## Sunnyvale Housing Mitigation Fee Nexus Study

The Economics of Land Use



presented to

City of Sunnyvale

Joint Study Session of Planning and Housing & Human Services Commissions

presented by

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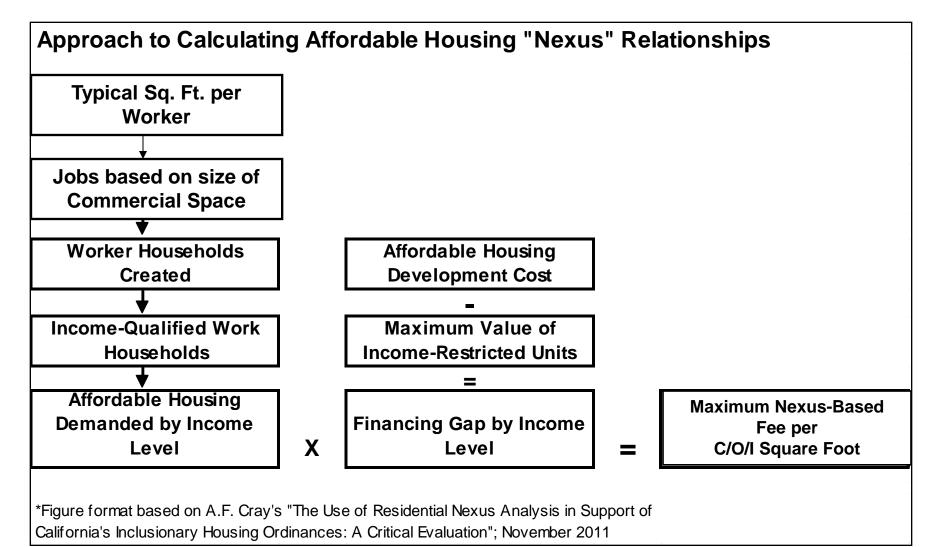
# Housing Mitigation Fee Background and Context

- Sunnyvale's existing Housing Mitigation Fee was adopted in 1983, last updated in 2003
  - \$9.49/SF for certain uses
- Economic circumstances have changed
  - Housing market conditions
  - Development economics
- Affordable housing resources have changed
  - Constrained City budgets
  - Federal and State funding for housing is less consistent
  - Inclusionary zoning has faced legal challenges

### EPS Scope of Services

- 1. Update nexus calculation for commercial uses, including office/R&D/light industrial, retail, and lodging
- 2. Establish "Maximum Fees" for commercial uses
- 3. Survey fees and practices in comparable jurisdictions
- 4. Test feasibility impacts of fees at various levels
- 5. Work with staff to suggest updated fee schedule

# Housing Mitigation Fee Illustration of Methodology



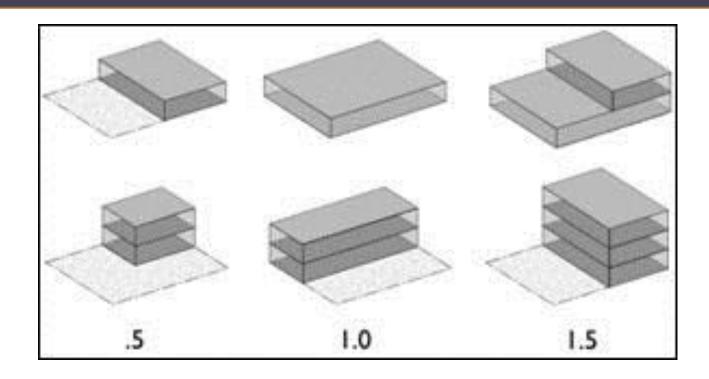
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### Current Housing Mitigation Fee

- \$9.49 per SF for new developments (office/R&D and light industrial) in industrial zoning districts
- Applies only to new building area that exceeds Floor Area Ratio (FAR) limits
  - Example: If zoning allows 0.35 FAR by right, fee only applies to any new building area above 0.35 FAR.
- Projects of any kind (i.e., office/R&D, hospitality or retail) located in other zoning districts are not subject to the fee

### Illustration of Floor Area Ratio (FAR)

- Floor area ratio (FAR) is the ratio of the total floor area of building(s) on a site to the site (property) area.
- To calculate FAR, divide total floor area by site area.
- Typically expressed as a decimal (0.5 or 1.0 FAR).



FLOOR (Total building area, in sq. ft.)

AREA (of site, in sq. ft)

= FAR

# Housing Mitigation Fee Nexus Study Updates

- Worker housing demand estimates
  - Typical local wages by occupation and industry
  - Worker densities (square feet/employee)
  - Household formation rates
- Housing development economics
  - Costs for property acquisition, construction, other fees
  - Housing values under current financing standards
- Additional uses and application
  - Added retail and lodging to office/light industrial/R&D
  - Calculated based on net new building square footage, not just SF in excess of FAR limits

# Housing Mitigation Fee Nexus Study Findings

- Many jobs are created in lower-wage positions
  - Retail workers are typically low-income
  - Lodging has low-wage jobs, but lower employment density
  - Office/R&D/light industrial has more higher-income workers, but still many lower-wage employees as well
- Most retail and lodging workers can't afford market-rate home prices
  - Median Sunnyvale home sale price ~\$875,000 (1)
  - (1) Include single family, townhome, and condo sales. Source: DQ News
  - Average Sunnyvale rent ~\$2,233

Source: RealFacts

## Existing HMF vs. Updated Maximum Fees

	Fee per sq.ft.	
Land Use	Existing (1)	Maximum
Office/R&D/Light Industrial	\$9.49 na	\$113.99 \$295.23
Lodging	na	\$76.22

<sup>(1)</sup> Applies to square footage above base zoning allowance

## Housing Mitigation Fee Comparison

Item	Office	R&D	Industrial	Retail	Lodging
Sunnyvale Existing Fee [1]	\$9.49	\$9.49	\$9.49	-	-
EPS Maximum Fee Calculation [2]	\$113.99	\$113.99	\$113.99	\$295.23	\$76.22
Silicon Valley					
Cupertino	\$5.56	\$5.56	\$5.56	\$5.56	\$5.56
Menlo Park [3]	\$14.92	\$14.92	\$8.10	\$8.10	\$8.10
Mountain View [4]	\$10.00	\$10.00	\$10.00	\$2.47	\$2.47
Palo Alto	<u>\$19.31</u>	<u>\$19.31</u>	<u>\$19.31</u>	<u>\$19.31</u>	<b>\$19.31</b>
Silicon Valley Average	\$12.45	\$12.45	\$10.74	\$8.86	\$8.86
San Francisco	\$24.03	\$16.01	\$18.89	\$22.42	\$17.99
North Bay [5]	\$3.14	\$3.64	\$1.99	\$4.06	\$2.37
East Bay [6]	<u>\$3.14</u>	<u>\$2.76</u>	<u>\$2.27</u>	<u>\$2.59</u>	<u>\$2.42</u>
Bay Area Nexus Fee Average [7]	\$6.05	\$6.46	\$4.68	\$5.57	\$4.58

### Housing Mitigation Fee Notes

- [1] Applies to square footage in excess of allowable FAR.
- [2] EPS max fee calculation based on full building square footage.
- [3] Fees only apply to buildings of 10,000 square feet or more. This analysis assumes fees for a 10,000 square foot building.
- [4] For office/high-tech/industrial uses, Mountain View applies fee of \$5.00/sqft up to 10,000 sqft and \$10.00/sqft for square footage above 10,000. Similarly, for hotel/retail/entertainment uses, \$1.27/sqft is applied below 25,000 sqft and \$2.47/sqft for square footage exceeding 25,000. This analysis assumes fees for a building exceeding 25,000 square feet.
- [5] Includes cities of Napa, Madera, Cotati, Petaluma, St. Helena, as well as Marin, Napa, and Sonoma counties.
- [6] Includes cities of Walnut Creek, Oakland, Berkeley, Alameda, Dublin, Livermore, and Pleasanton.
- [7] Does not include Sunnyvale or jurisdictions that do not charge a nexus-based commercial linkage fee.

## Fee Levels Tested for Feasibility by Product Type per sq.ft.

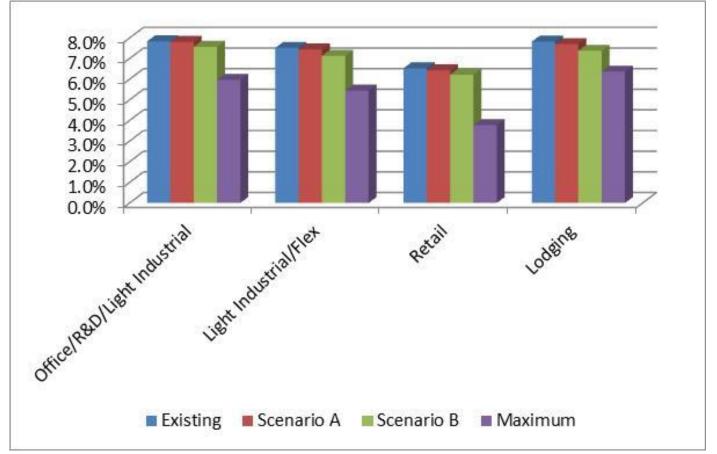
Land Use	Existing (1)	Maximum	Scenario A		Scenario B
			Below 25,000 sq.ft.	Above 25,000 sq.ft.	<del>-</del>
Office/R&D/Light Industrial Retail Lodging	\$9.49 na na	\$113.99 \$295.23 \$76.22	\$5.00 \$5.00 \$3.00	\$10.00 \$10.00 \$6.00	\$20.00 \$20.00 \$20.00

<sup>(1)</sup> Applies to the square footage above that already entitled under existing zoning, which varies by location. For the purpose of to development above 0.3 FAR.

- Scenario A: \$10/SF for Office/Ind & Retail, \$6/SF for Lodging, with 50% discount for first 25,000 SF of a project (similar to Mountain View)
- Scenario B: \$20/SF for all uses (similar to Palo Alto)

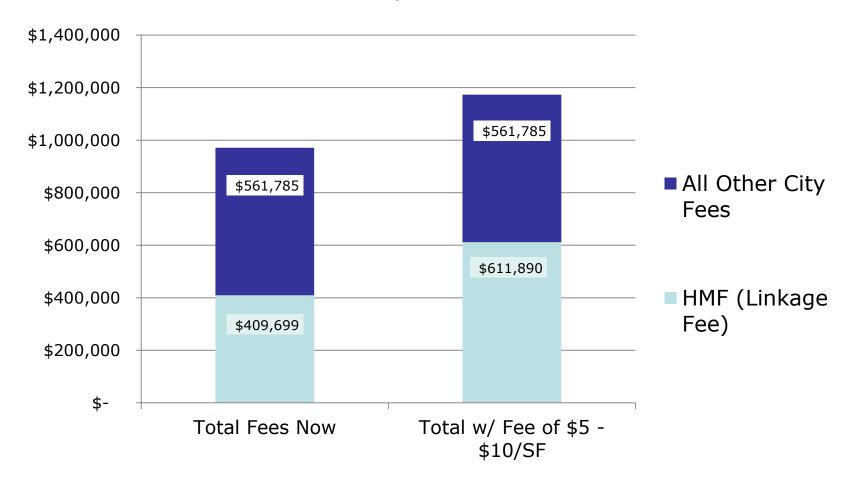
## Feasibility Test Findings

 Fees at the tested levels would have marginal impacts on project feasibility (return on costs at stabilization)



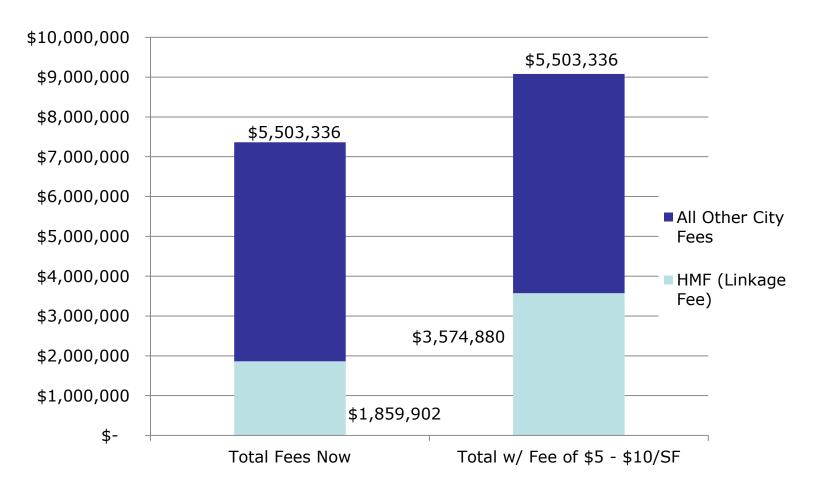
## Current Total Fees vs. Total Fees Including Tested Linkage Fee of \$5-\$10 / net new SF

#### 124,000 SF Office/R&D Project in 0.35 FAR Industrial Zone



## Current Total Fees vs. Total Fees Including Tested Linkage Fee of \$5-\$10 / net new SF

#### 540,000 SF Office Project in 0.5 FAR Industrial Zone (MPSP)



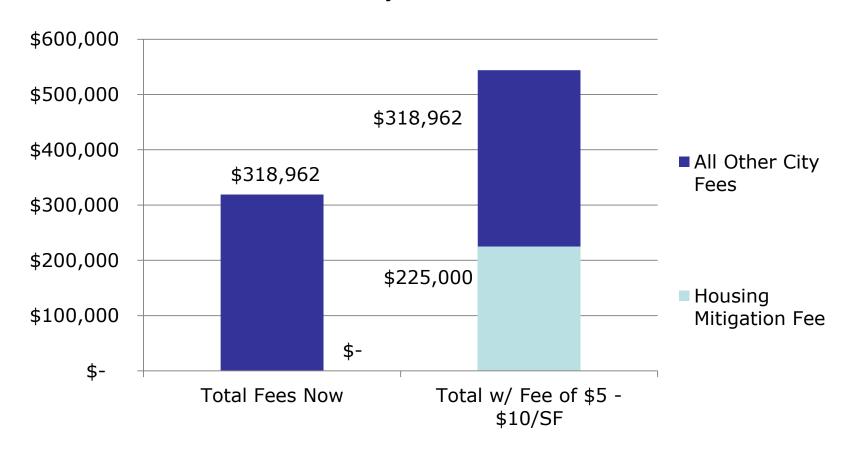
## Current Total Fees vs. Total Fees Including Tested Linkage Fee of \$3-\$6 / net new SF

#### 73,000 SF Hotel Project in Commercial Zone



## Current Total Fees vs. Total Fees Including Tested Linkage Fee of \$5-\$10 / net new SF

#### 45,000 SF Retail Project in Commercial Zone



## Next Steps

Date/Time	Meeting	Location
Oct. 22 at 7 p.m.	Public Hearing, Housing & Human Services Commission	City Hall, West Conference Room
Oct. 27 at 8 p.m.	Public Hearing, <i>Planning Commission</i>	City Hall, Council Chambers
Oct. 28 at 6 p.m.	Study Session, City Council	City Hall, West Conference Room
Dec. 9 at 7 p.m.	Public Hearing, City Council	City Hall, Council Chambers

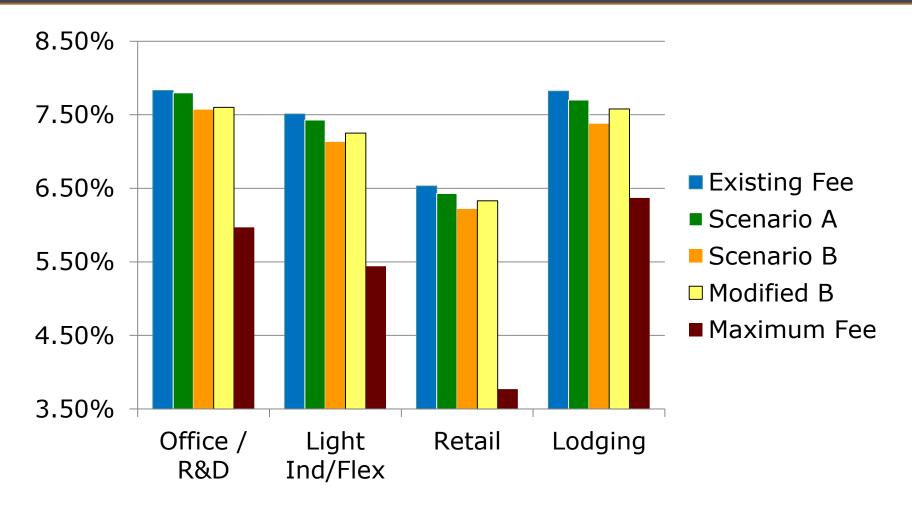
## For more information

Call the Housing Division at (408) 730-7250

or see:

<u>LinkageFee.inSunnyvale.com</u>

### Expanded Feasibility Test Results



"Modified B" is \$20/SF for Office/Ind & Retail; \$12/SF Lodging, with 50% discount on 1st 25,000 SF.