



City of Sunnyvale

Agenda Item

23-0120

Agenda Date: 2/16/2023

2023 COUNCIL STUDY ISSUE

NUMBER

CDD 23-01

TITLE

Consider Increasing Inclusionary Housing Requirements to 20% in New Residential Development

BACKGROUND

Lead Department: Community Development
Support Departments: Office of the City Manager
Office of the City Attorney
Sponsor(s): Housing and Human Services Commission
History: 1 year ago: N/A
2 years ago: N/A

SCOPE OF THE STUDY

What precipitated this Study?

With the affordable housing crisis worsening annually and home sales prices and rental rates significantly increasing, one of the City’s best tools to create new affordable housing is using an inclusionary housing requirement. Inclusionary housing is when a market rate developer has a required percentage of units that must be deed restricted as affordable housing, for either ownership or rental units. The City currently requires 15% of new units be deed restricted as affordable housing. For ownership units, 15% of new units must be sold to moderate income households (those earning between 81-120% of the Area Median Income (AMI)); for rental developments, 5% of new units must be rented to very low income households (those earning 31-50% AMI) and 10% of units rented to low income households (earning 51-80% AMI). In addition, the City’s Regional Housing Needs Assessment (RHNA) for the next eight-year planning cycle of the Housing Element identifies the City must accommodate nearly 12,000 new residential units, with nearly 6,000 of those units being moderate and lower income units.

What are the key elements of the study?

Increasing the City’s inclusionary housing requirement from 15% to 20% for both for-sale and rental housing will allow the City to capture additional affordable units and make progress towards meeting the RHNA.

Under AB 1505, any inclusionary ordinance that requires more than 15% inclusionary requirement is subject to review by the California Department of Housing and Community Development (HCD) and subject to an economic feasibility study. Therefore, a formal Nexus Study completed by an outside consultant would need to be completed along with an updated Ordinance. This Study Issue would require significant public and stakeholder outreach, especially with local market rate residential developers, to ensure an increase to inclusionary percentages would not

23-0120Agenda Date: 2/16/2023

hinder new residential development. The Study would also analyze local inclusionary requirements of nearby cities to ensure Sunnyvale aligns or does not greatly exceed the requirement for these communities.

Estimated years to complete study: 1 year

FISCAL IMPACT

Cost to Conduct Study

Level of staff effort required (opportunity cost):	Moderate
Funding Required for Non-Budgeted Costs:	\$100,000
Funding Source:	Will seek budget supplement

The major cost effort of this Study is hiring of an outside consultant. In 2022, the City hired a consultant for a similar style housing fee nexus study at a rate of \$88,000. Additional costs may be associated with the Study if the consultant needs to attend in person public outreach and public hearings.

Cost to Implement Study Results

Minimal or no cost expected to implement. Once adopted by Council, the new inclusionary ordinance would go into effect and no significant costs would incur. Additional staff time would be needed to manage the greater number of BMR units, particularly the for-sale portion of the program as there would be more initial sales, additional annual audits and great potential for unit resale.

EXPECTED CITY COUNCIL, BOARD OR COMMISSION PARTICIPATION

Council-Approved Work Plan: No

Council Study Session: No

Reviewed by Boards/Commissions: Housing and Human Services, Planning Commission

STAFF RECOMMENDATION

Support. This policy issue merits discussion at the 2023 Study Issues Workshop.

The City is currently preparing the 2023-2031 Housing Element Update and policies in that Element consider the City seeking new ways of supporting or producing affordable housing. An increased inclusionary requirement is a common way to obtain additional affordable housing units, and neighboring cities have begun to require 20% inclusionary in new development.

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