability. The results showed that 82% of the residents did not meet the affordability criteria of 30% of household income vs housing costs.

This year the housing commission determined rent stabilization is needed but they plan to recommend putting forth an MOU (Memorandum of Understanding) which suggests that park owners should comply with fair housing costs or rent stabilization might be considered.

I am resubmitting this data to you to exhibit that our residents can not wait and see but that rent stabilization and vacancy control is desperately needed NOW. An MOU will only delay this obviously needed legislation to “some day”. We have families that are facing loss of their homes today.

The 82% of residents has increased due to covid / loss of income. To make matters even worse park owners have continued to exorbitantly increase “new buyer” space rents.

The impact of new buyer space rents has devastated the equity of those who are in such financial distress that they are trying to sell their homes. Over 50% of these are senior citizens on fixed income or disabilities. These residents have no means of recuperating this loss.

At Plaza Del Rey the new buyer space rent is \$2,380.00 per month. This is \$1,020.00 higher than the average for other parks. The equity impact is a loss of up to \$100,000.00 per home. Even if a seller wants to sell at a lower price they have struggled to find a buyer. Many residents are facing the prospect of selling at a loss (negative equity). Since the city has not taken any steps to curb this unfair practice most of the other mobile home parks have begun to follow suit with increased new buyer space rents. Only two of the eight parks have kept this to a reasonable level of \$1,200.00.

Housing commission members, we have worked very hard to gain legislation for rent stabilization / vacancy control similar to that which San Jose has passed. Any assistance and or recommendations you can provide would help over 10,000 residents in desperate financial need to keep from being forced out of our homes.

Fred M. Kameda,
Plaza Del Rey association board member
Past president of Sunnyvale GSMOL chapter
Leader of mobile home coalition for rent stabilization

From: [sandra fagundes](#)
To: [Jenny Carloni](#)
Subject: Fwd: Sunnyvale, CA - Housing Strategy
Date: Saturday, September 26, 2020 4:36:32 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

----- Forwarded message -----

From: Carol Valenti <carolvalenti597@gmail.com>
Date: Fri, Sep 25, 2020 at 9:00 PM
Subject: Sunnyvale, CA - Housing Strategy
To: sandra fagundes <fauxmein@gmail.com>

Jenny Carloni is the Housing Officer with the city. Her email is jcarloni@sunnyvale.ca.gov

State the following:

“I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.”

<https://sunnyvale.ca.gov/property/housing/strategy.htm>

From: [Jeff Shannon](#)
To: [Jenny Carloni](#)
Subject: Housing Commission regarding Mobile Home space rents
Date: Monday, September 28, 2020 1:58:06 PM

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Sunnyvale City Council and Housing Commission

I have lived here in the Plaza Del Rey mobile home park for over 3 years now. We moved here for an affordable option until the kids all graduated high school (last one in 3 years). This was our best option at the time with rents across the city going out of control. Now we have money hungry landlords in "Hometown America" that only want to try to bleed the residents of this park dry. There is a reason we all live here, all 800 homes, is that we are not in the highest tier of pay rates in the county and this is our affordable option. We never planned on making huge equity on our home and thought we could live here and at least have something when we tried to sell. Now, with space rents going higher and higher, my home is now worth at least \$100,000 less due to space rents that are double what some of the other parks in the area are charging. The price gauging must stop, and the city council needs to put something in place that allows those of us who are not wealthy with endless amounts of money to be able to have a future.

New buyer space rent for those coming in right now is about \$2400 (just for the space) not including mortgage and everything else on top of that. No one can sell their home in this park. It is stagnant and homes have been sitting for sale for over a year with no one willing to take that steep plunge. At last count there is 38 homes for sale and no buyers. This is a total loss of equity for all of us here at Plaza del Rey.

It seems the city is only concerned with doing things to satisfy big corporations and could care less to those residents who are less fortunate. We all must do our part to make sure the city is doing all it can to try to level the playing field in areas such as this. We must have rent stabilization and vacancy control to be legislated. Don't tell us about the MOU because you know as well as I do that does nothing.

Sunnyvale needs to start thinking of the people who live and work here as I do. It's about time to put Rent Stabilization in place.

Jeff Shannon
Plaza Del Rey Resident

From: [Dan Balco](#)
To: [Jenny Carloni](#); [Dan Balco](#)
Subject: I do not support an MOU over Rent Stabilization
Date: Thursday, September 24, 2020 6:23:08 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.

Thanks,
Dan Balco
1225 Vienna Drive [REDACTED]
Sunnyvale, CA 94089

From: [Adam Stern](#)
To: [Jenny Carloni](#)
Subject: I do not support the MOU over Rent Stabilization
Date: Friday, September 25, 2020 3:09:26 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hi Jenny,

I own a home in Plaza del Rey on Space 152. The home has been on the market since April 2020. I have reduced the price from \$249k to \$159k. Still there are no offers on the home. I have used two different realtors: Pams Homes and Todd Su Realty. Both have told me houses are not selling because of the \$2380 space rent imposed by Hometown America. What they are doing is simply criminal. They stealing our equity and hurting all of these good people in Plaza del Rey.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.

When will the law be for the people rather than large Corporations. These are good people in Plaza Del Rey and Hometown America is just stealing from them! I just cant believe a property I bought in 2017 at \$262k is worth \$152k in 2020. The reason is because of Hometown America and the lack of moral fiber in our politicians.

PLEASE HELP! NO MOU!

Kind regards,
Adam Stern
Tel: [REDACTED]

From: [Margaret](#)
To: [Jenny Carloni](#)
Subject: I Support Rent Stabilization Over MOU
Date: Friday, September 25, 2020 4:59:09 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I have lived in Plaza del Rey Mobile Home Park for 17 years. This was an affordable place I could buy (where else can a single woman buy a home in Silicon Valley?) and I hoped to end up with some equity in my home should I need to sell it.

Now this plan is in shambles. I have lost all of my equity. The space rent was manageable but I'm now forced to use some of my savings.

Our park owner has raised the new buyer space rent to \$2,380 per month. This is \$1,160 more than my current space rent.

Realtors have said my home now has a sellable price of \$100,000 less than it would be if the space rent to a new buyer was the same as other mobile home parks. This loss in equity has devastated my finances. Now I can't afford to move because my planned equity leaves me with no equity for the future.

I have to sell my home so I spoke to 4 different real estate companies. Two out of 4 declined to list my home in Plaza del Rey because they are unable to sell here!

Hometown America is no longer buying houses, and has 5 homes on the market that are just sitting there.

When speaking to one agent about how Hometown America should get a clue, she said that the residents should organize a protest, with protest signs, etc., and call in ABC News.

Another agent said that because HTA paid so much to Carlyle, they cannot afford to lower the rent. And it will go up again next year.

We have 800 homes here impacted by this loss. Rent stabilization with Vacancy Control must be legislated. Please do your job and help me. Do not say rent stabilization is too expensive when I am facing financial disaster and my life is in turmoil because you are not protecting me.

Thank you and take care,
Margaret Hanson
1220 Vienna Drive, [REDACTED]
Sunnyvale, CA 94089

From: [Frank David](#)
To: [Jenny Carloni](#)
Subject: MHP Resident, Sunnyvale
Date: Monday, September 28, 2020 12:01:14 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hello Jenny,

I recently purchased a MH in 2017, the only way I can afford to live in the City. I was made aware that the City is considering Rent Control and Vacancy Control. MHP residents are overwhelmingly underrepresented in Sunnyvale, with politicians supporting developers and their money. Manufactured Homes are a valuable community asset to be protected. In fact, zoning should be created to expand the use of MHs. It is the last affordable option. No resident is getting rich living in a MH, but some park owners are and at the expense of poor hard working citizens. Please help to preserve the quality of life for current and future MHP residents. It is the right thing to do. Thank you.

Frank

From: [Rich Tardiff](#)
To: [Jenny Carloni](#)
Subject: Mobile Home Park--Rent Control
Date: Sunday, September 27, 2020 5:08:03 PM
Importance: High

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hello Jenny,

Please 'count me' as one who supports 'Rent Control' over 'MOU'. The increases for Casa De Amigos residents has been reasonable up to this time; I would 'Not Want' to see the laws change to allow owners to do as they please for future increases.

"I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally."

Sincerely,
Richard Tardiff
Casa De Amigos

From: [Luckie Leiva](#)
To: [Jenny Carloni](#)
Cc: [Larry Klein](#); [Nancy Smith](#); LarrisonCouncil@sunnyvale.ca.gov; [Glenn Hendricks](#); [Russ Melton](#); [Michael S. Goldman](#); [Mason Fong](#)
Subject: Mobile Home Rent Stabilization Vote
Date: Monday, September 28, 2020 5:38:18 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Jenny Carloni
City of Sunnyvale

Dear Councilmember:

I am emailing you in support of a Mobile Home Rent Stabilization Ordinance to protect mobile home residents from excessive rent and vacancy rate increases. The Ordinance is a law and the city is responsible for enforcing the Ordinance. The other option, a Memorandum of Understanding just an understanding with no legal teeth. If the owner breaks the MOU - I will need to go to court and spend my money to defend myself with no reason to believe that I will win.

Please approve a Mobile Home Rent Stabilization Ordinance on October 13, 2020

We appreciate your help and support on this vote.

Luckie and Armando Leiva
El Dorado Mobile Home Park



Director
Way To Go Programs



www.waytogoprograms.com



From: [Jennifer.p1210](#)
To: [Jenny Carloni](#)
Subject: Mobile home
Date: Thursday, September 24, 2020 8:00:19 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.

Sincerely,
Jennifer Godinez

From: [Dwight Fox](#)
To: [Jenny Carloni](#)
Cc: [Enid Fox](#)
Subject: Mou vs rent stabilization
Date: Thursday, September 24, 2020 12:30:41 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I do not support an mou because it is not legally binding. I support RENT STABILIZATION because it is legally binding.

Dwight Fox
Plaza del Rey mobile home park

Sent from my iPhone

From: [Sunnyvale Alliance](#)
To: [Jenny Carloni](#)
Cc: [Larry Klein](#); [Nancy Smith](#); [Gustav Larsson](#); [Michael S. Goldman](#); [Mason Fong](#)
Subject: Need to confirm information on MOU
Date: Thursday, September 24, 2020 4:20:01 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I just wanted to confirm what I thought I heard at the Sunnyvale Housing Commission Meeting On August 26, 2020, and also read on page 28 of the Housing Study.

If the city chooses to go with an MOU, the park owners will create the MOU terms. There will be no Mobile Home Park residents included in the negotiations.

Page 28 Housing Study

28Memorandum of Understanding/Accord In the context of potential mobile home park housing strategies, a memorandum of understanding (MOU) or an accord would be an agreement **between the local jurisdiction and the owners of the mobile home parks in the jurisdiction** that sets rent increase limits, conditions for allowing rent increases, and a mediation process if one becomes needed. The MOU or accord could also establish provisions related to “vacancy control” and remedies should a park owner fail to follow the MOU. To support the implementation of an MOU or accord, the City and legal consultant would lead a negotiations process that would establish the provisions of the agreement, incorporating the interests of both residents and mobile home park owners into the process. This process would result in a single MOU or accord, which all mobile home parks in the City would be required to agree to. While adhering to the MOU can be seen more as **voluntary on the part of park owners**, park owners are incentivized to participate in the interest of avoiding more onerous requirements such as a rent control ordinance. The City would also be responsible for holding **participating park owners** responsible for complying with the MOU or accord

Judy Pavlick
smHpa (Sunnyvale Mobile Home Park Alliance) Founder

 (Leave a message)

From: [Enid Fox](#)
To: [Jenny Carloni](#)
Subject: Re: Mobile home rent stabilization needed
Date: Thursday, September 24, 2020 2:40:41 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Thank you!

Sent from my iPhone

On Sep 24, 2020, at 2:39 PM, Jenny Carloni <JCarloni@sunnyvale.ca.gov> wrote:

Hi Enid,

Thank you for your email. Your comments will be forwarded to the City Council for their October 13th meeting.

<[image001.png](#)> **JENNY CARLONI**
Housing Officer
Community Development Department

Follow us on:
<[image002.png](#)> Direct Line: 408-730-7465
Fax: 408-737-4906

Sunnyvale.ca.gov

Please note: Sunnyvale's Housing Division is currently working remotely. We appreciate your patience during this time!

From: Enid Fox <enid.fox1@gmail.com>
Sent: Thursday, September 24, 2020 1:17 PM
To: Jenny Carloni <JCarloni@sunnyvale.ca.gov>
Subject: Mobile home rent stabilization needed

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hello Jenny,

I am a concerned mobile home owner in Plaza Del Rey. I have joined with dozens of others at past City Council meetings regarding the need to stabilize mobile home rents. I would have been to the recent meeting with many others but the pandemic makes that impossible. Do not think we are acquiescing

because people weren't there! The proposal to use an MOU is outrageous. MOUs are not legally binding, they are worded vaguely and residents of the MHP are not included in the MOU negotiations which is a blatant show of favoritism to park owners.

The study also did not cover the idea of a "fair market value." Mobile home costs and apartment costs are completely different. They cannot be lumped together under, "fair market value for rent." Realtors are concerned that homes in other parks are not selling because potential buyers see what is happening in Plaza Del Rey. We have 25 homes for sale, one has been on the market for over 16 months.

Thank you,
Enid Fox

From: [Dwight Fox](#)
To: [Jenny Carloni](#)
Cc: [Enid Fox](#)
Subject: Re: Mou vs rent stabilization
Date: Thursday, September 24, 2020 5:53:54 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Thanks for the reply. One serious problem for many plaza del Rey residents were the inflated prices for space rents brought about by Carlyl 's ownership of our Park. The space rents our above market value making affordable housing not so affordable

Sent from my iPhone

> On Sep 24, 2020, at 12:56 PM, Jenny Carloni <JCarloni@sunnyvale.ca.gov> wrote:

>

> Thank you for your email. Your comments will be forwarded to the City Council for their October 13th meeting.

>

> JENNY CARLONI

> Housing Officer

> City of Sunnyvale

> (408) 730-7465

>

>

>

> -----Original Message-----

> From: Dwight Fox <dwright.fox23@gmail.com>

> Sent: Thursday, September 24, 2020 12:31 PM

> To: Jenny Carloni <JCarloni@sunnyvale.ca.gov>

> Cc: Enid Fox <enid.fox1@gmail.com>

> Subject: Mou vs rent stabilization

>

> ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

>

> I do not support an mou because it is not legally binding. I support RENT STABILIZATION because it is legally binding.

> Dwight Fox

> Plaza del Rey mobile home park

>

> Sent from my iPhone

From: [Esra Vural](#)
To: [Jenny Carloni](#)
Subject: Re: rent stabilization
Date: Sunday, September 27, 2020 12:40:47 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Sunnyvale City Council Members, I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally. If rent is not stabilized in the mobile home community many people, like myself who are supporting parents as a single woman would not be able to stay in this area. I bought this home to support my parents with a long list of health problems. We are already hit with COVID and as a single wage earner and with parents who are below the poverty line I don't know where to turn. My dad had cancer a year ago and my mom has high blood pressure and I am trying to shield them from this stress. I bought this mobile home but unfortunately the rent has doubled and now I can't even pay the rent without cutting groceries and moreover my asset evaporated as I can't sell the home at half the price. This is very unjust and I would like Sunnyvale city council to put a hold on the greedy Mobile Home park owners such as "HomeTown America". This company is now building homes over social club and amenity locations which I believe we also have a share in . We bought these homes by looking at the exemplary community space and now they don't even sweep the floors and roads. We are trapped in this situation with a greedy and unlawful company. Please help us to resolve this situation. We promise in return to support you with all our power and bring all the good in this community.

Respectfully,
Esra Vural

|

From: [angela.vielman](#)
To: [Jenny Carloni](#)
Subject: Rent stabilization
Date: Thursday, September 24, 2020 7:13:32 AM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hello,

My name is Angela Vielman, I live at plaza Del Rey park space number 343.

“I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.”

Regards,
Angela

From: [Dena Martinez](#)
To: [Jenny Carloni](#)
Subject: Rent control
Date: Thursday, September 24, 2020 9:45:35 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

1. I have lived in Casa De Amigos mobile home park for 20 years
2. When I bought my home I planned to have an affordable place to live thus the reason I moved from San Francisco and my only opportunity to own a home
3. This was an affordable place I could buy and I hoped to end up with some equity in my home should I want / need to sell it.
4. Our space rent plus our mortgage payment is manageable but knowing I should have some equity seemed to be a good decision.
5. Now this plan is in shambles. I have lost (part of or all of) my equity Due to rising space rents in sunnyvale or fear of selling the only affordable housing option for many ie mobile home parks
6. Our neighboring park owner(Plaza Del Ray) has raised the new buyer space rent to \$2,380. This is more than double my current space rent.
7. Realtors have said my home now has a sellable price of \$100,000.00 less than it would be if the NFLq space rent to a new buyer was the same as other mobile home parks.
8. This loss in equity has devastated many neighbors finances and I live in fear that this may happen in my park (Casa De Amigos)

An MOU does not and can not do anything for us. Rent stabilization with Vacancy Control must be legislated. Please do your job and help me. Do not say rent stabilization is too expensive when I am facing financial disaster and my life is in turmoil because you are not protecting me.

- Dena Edwards
Casa de amigos. [REDACTED]

From: [Denise Kast Souza](#)
To: [Jenny Carloni](#)
Subject: Rent control V. MOU for Mobile homes in Sunnyvale
Date: Thursday, September 24, 2020 3:55:04 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I have lived in Adobe Wells mobile home park for 27 years. We've paid off our home, but the rental space climbs each year, even in this, The Year of Satan 2020, when all our "amenities" are closed to us.

We're lucky in AW in that we have signed leases, but I fear for my friends in nearby parks---and for us, too, when our leases expire. We've been happy here and AW has been "ok" with most concerns over the years. No efforts, though to help us out during the pandemic. No pool open, no gym. No clubhouse. We're still paying as though we're enjoying our park. To me, this does not bode well for what might be heading our way.

Thank you for please considering rent control over MOU. I know the park management around us cannot be trusted to do the right thing, and if the response during covid 19 is any indication, it may be the same for us, soon.

Denise Kast Souza
Adobe Wells [REDACTED]

[REDACTED]

From: [luis duran](#)
To: [Jenny Carloni](#)
Subject: Rent for mobile parks
Date: Thursday, September 24, 2020 9:20:36 AM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hello my name is Melinda Duran and I do not support the MOU over rent stabilization. We pay a lot of money every month for rent and a mortgage payment. Mobile home parks need rent stability. I pay \$2260 a month in just rent and my rent increases every year. Please we need rent stability! We love Sunnyvale and it s a great place to raise kids but the rent is so high we might not be able to afford to live here soon. I want my kids to grow up in Sunnyvale because there is better opportunities for them here. So please make mobile homes rent stable thank you for your time.

Sent from my iPhone

From: [fred kameda](#)
To: [Jenny Carloni](#)
Subject: Rent stabilization and vacancy control
Date: Thursday, September 24, 2020 6:17:57 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hello Jenny,

We are most appreciative for your responsiveness.

I have been notified that we have at least 5 residents that are now facing foreclosure on their homes in Plaza Del Rey alone. This is a NOW problem that an MOU can not resolve.

We have been advised that we can gain media coverage on this with TV and Mercury News. While we do not want to get help by using negative actions the lack of Sunnyvale city legislature getting us an ordinance like San Jose > has backed us into a corner. Please advise the city council this is going to happen.

Regards, Fred Kameda

From: [Brent M](#)
To: [Jenny Carloni](#)
Subject: Rent Stabilization for the City of Sunnyvale
Date: Thursday, October 1, 2020 10:05:07 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Sunnyvale City Council Members, I understand that not many people in our community are already not speaking out about the need for rent control-especially in mobile homes, and it is greatly needed. Are people not interested in rent control? No this is not the case. There is a lot of discussion in social platforms such as Nextdoor. Does this mean that community members are already not invested in the future of Sunnyvale? Perhaps. I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally. If rent is not stabilized in the mobile home community many people, like myself who is an elementary school teacher and single parent would not be able to stay in this area. Our community and people who have been established in an area for many years-even generations, deserve to live and work in the same community. Living, working, and raising kids in the same area creates a greater connection between these. This connection in turn creates a greater responsibility to the future and safety of Sunnyvale. Research has proven countless times that a feeling of belonging to a community provides for lower crime rates and a positive affect in its members. If teachers and single parents are forced out the home to school connection will also be lost which in turn creates another divide of our community's values. The California Housing Consortium states that "Most affordable housing developments are built for families and individuals with incomes of 60% or less than the area median income (AMI)." As listed in the City's 2020 Income Limits for Below Market Rate (BMR) Programs, the AMI for our area ranges from \$99,100 for an individual to \$141,600 for a four-person household. Therefore, if affordable housing in Sunnyvale followed the trend observed by the California Housing Consortium, affordable housing in Sunnyvale would accommodate residents with incomes ranging no more than \$59,460 for an individual to \$84,960 for a four-person household, and total housing costs would amount to no more than 30% of monthly income, which equates to an estimated range of \$1,486.5 to \$2,124. But at the Plaza del Rey Mobile Home Park, space rent alone has as soared to \$2,380. Mobile homes are a growing area of home purchase for many in the mid-income bracket (whereas two incomes are prevalent) as home purchase is part of the American dream and an investment for families. Rent control is necessary for the cost of living to remain lower than or at least equivalent to the cost of increase raises people get at work. Teachers, at most, generally get a 1% increase, whereas rent is able to raise a minimum of 3.5% yearly. This divide of yearly increase is also forcing qualified teachers out of the area. When rent control is 7% or higher annually and teachers NOT receiving compensation for higher degrees and ongoing trainings to meet the needs of our community. Sunnyvale is not investing in the future of our community. This puts the future of Sunnyvale at risk of becoming unstable and families not invested in the long-term effects of the community. I am asking for myself and those whom I call my neighbors for Sunnyvale to support rent stabilization and keep Sunnyvale a community of families and friends, not a community of transient neighbors. Respectfully,
Brent Matyas Sunnyvale Mobile Home Community Resident

From: [Laura Thompson](#)
To: [Jenny Carloni](#)
Subject: Rent Stabilization in Sunnyvale
Date: Thursday, September 24, 2020 8:17:57 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I request that the Sunnyvale push for Rent Stabilization in Sunnyvale NOW!

Sent from [Mail](#) for Windows 10

From: [Ron](#)
To: [Jenny Carloni](#)
Subject: Rent Stabilization or BUST!
Date: Thursday, September 24, 2020 8:23:37 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.

I am an owner of mobile home in Plaza Del Rey and have been for rent stabilization ever since Carlyle came in and jacked up or space rent while the city of Sunnyvale took a blind eye and did nothing even after pleading with them and inviting the mayor. It's time for Sunnyvale City Council to act in the interest of the people. Do the right thing and enact rent stabilization or you will have more companies come in and jack up rents, displace people or force people to loose equity.

If I put my house on the market today I will loose \$50k immediately. That's if I can even sell it. We have 25 homes for sale and one that is for sale by the park owners has been on the market for 16 months. We are all stuck here!! We need your help ASAP!!

Ron

From: [Liz Schwartz](#)
To: [Jenny Carloni](#)
Subject: Rent Stabilization vs MOU
Date: Thursday, September 24, 2020 9:03:37 AM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally. Rent Stabilization should protect those who are vulnerable, which now is just about everyone! In Plaza Del Rey and the other Mobile Home Parks, the residents are seniors, veterans, disabled adults who would otherwise not be able to afford home ownership. However, with the outrageous rates being charged for space rent, home ownership is out of the question for many and will become out of the question for those of us who simply cannot afford the double or triple amounts the owner of Plaza Del Rey is charging. When I bought my house as a single mom with 2 children, one of whom is disable, I was thrilled to be a home owner. Now I am terrified of losing my home because of rising space rents. We are at the mercy of the park owner - a cold and uncaring corporation that greedily eyes the income without a care for the residents.

An MOU is little more than a handshake. We NEED Rent Stabilization or we will all have to sell our homes at a loss and move out of the area.

Thank you for your time and attention.

Best,
Liz Schwartz

From: [Esra Vural](#)
To: [Jenny Carloni](#)
Subject: rent stabilization
Date: Thursday, September 24, 2020 12:53:45 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.

Our Mobile Home Park Plaza Del Rey increased rent prices almost 50 percent in a day. I bought this home for my elderly mother and now I can't even sell it due to this. Please help!! We are in a very bad situation because of our new Park owners. Thank you!

From: [Ericka Moreno](#)
To: [Jenny Carloni](#)
Subject: Rent Stabilization
Date: Thursday, September 24, 2020 3:16:08 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally. I ask you to helps help us pass a law towards Rent Stabilization so our families ensure their future here in the City of Sunnyvale. I am a resident of Plaza Del Rey and would very much appreciate rent stabilization to become a reality for myself and my neighbors.
Kindly,
Ericka Moreno

Get [Outlook for Android](#)

From: grmagnuson@aol.com
To: [Jenny Carloni](#)
Subject: Rent Stabilization
Date: Thursday, October 1, 2020 1:31:56 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I am Gerald Magnuson I live in Casa De Amigos trailer park we want rent stabilization we don't want MOU we cannot trust the owners of the parks to follow them and there not legally binding. Most people in these Parks cannot afford large increases in rent most can't afford what we are paying now. please think of Us not the owners that have lots of money and don't do any improvements that would be a reason to to raise our rent higher.

Gerald Magnuson
1085 Tasman Dr. [REDACTED]
Sunnyvale Ca 94089

From: [Deno Naicker](#)
To: [Jenny Carloni](#)
Subject: Rent Stabilization
Date: Thursday, September 24, 2020 4:42:59 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hi Jenni

I am a resident of Plaza Del Ray (1225 Vienna Drive, [REDACTED], Sunnyvale, CA, 94089) since 2009.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.

Deno Naicker, sent from my iPhone

From: [Grace Wisler](#)
To: [Jenny Carloni](#)
Subject: Rent Stabilization
Date: Friday, September 25, 2020 7:49:12 AM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.

Please support fixed income long time Sunnyvale residents.

Thank you,

Graciela Wisler

County employee and mobile home resident

Sent from my iPhone

From: [Carol Valenti](#)
To: [Jenny Carloni](#)
Subject: Rent Stabilization
Date: Saturday, September 26, 2020 4:42:02 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Hello Jenny,

I am a three-year resident of Casa de Amigos in Sunnyvale expressing my concern of losing equity of my home due to a possible purchase of the property by a private equity firm. There are no laws protecting homeowners in the Sunnyvale mobile home parks.

Please relay the following statement to the City Council:

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs do not hold up legally.

Thank you,

Carol Valenti

From: [Tapati Das](#)
To: [Jenny Carloni](#)
Subject: Rent stabilization
Date: Saturday, September 26, 2020 10:16:51 AM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Dear Mr. J Carloni,

I am a resident of Casa De Mobile home park since 2007.

"I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally."

I am, therefore, requesting you to consider our opinion and work for our interest.

Thank you,

Tapati Das
1085 Tasman Dr., [REDACTED]
Sunnyvale
CA 94089

From: [Setember Holubiczko](#)
To: [Jenny Carloni](#)
Subject: Rent stabilization
Date: Friday, September 25, 2020 3:11:37 AM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

I have lived in Plaza del Rey mobile home park for 23 years. When I bought my home I planned to live my have an affordable place to live. This was an affordable place I could buy and I hoped to end up with some equity in my home should I want to sell. As circumstances would have it, I ended up a single mom and this has been an affordable option in the Bay Area.

Our space rent plus our mortgage payment was manageable but knowing I should have some equity seemed to be a good decision. Now this plan is in shambles. I have lost a major portion, if not all, of my equity. Our park owner has raised the new buyer space rent to \$2,380.00 per month. This is more than \$1,0000 a month over my current space rent.

Realtors have said my home now has a sellable price of \$100,000.00 less than it would be if the space rent to a new buyer was the same as present or at least comparable to other mobile home parks. This loss in equity has devastated my finances. Now if try to sell, my planned equity leaves me with minimal, if any, equity for the future.

We have 800 homes here impacted by this loss. This is \$80,000,000.00 in total. An MOU does not and can not do anything for us. Rent stabilization with Vacancy Control must be legislated. Please do your job and help me. Do not say rent stabilization is too expensive when I am facing financial disaster and my life is in turmoil because you are not protecting me.

Sincerely,

Setember Holubiczko

From: kronet76@gmail.com
To: [Jenny Carloni](#)
Subject: Rent Stabilization-Keep Sunnyvale a community!
Date: Saturday, September 26, 2020 9:36:48 AM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

J. Carloni and Sunnyvale City Council-

I understand that not many people in our community are already not speaking out about the need for rent control- especially in mobile homes, and it is greatly needed. Are people not interested in rent control? No this is not the case. There is a lot of discussion in social platforms such as Nextdoor. Does this mean that community members are already not invested in the future of Sunnyvale? Perhaps.

I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.

> If rent is not stabilized in the mobile home community many people, like myself who is an elementary school teacher and single parent would not be able to stay in this area. Our community and people who have been established in an area for many years-even generations, deserve to live and work in the same community. Living, working, and raising kids in the same area creates a greater connection between these. This connection in turn creates a greater responsibility to the future and safety of Sunnyvale. Research has proven countless times that a feeling of belonging to a community provides for lower crime rates and a positive affect in its members. If teachers and single parents are forced out the home to school connection will also be lost which in turn creates another divide of our community's values.

Due to the pandemic, many teachers plan to retire this year and the need for qualified teachers will increase. The big holdback for these new, younger teachers staying in the area is being able to rent a place to live. Without rent control in place, Sunnyvale is likely to experience a shortage of well-qualified teachers.

Mobile homes are a growing area of home purchase for many in the mid-income bracket (whereas two incomes are prevalent) as home purchase is part of the American dream and an investment for families. Rent control is necessary for the cost of living to remain lower than or at least equivalent to the cost of increase raises people get at work. Teachers, at most, generally get a 1% increase, whereas rent is able to raise a minimum of 3.5% yearly. This divide of yearly increase is also forcing qualified teachers out of the area. When rent control is 7% or higher annually and teachers NOT receiving compensation for higher degrees and ongoing trainings to meet the needs of our community.

Sunnyvale is not investing in the future of our community. This puts the future of Sunnyvale at risk of becoming unstable and families not invested in the long-term effects of the community.

I am asking for myself and those whom I call my neighbors for Sunnyvale to support rent stabilization and keep Sunnyvale a community of families and friends, not a community of transient neighbors.

Respectfully,
Stefani Rasmussen-Vafaei
Sunnyvale Mobile Home Community Resident

From: [Bonnie Boucher](#)
To: [Larry Klein](#); [Nancy Smith](#); [Gustav Larsson](#); [Glenn Hendricks](#); [Russ Melton](#); [Michael S. Goldman](#); [Mason Fong](#); [Jenny Carloni](#)
Subject: Request for RSO instead of MOU
Date: Wednesday, September 30, 2020 7:11:22 AM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Dear Mayor, Vice Mayor, and Council Members,

I am a resident at space [REDACTED] Plaza Del Rey in Sunnyvale. Ever since The Carlyle Group bought the park in October 2015, our pleas for rent stabilization have fallen on deaf ears. Hometown America has continued Carlyle's policy of imposing high space rent for new home buyers, now charging \$2380./\$2540. (Non-garage/garage), which is double what the surrounding parks are paying.. Consequently, each resident has lost \$120,000 overnight in home equity. To add insult to injury, even with discounted sale prices, houses are not selling in our park. People's livelihoods are at stake. Many face possible eviction, foreclosure or homelessness, especially those seniors on fixed income with limited life's savings.

We urge you to vote for a **Rent Stabilization Ordinance with Vacancy Control** on October 13, 2020. It is the only good solution to our predicament. An MOU is not legally binding and residents have no representation in the negotiations.

Thank you for your attention.

Respectfully yours,

Lavonne Boucher
September 30, 2020

From: [Tony Ramsey](#)
To: [Jenny Carloni](#)
Subject: Sunnyvale Rent Stabilization
Date: Thursday, September 24, 2020 6:20:55 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

To whom it my concern,
My name is Tony Ramsey. I live at Plaza Del Ray Mobil home park. 1220 Vienna Dr Space [REDACTED]. Sunnyvale, Ca 94089

“I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.”

Tony Ramsey
[REDACTED]

[Sent from Yahoo Mail for iPhone](#)

From: [Diana Davis](#)
To: [Gustav Larsson](#); [Jenny Carloni](#); [Nancy Smith](#)
Cc: anneteng@comcast.net; ["Janet Wooldridge"](#)
Subject: YES vote on October 13th
Date: Thursday, September 24, 2020 4:51:18 PM
Attachments: [image003.png](#)

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Mr Larsson, Ms Smith & Ms Carloni

I am writing to you to ask for your YES vote for Rent Stabilization on October 13, 2020.

One month ago, the City Staff members and Housing Commission agreed to push for an MOU (Memorandum of Understanding) and NOT RENT STABILIZATION. Why? Staff stated that it is too costly and time consuming for the City to initiate Rent Stabilization at this time. The Council recommended that its members encourage Mobile Park Owners to agree to an MOU (Memorandum of Understanding). **I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.**

I have lived in Sunnyvale at Plaza del Rey since 1996. I have paid a rent increase every year and it was always a small percentage. Over the years the park has changed ownership and we now find ourselves in a difficult position and we are asking you and the Council to help us.

Equity firms have come in and purchased Plaza del Rey for way over "market value", raised the rents 2 times higher than other parks across the street in 2 different directions (Casa de Amigo and Adobe Wells), sold for a 20% profit and caused home owners to lose equity in their homes and go under water on their loans. I am one of those people.

My husband and I have decided to move out of the Bay Area to our home in Arnold, CA since we both work from home and are approaching retirement age. I wanted to put my house on the market in mid March for \$285K but COVID-19 struck and I delayed until May 15, listing at \$249K. I have now reduced my price to \$185K after 4 months of no offers or viewings. I have about 700 views online each week, have had 3 people make appointments to view my home and all 3 have backed out when they realized they would have to pay \$2380/month in space rent on top of a mortgage! That is a loss of equity of \$100K!! it is costing me \$4K/month to keep the house and I'm not even living there since August 1st! That is my mortgage, space rent, utilities, insurance, earthquake & flood insurance and property tax! **I cannot sell because no one will pay \$2380/month in space rent. And Hometown America will not allow me to rent out my home, it must be owner occupied.**

There are 27 others listed in Plaza del Rey, some have been on the market well past 120 days! My realtor, Janet Wooldridge is on copy. She and I are doing everything we can think of to get viewings and we can't get past the rent price. My home is beautiful and I know it would sell at \$285K if the space rent wasn't so exorbitant. I currently pay \$1300/month rent and it is reasonable – keep in mind that when I moved here, my rent was \$600/month, 25 years ago. I am being held hostage! Here is the link to my home sale sight: <http://www.1225vienna103.com/>



Please vote YES for Rent Stabilization on October 13 and help the 900 homeowners/renters at Plaza del Rey. Help us to not be held hostage by Hometown America.

Regards
Diana Davis



From: [Lauri Ellzey](#)
To: [Gustav Larsson](#); [Jenny Carloni](#); [Nancy Smith](#)
Cc: ["anneteng@comcast.net"](#) <[anneteng@comcast.net](#)>
Subject: YES vote on October 13th
Date: Thursday, September 24, 2020 9:35:33 PM

ATTN: Email is from an external source; Stop, Look, and Think before opening attachments or links.

Mr. Larsson, Ms. Smith & Ms. Carloni -

I am writing to you to ask for your YES vote for Rent Stabilization on October 13, 2020.

One month ago, the City Staff members and Housing Commission agreed to push for an MOU (Memorandum of Understanding) and NOT RENT STABILIZATION. Why? Staff stated that it is too costly and time consuming for the City to initiate Rent Stabilization at this time. The Council recommended that its members encourage Mobile Park Owners to agree to an MOU (Memorandum of Understanding). **I do not support an MOU over Rent Stabilization. The reasons for this include and are not limited to the fact that MOUs are not followed. They do not hold up legally.**

I have lived in Sunnyvale all my life & I love this city!! But remaining in Sunnyvale may not be an option for me because of the steady increase in space rent over the years due to the many ownership changes in this park. Equity firms have come in and purchased Plaza del Rey for way over "market value", raised the rents two times higher than other parks across the street in 2 different directions (Casa de Amigo and Adobe Wells), sold for a 20% profit and caused home owners to lose equity. Sadly, we have many homes in Plaza del Rey that have been on the market for a very long time. No one wants to purchase a new home here due to the high space rent that awaits them. We now find ourselves in a difficult position and I am asking you and the Council to help us.

Please help the 900 homeowners/renters at Plaza del Rey and vote YES for Rent Stabilization on October 13.

Regards,
Lauri Ellzey





City of Sunnyvale

Agenda Item

20-0714

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Receive and File the FY 2020/21 First Quarter Budget Update and Approval of Budget Modification No. 8 in the Amount of \$1,932,000 to Appropriate CARES Act Funding

REPORT IN BRIEF

This report summarizes the year to date financial position of the City's major funds, including an update on the receipt of revenue and current status of expenditures. Overall, the City's financial position is tracking as planned in the FY 2020/21 Budget and ended the year slightly better than planned for FY 2019/20. Information early in the year is not yet fully available, especially revenues, which lag by approximately a month.

The City has been approved to receive \$1,932,000 in CARES act funding from the State to help offset the fiscal impact of the City's COVID response. Staff is recommending that Council Receive and File the First Quarter Budget Update and approve Budget Modification No. 8 to appropriate the CARES Act funding to the Budget Stabilization Fund.

BACKGROUND

As part of the FY 2020/21 Budget Adoption, staff committed to providing a report to Council detailing the current financial condition of the City on a quarterly basis. This is the first of these reports. This update compares the FY 2020/21 Adopted Budget with actual revenues and expenditures year to date. In addition, this report provides a preliminary review of the FY 2019/20 year-end financial results.

Information early in the fiscal year, especially on revenues, is not yet fully developed. Many sources of revenue aren't received until several months into the year. For example, Transient Occupancy Tax (TOT) for September, is not due to the City until the end of October. Another example is Business License Tax, which will appear low until the second half of the fiscal year after renewals occur. While operating expenditures tend to trend more evenly due to regular payroll costs, some expenditures also develop further into the year. For example, large bills like water purchases, are also delayed with July not paid until mid or late August. Consequently, each Quarterly Report will provide a little more context for the year to date status of revenues and expenditures.

This report also seeks Council approval to appropriate the \$1,932,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding received through the California Department of Finance.

EXISTING POLICY

Pursuant to Sunnyvale Charter Section 1305, at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by affirmative votes of at least four members so as to authorize the transfer of unused balances appropriated for one purpose to

another, or to appropriate available revenue not included in the budget.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378 (b) (4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

DISCUSSION

This report presents preliminary budget and actual year-end results for FY 2019/20 and year-to-date information for FY 2020/21 (as of August 2020) for the General Fund and Enterprise funds. FY 2019/20 data reflects the estimates presented in the FY 2020/21 Adopted Budget, which includes updated revenue projections and budget modifications. Transfers, Interfund revenues, bond proceeds, debt service as well as project and equipment costs are not included in this report. Note that FY 2019/20 actuals are unaudited and that significant changes can occur during closing the fiscal year. For example, bills paid in FY 2020/21 may actually be attributable to work done in FY 2019/20 and adjusted accordingly. FY 2020/21 data represents the recently Adopted Budget.

While overall progress looks to be as planned, staff will continue to watch the incoming receipts and outgoing expenditures closely. One of the most closely watched unbudgeted expenditure is the effect of underperforming CalPERS returns on the City's pension costs. Preliminary estimates indicate an impact of \$1.5 million to \$2 million annually. CalPERS reports are released at the end of October, and then staff will engage its actuary to provide a new analysis and long-term projections, which will be factored into the FY 2021/22 budget and long-term financial plans for each fund.

During the budget development process, one of the major cost savings strategies was to hold vacant positions. The practical effect of this is some impact to various services. The City Manager held 29.65 FTE vacancies in the budget process and continues to exercise judgement on which vacancies to hold, with the service level reductions approved by Council through the cost savings measures maintained as planned. To date, the City manager has frozen an additional two part time positions and one full time position. This surgical approach to freezing positions allows the City to continue to be responsive to shifting and changing conditions while maintaining the needed cost savings in each affected fund. However, several impending retirements are expected well before the end of the Fiscal Year.

General Fund

Overall, preliminary FY 2019/20 financials show a positive year-end revenue and expenditure variance for the General Fund. Staff continues to monitor FY 2020/21 financials closely.

Revenue

General Fund Revenue	FY 2020/21			FY 2019/20		
	16.67% of Fiscal Year			99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Property Tax	\$ 90,750,445	\$ 101,460	0.1%	\$ 85,495,426	\$ 85,495,611	\$ 185
Sales Tax	\$ 27,163,221	\$ -	0.0%	\$ 27,697,831	\$ 28,833,160	\$ 1,135,329
Transient Occupancy Tax	\$ 10,617,327	\$ 788,306	7.4%	\$ 15,093,335	\$ 15,895,540	\$ 802,205
UUT & Franchise Fees	\$ 15,760,876	\$ 869,382	5.5%	\$ 15,671,292	\$ 15,421,694	\$ (249,598)
Construction Tax	\$ 3,686,757	\$ 466,256	12.6%	\$ 4,775,825	\$ 5,171,077	\$ 395,252
Business License Tax	\$ 1,914,476	\$ 41,145	2.1%	\$ 1,749,343	\$ 1,935,129	\$ 185,786
Real Property Transfer Tax	\$ 1,790,431	\$ 141,792	7.9%	\$ 1,949,035	\$ 1,815,234	\$ (133,801)
Permits & Licenses	\$ 1,634,631	\$ 207,222	12.7%	\$ 1,864,135	\$ 2,134,687	\$ 270,552
Service Fees	\$ 3,626,133	\$ 230,257	6.3%	\$ 5,473,049	\$ 5,540,571	\$ 67,522
Rents & Concession	\$ 3,113,907	\$ 106,431	3.4%	\$ 3,320,321	\$ 3,254,484	\$ (65,837)
Other Revenue	\$ 3,822,573	\$ 805,954	21.1%	\$ 5,349,940	\$ 6,637,790	\$ 1,287,850
Revenue Subtotal	\$ 163,880,779	\$ 3,758,204	2.3%	\$ 168,439,532	\$ 172,134,978	\$ 3,695,446
One-Time Revenue*	\$ -	\$ -		\$ 15,343,570	\$ 6,343,570	\$ (9,000,000)
Grand Total	\$ 163,880,779	\$ 3,758,204	2.3%	\$ 183,783,102	\$ 178,478,547	\$ (5,304,555)

* Sale of Property, ERAF

FY 2019/20

General Fund revenue ended the year \$3.7M (or 2.2%) above projections when one-time revenues are excluded. Almost all major sources exceeded revised revenue projections. Sales Tax was \$1.1M above its revised estimate. While sales tax revenue was expected to decline steeply as a result of the COVID-19 pandemic business shutdowns and continuing business restrictions, the declines were not as steep as projected. During the shutdown, people were drawn to online shopping and continued to shop for essential goods though the better than expected results for the City are mainly related to the medical/biotech sector. Discretionary purchases, such as auto leases and purchases, also contributed to stronger than expected sales tax as customers sought to take advantage of the low interest rates and compelling sales offers. In addition, more deferred sales tax payments from the previous quarter were received than estimated.

With initial restrictions of only essential travel allowed and then the ongoing COVID-19 public health concerns, TOT dropped immediately and sharply, though not as sharply as anticipated. Further, TOT trended up each month of the last quarter with a monthly average of \$228,000 as COVID-19 restrictions tapered down. Strong construction tax revenue continues to reflect the City's robust development activity that quickly resumed after construction operations were halted briefly for two months as part of the COVID-19 response. The \$1.3M positive variance in the Other Revenue category is driven primarily by interest income, reflecting the City's strong cash position.

Real Property Transfer Tax did not meet projected revenue expectations as a result of slowing property sales due to the initial shutdown of non-essential businesses and economic uncertainty as a result of COVID-19. Utility Users Tax (UUT) and Franchise Fees were down as many large businesses closed as part of the COVID-19 response and then quickly shifted to work from home business models.

One-time revenue reflects \$6.3M in Property Tax Educational Revenue Augmentation Funds (ERAF) that was received as anticipated. The \$9M variance is associated with Sale of Property (Block 15 - Charles Street at Mathilda) from the General Fund to the Housing Fund and is now anticipated to be complete in FY 2020/21.

FY 2020/21 Year to Date Update

Few revenues are received evenly throughout the year and therefore progress is difficult to gauge early in the fiscal year. For example, no Sales Tax has been received to date as receipt of sales tax revenue lags the actual economic activity because taxpayers have 30 days to file for monthly reporting periods followed by processing by the California Department of Tax and Fee Administration (CDTFA), which takes several weeks. Receipt of sales tax revenue for the fiscal year typically begins in October. The City uses a Sales Tax consultant to analyze activity. At this time, the City's consultant has indicated that it is anticipated that the City will meet its Sales Tax estimates for FY 2020/21, which are anticipated to drop an additional 2% from 2019/20 after falling off 19% from FY 2018/19.

While TOT revenue is still a fraction of the pre-pandemic revenue, the positive monthly trend has continued into FY 2020/21 with an average of \$394,000 in monthly TOT paid in the first two months of the fiscal year. Reporting indicates that average room rates are down 48% from the same time last year to \$95 per night, and average occupancy rates are tracking at 40% vs. 77% in the first quarter of last Fiscal Year. Construction Tax continues to reflect the City's steady development activity. The Other Revenue positive position is related to a large non-compliance Transportation Demand Management (TDM) penalty of \$516,350 that the City received.

Property tax revenue received to date is due to Supplemental Tax payments. Supplemental taxes are taxes that are due when property undergoes a change of ownership or new construction. These mid-year adjustments will be reflected on the tax roll the following year, but in the year of the event, the tax is prorated, and the City receives this amount separate from the Secured tax revenue. Secured is received in ten payments that the City receives between late November and June. Property valuation growth for the FY 2020/21 tax roll shows an increase of 10.4%, which is greater than the FY 2020/21 Budget estimate of 8.2%. With slower property sales and a sluggish economy, tax roll growth for FY 2021/22 is expected to moderate heavily. For example, the California CPI growth factor is trending less than the 2% allowed with 1.6% applied to the FY 2020/21 roll and 1.2% the current estimate for the FY 2021/22 roll. We will know the final growth factor for the FY 2021/22 tax roll when the County releases the data at the beginning of the 2021 calendar year.

Expenditures

General Fund Expenditures	FY 2020/21 16.67% of Fiscal Year			FY 2019/20 99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Community Development	\$ 1,780,747	\$ 281,706	15.8%	\$ 1,562,731	\$ 1,334,407	\$ 228,324
Environmental Services	\$ 2,417,676	\$ 250,324	10.4%	\$ 2,203,384	\$ 1,939,803	\$ 263,581
Finance	\$ 11,298,211	\$ 1,527,973	13.5%	\$ 10,872,696	\$ 10,010,596	\$ 862,101
Human Resources	\$ 5,136,261	\$ 671,843	13.1%	\$ 5,071,584	\$ 4,480,775	\$ 590,810
Library and Recreation Services*	\$ 18,308,181	\$ 2,795,523	15.3%	\$ 20,134,877	\$ 17,838,759	\$ 2,296,119
Office of the City Attorney	\$ 1,875,126	\$ 279,014	14.9%	\$ 1,807,509	\$ 1,751,319	\$ 56,190
Office of the City Manager	\$ 5,505,884	\$ 821,409	14.9%	\$ 5,182,010	\$ 4,794,061	\$ 387,950
Public Safety	\$ 102,064,174	\$ 14,944,926	14.6%	\$ 98,884,896	\$ 97,403,935	\$ 1,480,961
Public Works	\$ 25,057,955	\$ 3,983,424	15.9%	\$ 26,169,448	\$ 26,097,872	\$ 71,576
Operating Subtotal	\$ 173,444,216	\$ 25,556,141	14.7%	\$ 171,889,136	\$ 165,651,526	\$ 6,237,611
Grand Total	\$ 173,444,216	\$ 25,556,141	14.7%	\$ 171,889,136	\$ 165,651,526	\$ 6,237,611

* Library and Community Services changed name to Library and Recreation Services in Sept. 2020

FY 2019/20

The General Fund is preliminarily projected to end the year with a \$6.2M positive operating variance. All departments met their General Fund operating budget primarily as a result of salary savings related to the initial business interruption (e.g., restrictions on Library and Recreation Services

recreation offerings, pivot to remote hiring process, etc.) associated with the COVID-19 pandemic and then the informal hiring freeze put in place by the City Manager. Similarly, Goods & Services spending is expected to end the year with a positive variance as some non-essential business activity slowed down in response to the pandemic as well as the City's conscientious efforts to spend only as necessary during the uncertain economic times presented.

While General Fund expenditures are expected to end the year favorably, the City did incur unexpected costs in response to the COVID-19 pandemic. The City used the Budget Stabilization Fund Reserve for \$750,000 in small business and non-profit financial assistance, purchased personal protection supplies, and re-routed personnel from regular duties to responding to the COVID-19 pandemic. While the City does not anticipate that all these costs will be reimbursed, the City has received \$1.9M in CARES Act Funding to offset these unanticipated expenditures. The City will also seek reimbursement from the Federal Emergency Management Agency (FEMA) for eligible costs.

FY 2020/21 Year to Date Update

General Fund expenditures are at 14.7% while 16.67% of the fiscal year has passed. Expenditures trend more evenly throughout the year driven mainly by bi-weekly payroll costs. Accordingly, salary and benefit expenditures are trending on target with the payroll benchmark for this point in the fiscal year at 14.6%. The timing of Operations & Maintenance expenditures can vary throughout the year and are expected to end the year at budget.

Enterprise Funds

Golf & Tennis Operations

<i>Golf & Tennis Fund Revenue</i>	FY 2020/21 16.67% of Fiscal Year			FY 2019/20 99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Golf Course Revenue	\$ 2,907,403	\$ 665,478	22.9%	\$ 2,834,780	\$ 3,317,904	\$ 483,124
Tennis Revenue (Rental Fee)	\$ 105,000	\$ -	0.0%	\$ 72,500	\$ 83,750	\$ 11,250
Grand Total	\$ 3,012,403	\$ 665,478	22.1%	\$ 2,907,280	\$ 3,401,654	\$ 494,374

<i>Golf & Tennis Fund Expenditures</i>	FY 2020/21 16.67% of Fiscal Year			FY 2019/20 99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Golf Course Expenditures	\$ 3,961,279	\$ 861,572	21.7%	\$ 4,482,999	\$ 4,823,977	\$ (340,977)
Tennis Expenditures	\$ 108,428	\$ 6,690	6.2%	\$ 110,536	\$ 94,289	\$ 16,247
Grand Total	\$ 4,069,707	\$ 868,262	21.3%	\$ 4,593,535	\$ 4,918,266	\$ (324,731)

FY 2019/20

Revenue associated with the golf courses ended the year with a \$483,124 positive variance despite COVID-19 restrictions that closed operations for almost two months. Reopening partially in May after the COVID-19 pandemic operating restrictions, golf play picked up as soon as these restrictions eased up and allowed the course to re-open for a strong revenue finish. Further, the majority of this positive variance can be attributed directly to golf fees, such as Green fees and Driving Range fees.

The overspending in FY 2019/20 is related to the cost to end the contract with the restaurant concession operator at the Sunnyvale Golf Course. The costs associated with terminating the contract were more than anticipated.

FY 2020/21 Year to Date Update

Golf play continues to be steady and is benefiting as a sport that allows for the social distancing required to prevent the spread of COVID-19. At 23.9% of the annual revenue estimate, golf fees are trending up, but are very seasonal and will slow as winter approaches and the days shorten. Air quality due to wildfires has not impacted play as deeply as in the past as with COVID-19 face covering/mask requirements in place, customers were already prepared. Some COVID-19 restrictions continue to hinder revenue, such as the restriction on shared golf cart use, limited tee times and range due to space restrictions, etc. COVID-19 restrictions also continue to impact tennis operations with the operator reporting revenue loss of over 65% since the pandemic hit. The restaurant operator at Sunken Gardens also continues to experience revenue loss due to the ongoing restrictions on indoor dining. To this end, the City is working with both operators on rent abatement agreements to help mitigate their financial losses.

Golf & Tennis fund expenditures are trending high at this point in the fiscal year mainly due to water costs. Water costs are higher than usual at this point due to a billing reconciliation associated with a broken water meter that will be repaired shortly.

Development Enterprise Fund

Development Enterprise Fund Revenue	FY 2020/21			FY 2019/20		
	16.67% of Fiscal Year			99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Permits & Licenses	\$ 10,399,818	\$ 1,588,460	15.3%	\$ 12,993,816	\$ 14,024,869	\$ 1,031,052
Community Development Fees	\$ 4,641,052	\$ 778,180	16.8%	\$ 6,052,619	\$ 6,519,949	\$ 467,330
Public Works Fees	\$ 1,282,029	\$ 157,670	12.3%	\$ 1,602,536	\$ 1,881,448	\$ 682,370
Other*	\$ 1,178,648	\$ 1,840	0.2%	\$ 1,199,077	\$ 1,222,593	\$ 1,222,593
Grand Total	\$ 17,501,547	\$ 2,526,151	14.4%	\$ 21,848,048	\$ 23,648,858	\$ 1,800,810

*Interest Income & Miscellaneous

Development Enterprise Fund Expenditures	FY 2020/21			FY 2019/20		
	16.67% of Fiscal Year			99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Community Development	\$ 7,895,889	\$ 1,227,661	15.5%	\$ 8,542,161	\$ 8,850,303	\$ (308,142)
Environmental Services	\$ 271,741	\$ 25,245	9.3%	\$ 258,876	\$ 248,121	\$ 10,754
Library and Recreation	\$ 25,018	\$ 4,386	17.5%	\$ 29,917	\$ 35,333	\$ (5,416)
Office of the City Attorney	\$ 511,221	\$ 79,784	15.6%	\$ 482,443	\$ 358,914	\$ 123,530
Public Safety	\$ 1,425,639	\$ 163,536	11.5%	\$ 1,230,949	\$ 893,257	\$ 337,692
Public Works	\$ 2,756,989	\$ 353,773	12.8%	\$ 2,781,212	\$ 2,538,567	\$ 242,645
Grand Total	\$ 12,886,496	\$ 1,854,386	14.4%	\$ 13,325,558	\$ 12,924,494	\$ 401,064

* Library and Community Services changed name to Library and Recreation Services in Sept.

FY 2019/20

Revenues in the Development Enterprise Fund are projected to beat current revenue estimates by \$1.8M (or 8.3%). Development Enterprise Fund revenues continued to reflect the City's robust development activity and all major revenue sources are expected to beat revenue estimates with permits and license fees being the largest component.

Overall, the Development Enterprise Fund expenditures came in under budget by roughly \$400,000 (or 3%). The Community Development Department exceeded its operating budget by \$300,000 (or 4%). This overage can be attributed to the use of contract services by the Building Safety Division to augment staffing needed to provide additional workload capacity related to elevated development

activity, though overspending is offset by additional revenues. Consequently, contract staffing costs were moved from project to operating in the FY 2020/21 budget.

FY 2020/21 Year to Date Update

While the full impact of COVID-19's impact on the City's development activity remains unknown, development fee revenue has been steady for this point in the fiscal year.

Expenditures are trending as expected for this point. We will monitor revenues and expenditures closely to make timely adjustments as may be needed, but at this point, the fund is expected to meet budget.

Development Impact Fees

Development Impact Fees*	FY 2020/21 16.67% of Fiscal Year			FY 2019/20 99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Park Dedication Fees	\$ 41,704,226	\$ 70,785	0.2%	\$ 25,736,763	\$ 25,736,763	\$ -
Housing Mitigation Fees	\$ 41,047,149	\$ -	0.0%	\$ 7,998,024	\$ 9,821,274	\$ 1,823,250
Transportation Impact Fees	\$ 7,459,583	\$ 12,867	0.2%	\$ 5,161,729	\$ 5,589,286	\$ 427,557
Sense of Place Fees	\$ 1,632,757	\$ -	0.0%	\$ 1,738,012	\$ 1,738,012	\$ -
Grand Total	\$ 91,843,715	\$ 83,652	0.1%	\$ 40,634,527	\$ 42,885,335	\$ 2,250,807

*Excludes Interest Income

Development projects take years to come to fruition, therefore, the timing of Development Fee Impact revenue is difficult to predict in the short-term. FY 2019/20 exceeded revenue projections by \$2.3M with some impact fees received in the last quarter of the fiscal year based on projects already in the development pipeline.

Due to project delays associated with the COVID-19 suspension of construction activity in March and April, a majority of revenue expected to be collected in FY 2019/20 is now projected to be collected in FY 2020/21 for existing projects under construction. Impact fees are not received evenly throughout year, but rather based on milestones in the development process. For projects in the earlier stages of development pipeline, the current economic uncertainty makes it difficult to predict projects that will proceed or stall. Staff will monitor development activity and revisit revenue projections as necessary during annual budget development.

Utility Funds

Utility Fund Revenue	FY 2020/21 8.33% of Fiscal Year			FY 2019/20 99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Water Fund	\$ 61,799,016	\$ 5,275,616	8.5%	\$ 66,032,607	\$ 72,461,356	\$ 6,428,749
Wastewater Fund	\$ 49,738,978	\$ 4,899,218	9.8%	\$ 61,618,593	\$ 64,821,986	\$ 3,203,393
Solid Waste Management Fund	\$ 53,167,280	\$ 4,120,698	7.8%	\$ 53,526,170	\$ 55,999,069	\$ 2,472,899
Grand Total	\$ 164,705,274	\$ 14,295,532	8.7%	\$ 181,177,370	\$ 193,282,411	\$ 12,105,041

*July 2020 revenue data only

Utility Fund Expenditures	FY 2020/21			FY 2019/20		
	16.67% of Fiscal Year			99% of Fiscal Year		
	Budget	Actuals	% to Date	Budget	Actuals	Variance
Water Fund	\$ 42,879,620	\$ 4,871,879	11.4%	\$ 42,050,864	\$ 41,198,677	\$ 852,187
Wastewater Fund	\$ 20,160,127	\$ 2,419,597	12.0%	\$ 18,455,282	\$ 17,996,083	\$ 459,199
Solid Waste Management Fund	\$ 41,838,851	\$ 6,100,930	14.6%	\$ 40,689,949	\$ 40,234,200	\$ 455,750
Grand Total	\$ 104,878,598	\$ 13,392,406	12.8%	\$ 101,196,096	\$ 99,428,960	\$ 1,767,136

FY 2019/20

Preliminary year end results show the Water Fund revenue with a positive variance of \$6.4M mostly driven by metered water sales. A large component of the positive Wastewater revenue result is a \$1.8 M infrastructure fee payment associated with the Peery Park development as well as stronger than budgeted sewer fees. The Solid Waste Fund's favorable revenue position is mostly related to City refuse service fees for residential and commercial service. It should be noted that the fees associated with the construction debris boxes declined slightly in the last quarter as construction activity was suspended due to the County's COVID-19 business restrictions. In addition, Fines and penalties are down across all three utility funds due to Council action to waive late fee penalties in consideration of COVID-19 financial impacts to the community though this is not a significant portion (average of \$96,000) of the utility funds' revenue budget. Current delinquency rates for utilities remain approximately the same as they were pre-COVID.

Anticipated year end savings for the Water Fund are as mainly as a result of salary savings. The Wastewater Fund also benefited from salary savings as well as savings from contract and professional service costs that augment staffing for engineering work. The Solid Waste Fund had some salary savings, but also realized savings related to landfill and transfer costs due to business closures in response to COVID-19.

FY 2020/21 Year to Date Update

With COVID-19's prolonged impact to businesses (e.g., moving to work from home scenarios, reduced capacity, etc.), the City is closely monitoring utility service fees. It's also important to note that these fees lag as the City bills two months in arrears.

To date, at 8.3% of the fiscal year, Water revenues are at 9.7% with metered water sales and recycled water fees trending high for this point in the fiscal year. For the Wastewater fund, sewer fees are on par with this point in the fiscal year at 8.4%. Solid Waste Fees are trending low at 5.3% when compared to 8.3% of the fiscal year as businesses are holding and/or reducing service.

As with other funds, salary and benefit operating expenditures tend to trend more evenly during the fiscal year due to regular payroll costs while timing of Operations & Maintenance costs can vary. Water salary costs are trending at 13.7%, which is slightly lower than the payroll benchmark of 14.56% of the fiscal year. The cost to purchase water, this fund's largest expense, is trending at 10.72%, which is below the accounting benchmark of 16.67% of the fiscal year, but in line with costs for the same time last year. Wastewater salary costs are in line with the payroll benchmark of 14.56% of the fiscal year. Solid Waste salary costs are trending low for this point in time at 12%. Transfer and Landfill costs are trending high at 23.7%, which is reflective of solid waste activity resuming after the more severe COVID-19 restrictions were lifted and likely some catch up in expenditures from the prior year. Staff anticipates this will normalize throughout the year.

FISCAL IMPACT

Preliminary year-end financial data as well as the quarterly financial analysis discussed in this report are informational. As CARES Act funding was received after the FY 2020/21 Adopted Budget, staff is recommending a budget modification to appropriate these funds. Therefore, Budget Modification No. 8 has been prepared to appropriate CARES Act grant funds in the amount of \$1,932,000 for reimbursement of unanticipated costs related to the City's COVID-19 response.

**Budget Modification No. 8
FY 2020/21**

	Current	Increase/ (Decrease)	Revised
General Fund			
<u>Revenue</u>			
CARES Act Grant Funds	\$0	\$1,932,000	\$1,932,000
<u>Reserves</u>			
Budget Stabilization Fund	\$43,872,777	\$1,932,000	\$45,804,777

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Receive and file the FY 2020/21 First Quarter Budget Update and Approve Budget Modification No. 8 in the amount of \$1,932,000 to Appropriate CARES Act Funding.
2. Other action as determined by Council.

STAFF RECOMMENDATION

Receive and file the FY 2020/21 First Quarter Budget Update and Approve Budget Modification No. 8 in the amount of \$1,932,000 to Appropriate CARES Act Funding.

Prepared by: Felicia Silva, Budget Manager
 Reviewed by: Tim Kirby, Director of Finance
 Reviewed by: Teri Silva, Assistant City Manager
 Approved by: Kent Steffens, City Manager



City of Sunnyvale

Agenda Item

20-0808

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Approve Participation in the Bay Area Air Quality Management District Spare the Air Cut the Commute Pledge

BACKGROUND

On March 16, 2020, the County of Santa Clara issued an initial public health shelter-in-place (SIP) order in response to the spread of the COVID-19 virus. This order required nonessential businesses to cease most operations, except for those activities that could be performed by employees working from home. This order was issued in coordination with six other public health officers in the region and has been modified and extended through the current time. As a result, the City significantly increased the number of employees telecommuting.

The COVID-19 pandemic led to a sudden shift in transportation patterns in the Bay Area. In response to public health advice, many employers in Sunnyvale had already taken measures to allow the majority of their employees to work remotely prior to the County's public health order restricting business operations. The County's initial SIP order required any ongoing work at nonessential businesses not defined as "Minimum Basic Operations" to be performed by employees working from their place of residence if possible. As a result, some businesses temporarily ceased operations, and others rapidly transitioned their employees to remote work. Many large employers in the Bay Area have announced they will allow their employees to work remotely through at least the end of 2020 and, in some cases, permanently.

EXISTING POLICY

General Plan Policy EM-11.1 The City should actively participate in regional air quality planning. (Previously Air Quality Policy C.1 also Air Quality Goal C)

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental, organizational or administrative activity that will not result in direct or indirect changes in the environment.

DISCUSSION

As part of their current "Spare the Air" campaign, the Bay Area Air Quality Management District (BAAQMD) developed a program to encourage broader use of remote work and support employers in safely reopening and resuming operations. This program, which BAAQMD launched on July 13, 2020 (Attachment 1), includes a pledge committing employers to adopt a policy that extends remote work options by at least 25 percent as a component of their organization's reopening plan.

Additionally, at the August 13, 2020 Cities Association meeting, the Board of Director's passed a motion to support the BAAQMD Cut the Commute Pledge (Attachment 2) and ask all member jurisdictions to support the pledge. The *Cut the Commute Pledge* offers an opportunity for representatives of Bay Area companies and organizations to pledge to provide remote work options for their employees. Staff will notify businesses of the pledge and will partner with the Sunnyvale Silicon Valley Chamber of Commerce and the Sunnyvale Downtown Association to promote this pledge and support expanded telecommuting by Sunnyvale businesses.

Although the City does not have a permanent telecommuting program, in response to the County's SIP order, the City took action to temporarily allow as many employees as possible to work remotely. The City is in the process of implementing a limited duration Remote Work policy to ensure the highest level possible of continuity of operations during a health emergency, while addressing health and safety concerns for employees. The employee's eligibility for remote work will depend on the type of work performed, operational needs, and the ability for the employee to maintain the essential functions of their job duties. The reopening of City facilities to the public and the return of City employees to work on-site will depend on County orders regarding allowed activities, required safety protocols, and the City's readiness to provide broader access to City facilities and services in a manner that protects the health and safety of City employees and the public. Staff will assess the benefits and challenges associated with telecommuting with the aspirational goal of establishing a telecommuting program that meets the goal of this BAAQMD Cut the Commute Pledge.

The City provides employees with a Commuter Transportation Benefit in accordance with the Internal Revenue Code Section 132(f) that provides an option for employees to pay for qualified work-related transportation expenses for public transit, including train, subway, bus, vanpool, parking and park-and-ride expenses on a pre-tax basis, up to current IRS limit per month for mass transit or vanpooling costs.

FISCAL IMPACT

There is no direct fiscal impact from signing the Pledge. The City may choose to develop additional measures to support telecommuting in the future that may have associated costs, which can be considered by the City Council at the time such measures are presented for approval.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Approve participation in the *BAAQMD Cut the Commute Pledge* with the aspirational goal to extend remote work options by at least 25 percent for employees whose work requirements allow for that flexibility to improve air quality and quality of life for all Bay Area residents. Implementation details of the remote work policy will be determined by the city manager.
2. Do not Approve participation in the *BAAQMD Cut the Commute Pledge* with the aspirational goal to extend remote work options by at least 25 percent for employees whose work requirements allow for that flexibility to improve air quality and quality of life for all Bay Area residents.
3. Take other action as directed by Council.

STAFF RECOMMENDATION

Alternative 1: Approve participation in the BAAQMD Cut the Commute Pledge with the aspirational goal to extend remote work options by at least 25 percent for employees whose work requirements allow for that flexibility to improve air quality and quality of life for all Bay Area residents. Implementation details of the remote work policy will be determined by the City Manager.

Prepared by: Michelle Zahraie, Management Analyst

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. July 13, 2020 BAAQMD Press Release
2. BAAQMD Cut the Commute Pledge (hyperlink)



BAY AREA AIR QUALITY MANAGEMENT DISTRICT

NEWS RELEASE

FOR IMMEDIATE RELEASE: July 13, 2020
CONTACT: Kristine Roselius, 415.519.5419

Air District asks employers to expand remote work options

Employers encouraged to sign Cut the Commute Pledge

SAN FRANCISCO – At a press conference today, the Bay Area Air District asked Bay Area employers to sign the *Cut the Commute Pledge* to extend remote work options for employees and maintain our air quality progress even after shelter-in-place orders are eased.

The clean air we have experienced since the Bay Area was ordered to shelter in place on March 16 is due, in part, to the accompanying dramatic reduction in vehicle traffic on our roads. Transportation is the #1 source of air pollution in the region and taking cars off the road significantly improves the quality of our air. Allowing employees to work from home can be a big part of the solution to keeping our skies blue.

“The pandemic has shown us that remote work is possible and productive for many while offering an alternative to traffic gridlock and mega commutes - leading to open roads, healthier air and happier employees,” said Jack Broadbent, executive officer of the Air District. “We are asking Bay Area employers to sign our Cut the Commute pledge and offer remote work options to their employees moving forward. Now is the time to seize this opportunity to sustain good air quality while improving our quality of life in the Bay Area.”

Teleworking benefits include:

- Reduced traffic congestion
- Cost savings for employers and employees
- Improved employee recruitment and retention
- Improved work-life balance
- Increased ability to effectively continue business as a part of a disaster recovery or emergency plan

By signing the pledge at www.sparetheair.org, employers vow to extend remote work options by at least 25 percent for employees whose work requirements allow for that flexibility. Employers also commit to include a formalized remote work policy as a component of their employee benefits package to improve air quality and quality of life for all Bay Area residents.

The [Bay Area Air Quality Management District](http://www.bayareaairquality.org) is the regional agency responsible for protecting air quality in the nine-county Bay Area. Connect with the Air District via [Twitter](#), [Facebook](#), and [YouTube](#).

###

Air District Communications Office
375 Beale Street, Suite 600, San Francisco, CA 94105
[Air District Homepage](#) | [News Releases](#)



RTC #: 20-0808

Document Title: BAAQMD Cut the Commute Pledge

Link: <https://www.sparetheair.org/reduce-your-impact/cut-the-commute/take-the-pledge>



City of Sunnyvale

Agenda Item

20-0705

Agenda Date: 10/13/2020

Tentative Council Meeting Agenda Calendar



City of Sunnyvale

Tentative Council Meeting Agenda Calendar

Tuesday, October 27, 2020 - City Council

Closed Session

20-0833 5:30 P.M. SPECIAL COUNCIL MEETING (Closed Session)
Closed Session held pursuant to California Government Code Section 54956.8:
CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Property: Acquisition of 970 W Evelyn Ave, Sunnyvale, CA APN 165-20-017
Agency negotiator: Kent Steffens, City Manager; Chip Taylor, Director of Public Works; and Sherine Nafie, City Property Administrator
Negotiating parties: Edward Woodhall, Owner
Under negotiation: Price and terms

20-0667 6 P.M. SPECIAL COUNCIL MEETING (Closed Session)
Closed Session Held Pursuant to California Government Code Section 54957.6:
CONFERENCE WITH LABOR NEGOTIATORS
Agency Designated Representatives: Tina Murphy, Director of Human Resources; Kent Steffens, City Manager; Charles Sakai, Labor Attorney

Employee Organization: Public Safety Officers Association (PSOA)

Public Hearings/General Business

20-0814 Approve a Phased Reach Codes program and implement Phase 1 for new Residential and Non-Residential Construction Projects: Introduce an Ordinance to Amend Chapter 16.42 (Energy Code) of Title 16 (Buildings and Construction) and Find that the Action is Exempt from CEQA

20-0799 Award of Bid No. PW20-16 to XXXXXX for Civic Center Modernization Phase 1, Finding of California Environmental Quality Act (CEQA) Categorical Exemption]

20-0865 Approve Alternatives 1 and 2: (1) (1) Approve the Master Plan for Public Art, (2) and Introduce an Ordinance Amending Sunnyvale Municipal Code Chapter 19.52 (Art in Private Development) to Increase the Percent for Art Requirement from 1% to 1.5%, Implementing Option 2A of the Public Art Master Plan; and (32) Allocate \$50,000 from the Public Art Fund to Implement a Utility Box Art Project.

20-0314 Introduce an Ordinance to Amend Chapter 9.28 (Regulation of Smoking) of Title 9 (Public Peace, Safety or Welfare) of the Sunnyvale Municipal Code to Prohibit the Sale of Flavored Tobacco Products (Study Issue)

-
- 20-0864** Adopt a Resolution Amending the City's Salary Resolution and the Schedule of Pay to (1) Change Four Classification Titles in the Department of Library and Recreation Services; (2) Implement Changes to the Casual/Temporary Classifications; and (3) Implement Minor Administrative Changes.

Tuesday, November 10, 2020 - City Council

Study Session

- 20-0052** 5 P.M. SPECIAL COUNCIL MEETING (Study Session)
Cleanwater Center Architectural Concept
- 20-0851** 5:45 P.M. SPECIAL COUNCIL MEETING (Study Session)
Review of Solid Waste Franchise Collection Proposal

Special Order of the Day

- 20-0840** SPECIAL ORDER OF THE DAY - Picture Book Month

Public Hearings/General Business

- 20-0049** Proposed Project: General Plan Amendment Initiation request to consider amending the General Plan designation from Commercial to Low Density Residential for the northwest portion of the site.
Location: 1689 S. Wolfe Road (APN: 309-51-028)
File #: 2020-7436
Zoning: C-1 (Neighborhood Business)/PD (Planned Development)
General Plan: Commercial
Applicant / Owner: PSR Development Inc. (applicant and owner)
Environmental Review: The project is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(a).
Project Planner: Kelly Cha, (408) 730-7408, kcha@sunnyvale.ca.gov
- 20-0842** Adopt a Resolution Amending Late Payment Penalties for Neighborhood Preservation and Fire Prevention Administrative Citations in the Fee Schedule and Provide an Overview of Neighborhood Preservation Process Improvements
- 20-0874** Approve A 3-Month Pilot Program to Stream Council Meetings Through Facebook Live

Monday, November 16, 2020 - City Council

Study Session

- 20-0011** 5 P.M. SPECIAL COUNCIL MEETING (Study Session)
Board and Commission Interviews

Tuesday, November 17, 2020 - City Council

Closed Session

- 20-0668** 4:30 P.M. SPECIAL COUNCIL MEETING (Closed Session)
Closed Session Held Pursuant to California Government Code Section 54957.6:
CONFERENCE WITH LABOR NEGOTIATORS
Agency Designated Representatives: Tina Murphy, Director of Human Resources; Kent Steffens, City Manager; Charles Sakai, Labor Attorney

Employee Organization: Public Safety Officers Association (PSOA)

Study Session

- 20-0425** 5:30 P.M. SPECIAL COUNCIL MEETING (Study Session)
Joint Meeting of City Council with Board and Commission Chairs and Vice Chairs to Review and Improve Overall Effectiveness of Commission Meetings

Public Hearings/General Business

- 20-0777** Proposed Project: Redevelop the site with 391,131 square feet of office and R&D buildings and five level parking structure. (2-five story buildings) 100% FAR. Net new area-252,968 square feet.
Location: 888 Ross Drive (APNs: 110-07-035, 036)
File #: 2018-7860
Zoning: Innovation Edge
General Plan: Peery Park Specific Plan
Applicant / Owner: Perry Hariri /STP Property LLC
Environmental Review: The project is exempt from CEQA review per CEQA Guidelines Section 15168 (c)(2) and (4) Public Resources Code Section 21094 (c). The project is within the scope of the Peery Park Specific Plan Program EIR as no new environmental impacts are anticipated and no new mitigations are required.
Project Planner: Margaret Netto, (408) 730-7628, mnetto@sunnyvale.ca.gov
- 20-0013** Appoint Applicants to Boards and Commissions (As Needed)

Tuesday, December 1, 2020 - City Council

Closed Session

- 20-0729** 5:00 P.M. SPECIAL COUNCIL MEETING (Closed Session)
Closed Session Held Pursuant to California Government Code Section 54957:
PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: City Manager and City Attorney
- 20-0669** 6:00 P.M. SPECIAL COUNCIL MEETING (Closed Session)

Closed Session Held Pursuant to California Government Code Section 54957.6:
CONFERENCE WITH LABOR NEGOTIATORS
Agency Designated Representatives: Tina Murphy, Director of Human Resources; Kent Steffens, City Manager; Charles Sakai, Labor Attorney

Employee Organization: Public Safety Officers Association (PSOA)

Special Order of the Day

20-0015 SPECIAL ORDER OF THE DAY - Ceremonial Oath of Office for Board and Commission Members (As Needed)

20-0264 SPECIAL ORDER OF THE DAY - Department of Public Safety Special Awards

Public Hearings/General Business

20-0841 Ordinance and Procedural Changes to Chapter 19.54. Wireless Telecommunication Facilities and Find that the Action is Exempt from CEQA Pursuant to CEQA Guideline Section 15061(b) (3), and 15378(b).

20-0850 Biennial Review of Priority Needs for Human Services

Tuesday, December 8, 2020 - City Council

Closed Session

20-0696 4:45 P.M. SPECIAL COUNCIL MEETING (Closed Session)
Closed Session Held Pursuant to California Government Code Section 54957:
PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: City Attorney

20-0697 5:30 P.M. SPECIAL COUNCIL MEETING (Closed Session)
Closed Session Held Pursuant to California Government Code Section 54957:
PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: City Manager

Study Session

20-0022 6:15 P.M. SPECIAL COUNCIL MEETING (Study Session)
Discussion of Upcoming Selection of Vice Mayor for 2021

20-0023 Discussion of 2021 Council Intergovernmental Assignments

Public Hearings/General Business

20-0760 Receive and File the FY 2019/20 Budgetary Year-End Financial Report,

Comprehensive Annual Financial Report (CAFR), the Sunnyvale Financing Authority Financial Report, Agreed Upon Procedure Reports, the Report to the City Council Issued by the Independent Auditors, and Approve Budget Modification No. XX

Tuesday, January 5, 2021 - City Council

Special Order of the Day

- 21-0005** SPECIAL ORDER OF THE DAY - Recognition of Elected, Re-elected and Outgoing Councilmembers
- 21-0006** SPECIAL ORDER OF THE DAY - Ceremonial Oath of Office for Council-Elect

Public Hearings/General Business

- 21-0004** Certification of November 3, 2020 Election Results
- 21-0007** Selection of Vice Mayor for a One-Year Term Effective January 5, 2021
- 21-0008** Appoint Councilmembers to Intergovernmental Assignments; Ratify Appointments of Councilmembers made by Outside Agencies; Take Action to Modify, Create, or Terminate Council Subcommittees
- 21-0009** Determine the 2021 Seating Arrangements for City Council

Tuesday, January 12, 2021 - City Council

Study Session

- 21-0023** 6 P.M. SPECIAL COUNCIL MEETING (Study Session)
Pricing and Fee Policy for Recreation Services

Special Order of the Day

- 21-0010** SPECIAL ORDER OF THE DAY - Recognition of Outgoing Mayor and Vice Mayor
- 21-0011** SPECIAL ORDER OF THE DAY - Ceremonial Oath of Office for Mayor and Vice Mayor

Public Hearings/General Business

- 21-0025** Approve the Proposed 2021 Priority Advocacy Issues and review Long-term Legislative Advocacy Positions (LAPs)
- 21-0026** Annual Public Hearing-Discussion of Potential Council Study Issues and Budget Issues for Calendar Year 2021

21-0052 Review the Second Quarter Budget Update

Tuesday, January 26, 2021 - City Council

Study Session

21-0012 6 P.M. SPECIAL COUNCIL MEETING (Study Session)
Sunnyvale Redistricting Process

Public Hearings/General Business

21-0050 Adopt Updated Lawrence Station Area Plan and Related Actions

Thursday, January 28, 2021 - City Council

Study Session

21-0018 8:30 A.M. SPECIAL COUNCIL MEETING
Strategic Planning Workshop

Tuesday, February 2, 2021 - City Council

Study Session

21-0001 6 P.M. SPECIAL COUNCIL MEETING (Study Session)
Board and Commission Interviews (as needed)

Public Hearings/General Business

21-0020 Fourth Quarter General Plan Initiation Request

Tuesday, February 23, 2021 - City Council

Study Session

21-0024 6 P.M. SPECIAL COUNCIL MEETING (Study Session)
Cultural Inclusion Study and Plan

Public Hearings/General Business

21-0002 Appoint Applicants to Boards and Commissions (As Needed)

21-0003 Discussion and Introduction of an Ordinance Amending Sunnyvale Municipal Code Section 2.28.030 to Reduce the Number of Signatures Required for the City to Partially or Fully Cover Publication Costs of City Council Candidate Statements for Municipal Elections

Thursday, February 25, 2021 - City Council

Study Session

21-0021 8:30 A.M. SPECIAL COUNCIL MEETING
Study/Budget Issues Workshop

Date to be Determined - City Council

Study Session

20-0693 6 P.M. SPECIAL COUNCIL MEETING (Study Session)
Cleanwater Program Update

Public Hearings/General Business

21-0030 El Camino Real Specific Plan

20-0660 Moffett Park Specific Plan: Selection of a Preferred Land Use for Study



City of Sunnyvale

Agenda Item

20-0820

Agenda Date: 10/13/2020

Board/Commission Meeting Minutes



City of Sunnyvale

Meeting Minutes - Draft

Board of Library Trustees

Monday, September 14, 2020

7:00 PM

Telepresence Meeting: City Web Stream

Special Meeting

TELECONFERENCE NOTICE

CALL TO ORDER

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the meeting was conducted telephonically.

Chair Lai called the meeting to order at 7:00 p.m.

ROLL CALL

Present: 4 - Chair Carey Wingyin Lai
Vice Chair Sharlene Wang
Board Member Mark Isaak
Board Member Rahul Jain
Absent: 1 - Board Member Alysia Cisneros

Board Member Issak (arrived at 7:02 p.m.)
Council Liaison Goldman (absent)

PRESENTATION

[20-0662](#) PRESENTATION - 2020 Patron Satisfaction Survey

Superintendent of Libraries, Steve Sloan, presented the 2020 Patron Satisfaction Survey. The survey included results from users of the library as well as non-users.

ORAL COMMUNICATIONS

None.

CONSENT CALENDAR

1.A [20-0800](#) Approve the Board of Library Trustees Meeting Minutes of

August 3, 2020

Vice Chair Wang moved and Board Member Isaak seconded, approval of the consent calendar as presented. The motion carried by the following vote:

Yes: 4 - Chair Lai
Vice Chair Wang
Board Member Isaak
Board Member Jain

No: 0

Absent: 1 - Board Member Cisneros

PUBLIC HEARINGS/GENERAL BUSINESS

- 2 [20-0801](#) Annual Review of Code of Ethics and Conduct for Elected and Appointed Officials

Superintendent Steve Sloan reviewed the 2020 Code of Ethics and Conduct for Elected and Appointed Officials with the Board.

Chair Lai opened the public hearing, and there being no public testimony, closed the public hearing.

- 3 [20-0802](#) Preliminary Discussion of 2021 Master Work Plan

Superintendent Steve Sloan provided an overview of the 2020 Master Work Plan. The Board discussed items to add to the Master Work Plan.

Chair Lai opened the public hearing, and there being no public testimony, closed the public hearing.

STANDING ITEM: CONSIDERATION OF POTENTIAL STUDY ISSUES

NON-AGENDA ITEMS & COMMENTS

-Board Member Comments

None.

-Staff Comments

Superintendent Steve Sloan spoke regarding the libraries service updates, which included: addition of grab-bags (assortment of 5 items in a genre), launched Instant Online Access Card, the Friends had a successful book sale, introduced Express Holds Pickup Service, changed Sidewalk Services hours, and launched Express

Holds Pickup by Appointment.

ADJOURNMENT

Chair Lai adjourned the meeting at 8:34 p.m.



City of Sunnyvale

Meeting Minutes - Draft Arts Commission

Wednesday, September 16, 2020

7:00 PM

Location: Telepresence Meeting: City
Web Stream

TELECONFERENCE NOTICE

CALL TO ORDER

Chair Eskridge called the meeting to order at 7:07 p.m. via teleconference.

ROLL CALL

Present: 4 - Chair Dawna Eskridge
Commissioner Jeremie Gluckman
Commissioner Susannah Vaughan
Commissioner Agnes Veith

Absent: 1 - Vice Chair Sue Serrone

Vice Chair Serrone's absence is excused.

Council Liaison Melton (absent)

PRESENTATION

[20-0565](#) PRESENTATION - Art Program Trends

Community Services Manager, Trenton Hill gave a presentation on Sunnyvale Public Art Programs. Highlights included: Art in Private Development, Art in Public Places, the City's permanent collection, Commissioner's responsibilities and project review criteria.

Commissioners inquired and Mr. Hill or City staff responded:

- When is the in-lieu fee assessed? The fee is assessed when the building construction evaluation is calculated during the permitting process. It is determined by the Planning Division.

Chair Eskridge asked if there were any additional questions from the commission or

public. Being none, moved to next item.

ORAL COMMUNICATIONS

None.

CONSENT CALENDAR

Commissioner Vaughan moved and Commissioner Gluckman seconded the motion to approve the Arts Commission Minutes of July 15, 2020 as submitted. The motion carried by the following vote:

Yes: 4 - Commissioner Vaughan
Chair Eskridge
Commissioner Gluckman
Commissioner Veith

No: 0

Absent: 1 - Vice Chair Serrone

1 [20-0683](#) Approve the Arts Commission Meeting Minutes of July 15, 2020

Approve the Arts Commission Minutes of July 15, 2020 as submitted.

PUBLIC HEARINGS/GENERAL BUSINESS

2 [20-0318](#) Arts Commission Recommendation that the City Council (1) Approve the Master Plan for Public Art; and (2) Introduce an Ordinance Amending Municipal Code Chapter 19.52 (Art in Private Development) to Increase the Percent for Art Requirement from 1% to 1.5%, Implementing Option 2A of the Public Art Master Plan.

Planning Commission Recommendation that the City Council Introduce an Ordinance Amending Municipal Code Chapter 19.52 (Art in Private Development) to Increase the Percent for Art Requirement from 1% to 1.5%, Implementing Option 2A of the Public Art Master Plan.

Superintendent of Community Services, Damon Sparacino presented on the Master Plan for Public Art. Highlights included: Options for implementation, Sunnyvale arts and culture, Art in Private Development, Art in Public Places, Public Art Fund, Master Plan process, implementation options, August 2020 Council Study Session feedback and next steps.

Commissioners inquired and Superintendent Sparacino or City staff responded:

- Why was a recommendation not made to increase the in-lieu fee? Very few

companies currently select this option and we were looking to create an incentive for companies to select it.

- Will we have another opportunity to review the Master Plan for Public Art in more detail. Now is the time to give feedback. The information was included in the commission packet. Additional opportunities to provide public comment will be available when this is heard at the Planning Commission and Council. However, you will be providing feedback as a resident not as an Arts Commissioner. The Arts Commission will receive an annual update on the plan and, will recommend for Council's final approval, projects in the future under the Master Plan for Public Art. The Master Plan for Public Art will also be reviewed every 10 years.

- If approved who will be painting the utility boxes and will the Arts Commission have a say? Yes, the Commission will be involved in the process. The process will be similar to how the art was chosen for Fair Oaks Park, where the Commission will rank and rate and then go to Council for final approval.

- Have you considered involving Neighborhood Associations and schools in coming up with designs? We are still working out the details and would like High Schools to possibly do this as a group project. We will encourage artists countywide to apply and we will have a community based component.

Chair Eskridge asked if there were any additional questions or comments. Being none, Chair Eskridge asked for a motion.

Commissioner Vaughan moved to approve Alternatives 1 and 2, Approve the Master Plan for Public Art and introduce an ordinance amending Sunnyvale Municipal Code Chapter 19.52 (Art in Private Development) to increase the percent for art requirement from 1% to 1.5%, implementing Option 2A of the Public Art Master Plan; and Allocate \$50,000 from the Public Art Fund to implement a Utility Box Art project.

Commissioner Gluckman seconded the motion.

The motion carried by the following vote:

Yes: 4 - Commissioner Vaughan
Chair Eskridge
Commissioner Gluckman
Commissioner Veith

No: 0

Absent: 1 - Vice Chair Serrone

STANDING ITEM: CONSIDERATION OF POTENTIAL STUDY ISSUES

[20-0558](#) Arts Commission Proposed Study Issues, Calendar Year: 2021

Chair Eskridge asked if there were any study issues that the Commission would like to agendaize for the next meeting.

Commissioner Veith inquired on items that she sent in. Staff noted, no items were received.

NON-AGENDA ITEMS & COMMENTS

-Commissioner Comments

None.

-Staff Comments

Community Services Manager, Trenton Hill informed the Commission that staff had temporarily installed murals downtown and that an Art Night was being held every Tuesday evening on Murphy Avenue.

Mr. Hill also noted that Arts and Humanities Month was in October and that there would be a proclamation and Special Order of the Day at Council on Tuesday, September 29.

Commissioner inquired and City staff responded:

- What time are the Art Nights? We start around 5:30 p.m. and it goes to about 7 p.m., the start time may change since it is getting darker earlier.

ADJOURNMENT

Chair Eskridge adjourned the meeting at 7:58 p.m.



City of Sunnyvale

Meeting Minutes - Draft

Bicycle and Pedestrian Advisory Commission

Thursday, September 17, 2020

6:30 PM

Telepresence Meeting: City Web Stream

CALL TO ORDER

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the meeting was conducted telephonically.

Chair Mehlinger called the meeting to order at 6:36 p.m. via teleconference.

ROLL CALL

Present 7 - Chair Richard Mehlinger
Vice Chair Leia Mehlman
Commissioner John Cordes
Commissioner Arwen Davé
Commissioner Dan Hafeman
Commissioner Timothy Oey
Commissioner Scott Swail

Nancy Smith, Council Liaison, Lillian Tsang, Principal Transportation Engineer, and Ralph Garcia, Senior Transportation Engineer attended via teleconference.

ORAL COMMUNICATIONS

Chair Mehlinger opened for Public Comment.

Chair Mehlinger closed for Public Comment.

CONSENT CALENDAR

Commissioner Cordes moved and Commissioner Oey seconded to approve item 1.A.

The motion carried the following vote:

Yes 7 - Chair Mehlinger
Vice Chair Mehلمان
Commissioner Cordes
Commissioner Davé
Commissioner Hafeman
Commissioner Oey
Commissioner Swail

No 0

- 1.A** [20-0816](#) Approve the Bicycle and Pedestrian Commission Meeting Minutes of August 20, 2020.

Approve the Bicycle and Pedestrian Commission Meeting Minutes of August 20, 2020 as submitted.

PUBLIC HEARINGS/GENERAL BUSINESS

- 2** [20-0825](#) Report and Discussion of Recent Santa Clara Valley Transportation Authority (VTA) Bicycle and Pedestrian Advisory Committee (BPAC) Meeting

Chair Mehlinger announced that the Commission will hear Public Hearings/General Business agenda item #20-0825 after Public Hearings/General Business agenda item #20-0826. The item was moved by General Consent from the Commission.

- 3** [20-0826](#) Recommend to City Council a Sunnyvale Representative to the Valley Transportation Authority (VTA) Bicycle and Pedestrian Advisory Committee (BPAC)

Ralph Garcia, Senior Transportation Engineer, stated there needs to be a motion to recommend to City Council a Sunnyvale Representative to the Valley Transportation Authority Bicycle and Pedestrian Advisory Committee. Mr. Garcia pointed out the following key points in the by-laws:

- All members shall work/live in the Santa Clara County during their terms on the committee
- VTA employees are not eligible as well as any staff members from the agency that they represent
- Each member will keep the appropriate staff of their appointing member agency informed of key issues
- 2 year term, expires on June 30 of even numbered years

Chair Mehlinger opened for Public Comment.

Chair Mehlinger closed for Public Comment.

Commissioner Cordes commented on the following:

- Thanked Mr. Simons for his time spent as the VTA BPAC Representative
- VTA BPAC Representatives are usually on their appointing City's BPAC
- Would like to be considered as the Sunnyvale VTA BPAC Representative but cannot due to being a VTA BPAC Ex-officio Member appointed by the Silicon Valley Bicycle Coalition

Chair Mehlinger called for a recess at 6:47 p.m. Chair Mehlinger reconvened the meeting at 6:52 p.m.

Commissioner Oey asked about the time commitment being a VTA BPAC Representative. Commissioner Cordes addressed the question.

Chair Mehlinger announced that the Commission will come back to Public Hearings/General Business agenda item #20-0826. The Commission will come back to Public Hearings/General Business agenda item #20-0826 by General Consent.

[20-0825](#) Report and Discussion of Recent Santa Clara Valley
Transportation Authority (VTA) Bicycle and Pedestrian
Advisory Committee (BPAC) Meeting

Commissioner Cordes gave the meeting summary report regarding the following topics:

- VTA Board of Director's approved Measure B Planning Grant criteria changes that the VTA BPAC had requested to make Communities of Concern a 15% factor instead of a 10% factor
- VTA's 2021 Transit Service Plan
- Federal Transit Administration (FTA) Grant and Automated Electric Vehicle (EV) Partnership Program has a \$2.3 million grant to work on bus automation
- Central Bikeway Study
- Pavement Condition Index Study
- Vision Zero Task Force
- County is leading the nation in implementing touchless crosswalks
- 3 pavement rehabilitation projects in the south County
- Foothill rehabilitation project

- Request for Proposals for County Active Transportation Plan
- Tamien and Blossom Hill Station Access Studies

Dave Simons, VTA BPAC Representative, gave the meeting summary reports regarding the following topics:

- Long term planning
- Prioritization

Mr. Simons asked the Commission if they are in favor of a written report to be added to the monthly agenda.

Chair Mehlinger opened for Public Comment.

Chair Mehlinger closed for Public Comment.

Commissioner Oey commented on the following:

- Is in favor of a written report added to the monthly agenda

Commissioner Hafeman commented on the following:

- Is in favor of having a written report added to the monthly agenda

Chair Mehlinger commented on the following:

- Suggest VTA BPAC representative prepares a written report to be added to the monthly agenda

[20-0826](#)

Recommend to City Council a Sunnyvale Representative to the Valley Transportation Authority (VTA) Bicycle and Pedestrian Advisory Committee (BPAC)

Chair Mehlinger opened for Public Comment.

Dave Simons, member of the public, commented on the following:

- Recommendations on the selection of picking a new VTA BPAC Representative
- Would consider doing another term

Chair Mehlinger closed the Public Comment.

Commissioner Oey stated he would be interested in being the VTA BPAC Representative.

MOTION: Commissioner Cordes moved and Vice Chair Mehلمان seconded to

appoint Commissioner Oey as the Sunnyvale Representative to the VTA BPAC.

FRIENDLY AMENDMENT: Chair Mehlinger made a friendly amendment to recommend to City Council to appoint Commissioner Oey as the Sunnyvale Representative to the VTA BPAC. Commissioner Cordes accepts the friendly amendment.

Commissioner Cordes commented on the following:

- Thanked Commissioner Simons for all his hard work as the VTA BPAC Representative.
- It is appropriate to have an existing BPAC Commissioner as the VTA BPAC Representative like other cities.
- Commissioner Oey knows many people at VTA and is a BPAC Commissioner. Commissioner Oey is a hard worker and would do a great job representing the BPAC.

Vice Chair Mehlman commented on the following:

- Agreed with Commissioner Cordes' comments
- Thanked Commissioner Simons for his many years of service
- Commissioner Oey will provide concise and meaningful reports to the BPAC

Commissioner Oey commented on the following:

- Thanked the Commission for their recommendation
- Thanked Commissioner Simons for his years of service

Chair Mehlinger asked Commissioner Oey if he were to get appointed by the City Council as the VTA BPAC Representative, would he carry out this role as a long term position. Commissioner Oey stated that he would be in the position long term.

Chair Mehlinger thanked Commissioner Simons for his many years of service.

The amendment carried by the following vote:

Yes 7 - Chair Mehlinger
Vice Chair Mehlman
Commissioner Cordes
Commissioner Davé
Commissioner Hafeman
Commissioner Oey
Commissioner Swail

No 0

STANDING ITEM: CONSIDERATION OF POTENTIAL STUDY ISSUES

4 [20-0827](#) BPAC 2021 Study Issue Sponsorship (Scenerio 1)

Lillian Tsang, Principal Transportation Engineer, asked the BPAC to review the list of Proposed Study Issues in order to determine to drop or sponsor the Proposed Study Issues. The 2 Study Issues are as follows:

1. Bike lanes on Hollenbeck Avenue between El Camino Real and Homestead Road.
2. Lightweight Active Transportation Plan Amendment Process.

Ms. Tsang stated in order for BPAC to drop or sponsor these Study Issues, there needs to be a motion, a second and a majority vote. Once voted on, staff will write a draft Study Issue Paper which will be provided in the October BPAC agenda packet for BPAC to make comments on.

Vice Chair Mehlman asked about street classification types. Ms. Tsang stated there is a map in the Neighborhood Traffic Calming Handbook that shows the classifications of the City's streets.

Chair Mehlinger opened for Public Comment.
Chair Mehlinger closed for Public Comment.

MOTION: Chair Mehlinger moved and Commissioner Oey seconded to sponsor the Bike Lanes on Hollenbeck Avenue between El Camino Real and Homestead Road Study Issue.

Chair Mehlinger commented on recognizing that Hollenbeck Avenue is a residential collector street. It is vastly an over parked street but there are ample space for parking, therefore, parking on one side of the street could be removed without impacting neighborhood demands.

Commissioner Oey commented on how heavily Hollenbeck Avenue is used by bicyclists and would like this corridor to be safe for everyone.

Commissioner Hafeman commented on how Hollenbeck Avenue is a good way to get to De Anza College.

Commissioner Davé asked about the northern most boundary of the stretch under discussion. Chair Mehlinger stated that the northern most boundary would be Danforth Drive. Commissioner Davé is concerned about removing too much parking that is needed on that corridor.

Vice Chair Mehman commented on how it is imperative to have a safe bike route on Hollenbeck Avenue.

Commissioner Cordes commented how it is more important to take away parking on Hollenbeck Avenue to make a better transportation opportunity for bicyclist. Commissioner Cordes is in favor of the Study Issue.

Chair Mehlinger commented on how Hollenbeck Avenue is a link to De Anza College and it connects a bicycle highway to the City of Sunnyvale and the City of Cupertino. The City should prioritize throughput over vehicle storage and daily use over occasional event usage.

Commissioner Oey commented if there were more bike lanes, then more people would feel encouraged to bike rather than drive. Commissioner Oey stated that Hollenbeck Avenue is a key missing link in the bike network across the City of Sunnyvale. Commissioner Oey supports the Study Issue and is in favor of having great bicycle facilities along Hollenbeck Avenue to encourage more bicyclists along the corridor.

Commissioner Hafeman stated that only one side of the street would have parking taken away. Commissioner Hafeman stated he will be supporting the motion.

Commissioner Swail commented that he does not believe either side of Hollenbeck Avenue is wide enough to allow enough space for parking and to accommodate bike lanes and a safe passage for a bicycle and an automobile. Commissioner Swail is concerned that if only one side allows parking, does that encourage jay walking and does it put pedestrians at risk. Commissioner Swail is in support of the Study Issue.

Commissioner Davé stated that the location of the bike lanes should be made with the consideration that there will be surges of parents coming at least 3 times a week from various organizations to park on Hollenbeck Avenue.

Vice Chair Melhman reminded the Commission that there needs to be a safe route

for children to be able to commute to and from school. Vice Chair Melhman supports the Study Issue.

The motion carried the following vote:

Yes 7 - Chair Mehlinger
Vice Chair Mehلمان
Commissioner Cordes
Commissioner Davé
Commissioner Hafeman
Commissioner Oey
Commissioner Swail

No 0

MOTION: Chair Mehlinger moved and Commissioner Oey seconded to rename the Lightweight Active Transportation Plan Amendment Process to Community Driven Active Transportation Plan Amendment Process and sponsor this study issue.

Chair Mehlinger stated there should be some type of ranking and prioritization process for proposed changes to the transportation network to be considered in bulk.

Commissioner Oey agreed with Chair Mehlinger's comments. Commissioner Oey commented on the length of update cycle of the Active Transportation Plan (ATP) and how it should be shorter. This Study Issue is a good alternative to have a quicker cycle. It would allow potential projects to get on the list and be able to apply for grants. Commissioner Oey is in favor of having a faster way to get some elements of the ATP adjusted to take advantage of funding opportunities.

Vice Chair Mehلمان commented on how this would give the ATP an opportunity to be a living document rather than a plan that would not give any flexibility.

Commissioner Swail is in favor of the motion.

Commissioner Hafeman is in favor of the motion. Commissioner Hafeman feels this is too important of a document to lock it down for 10 years.

The motion carried the following vote:

Yes 7 - Chair Mehlinger
Vice Chair Mehlman
Commissioner Cordes
Commissioner Davé
Commissioner Hafeman
Commissioner Oey
Commissioner Swail

No 0

NON-AGENDA ITEMS & COMMENTS

-Commissioner Comments

Commissioner Oey commented on the following:

- Bike to Wherever Day
- Silicon Valley Bicycle Coalition gift bags

Commissioner Cordes commented on the following:

- Bike to Wherever Day
- Silicon Valley Bicycle Coalition - Valley Water Great Sign Hunt
- September 24 - Silicon Valley Bicycle Coalition will have a webinar on polling data on transportation behaviors
- October 1 - Virtual bicycle tour through the infrastructure of San Jose
- October 19 - Overview of Silicon Valley Bicycle Coalition new network priority tool

Chair Mehlinger commented the following:

- Master plan for benches throughout the City. Suggest to add to next year's workplan.
- Presentation on street classification system

Ms. Tsang addressed the comments.

Commissioner Swail commented on the following:

- Complete Street Project on Fremont Avenue in Los Altos

-Staff Comments

Lillian Tsang, Principal Transportation Engineer, commented on the following:

- Roadway Safety Plan is going to City Council for adoption on September 29, 2020
- The Tasman Drive Temporary Installation pathway has opened. Additional signage has been added.

- There will be an online Mary Avenue Overcrossing public outreach meeting on September 24, 2020 at 7:00 p.m.
- State of the City will be virtual on Saturday, September 19 at 10:00 a.m. More information can be found at <https://sunnyvale.ca.gov/civicax/filebank/blobdload.aspx?BlobID=27321>
- Caltrans has reduced the posted speed limit on El Camino Real (SR-82) from 40 MPH to 35 MPH within the City of Sunnyvale City Limits.

Commissioner Oey and Vice Chair Mehlman commented on the following:

- Tasman Drive pathway

Ms. Tsang addressed the comment.

Commissioner Cordes commented on the following:

- Caltrans lowering of speed limits

Ms. Tsang and Mr. Garcia addressed the comment.

Vice Chair Mehlman commented on the following:

- DPS enforcing Caltrans lowering of speed limits

Ms. Tsang addressed the comment.

Commissioner Hafeman commented on the following:

- Lowered speed limit on El Camino Real

INFORMATION ONLY REPORTS/ITEMS

[20-0829](#)

Bicycle and Pedestrian Advisory Commission 2020 Annual
Work Plan

Chair Mehlinger commented on the following:

- Presentation on Slow Streets

Commissioner Cordes commented on the following:

- Thanked staff for providing the BPAC with Annual Work Plan a month sooner

Chair Mehlinger commented on the following:

- Updating the Annual Work Plan

[20-0830](#)

Active Items List - September 2020

Mr. Garcia commented on the following:

- San Bruno Bicycle and Pedestrian Advisory Committee liked the City of Sunnyvale's Utility insert

Commissioner Cordes commented on the following:

- East and West Channel Project
- Road Slurry Seal list

Mr. Garcia and Ms. Tsang addressed the comments.

Vice Chair Mehlman commented on the following:

- ATP and Slurry Seal list

Ms. Tsang addressed the comment.

Commissioner Cordes commented on the following:

- Study Issue on a citywide policy on how many benches are required in the City

Ms. Tsang addressed the comment.

ADJOURNMENT

Chair Mehlinger adjourned the meeting at 8:46 p.m.



City of Sunnyvale

Agenda Item

20-0843

Agenda Date: 10/13/2020

Information/Action Items

Information/Action Items - Council Directions to Staff

Date Requested	Directive/Action Required	Dept	Due Date	Completed
2/7/19	Produce quarterly report on staff vacancies and include, actual staff total numbers for each department, including part-time positions.	HRD	Oct 2020	
3/31/20	Provide updates on staffing as the City Manager makes modifications on staffing or recruitment efforts in the next few months based on the state of the economy	OCM	Oct 2020	
5/21/20	Provide a quarterly status report of vacant positions that were frozen	OCM	Oct 2020	
5/21/20	Review the First Quarter Budget Update	FIN	Oct 2020	
7/28/20	Conduct a review and analysis of the Neighborhood Preservation Program, to include the fee schedule	DPS	Nov 2020	
8/25/20	Prepare RTC for consideration by Council to approve a 3-month pilot program to stream Council meetings through Facebook Live	OCM	Nov 2020	

New Study/Budget Issues Sponsored by Council

Date Requested	Study/Budget Issue Topic	Requested By	Dept	Approved by City Manager
8/25/20	Rules that can be put into place on drones flying over personal property	Hendricks , Melton, Klein	DPS	
9/15/20	Understanding and improving community engagement between the public and Council; and improve communication between the parties	Hendricks , Melton, Klein, Smith, Fong	OCM	

Initial Sponsor in **Bold**.

Following approval by the City Manager, study issues papers are posted to:

<https://sunnyvale.ca.gov/government/council/study/studyissues.htm>

Printed on 10/8/2020



City of Sunnyvale

Agenda Item

20-0873

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Mayoral Announcement of Mayor-Appointed Ad Hoc Advisory Committee on City Manager Compensation (Information Only)

BACKGROUND & DISCUSSION

The City Manager undergoes an annual performance evaluation and salary adjustment overseen by an ad hoc advisory committee made up of members of the Council. The Mayor will appoint three Councilmembers to the committee to review and bring forth recommendations on the City Manager's compensation.

Mayor Klein announces that Councilmember Melton, Councilmember Larsson, and Mayor Klein will form the ad hoc advisory committee. The ad hoc committee will make a recommendation to the full Council for consideration at a noticed open Council meeting. Upon presentation of the Committee's findings and recommendations to the full Council and the Council's action on the Committee's recommendation, the term of the ad hoc committee will expire.

Per Council Policy 7.4.13, ad hoc advisory committees are created and appointed by the Mayor with a fixed, limited assignment for a particular purpose. No more than three Councilmembers may serve on an ad hoc advisory committee. The policy requires that any action to create or modify the committee must be placed as an item on the Council agenda.

EXISTING POLICY

Council Policy 7.4.13, Council Subcommittees and Council or Mayor-Created Advisory Task Forces

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

Prepared by: Jennifer Nuñez, Executive Assistant

Approved by: Teri Silva, Assistant City Manager