

- 5 [14-1010](#) Consideration of a Rental Housing Impact Fee for New Market-Rate Rental Housing Developments
Staff Contact: Ernie Defrenchi, (408) 730-2784,
edefrenchi@sunnyvale.ca.gov

Ernie Defrenchi, Affordable Housing Manager, presented the staff report.

Comm. Klein discussed with Suzanne Ise, Housing Officer, comparisons between Sunnyvale and other cities of their construction tax and total City fees, and discussed the percentage increase of the total City fees for rental properties at the different impact fee levels. Comm. Klein verified with Ms. Ise that developers would receive a 20 per cent State bonus if they provide 5 per cent very low income (VLI) units, and that the City would set the rates for those affordable units. Comm. Klein confirmed with Ms. Ise that the mix of studio, one and two bedroom affordable units would reflect the mix of the units of the property as a whole, and discussed adding information that compares Sunnyvale's and San Francisco's tax and fee to the report to Council.

Comm. Durham and Ms. Ise discussed whether the cost of the fee will be passed on to renters, and verified the definition of habitable square feet with staff. Comm. Durham and Ms. Ise also discussed the possibility of setting a fee that may drive development to cities with a lower fee.

Vice Chair Olevson commented on his concern with the philosophy of the entire study, and discussed with Ms. Ise how the subsidies generated from the proposed plan would be used. Vice Chair Olevson and Ms. Ise also discussed the assumption of the study that new households will patronize local businesses, and whether the study assumes that teenagers earn the same wages as their parents. Vice Chair Olevson confirmed with Ms. Ise that the government workers referenced in the study include those beyond municipal employees, and confirmed that information regarding where Sunnyvale would sit among the cities charging the highest fees if an increase is approved would be made available during the City Council study session.

Chair Melton opened the public hearing.

Annette Kirkham, with the Law Foundation of Silicon Valley, discussed her support of adopting the rental housing impact fee at the \$21 level.

Chair Melton confirmed with Ms. Kirkham that the 40 per cent of clients represented by the Law Foundation of Silicon Valley are homeowners and tenants in Sunnyvale.

Chair Melton closed the public hearing.

Comm. Klein confirmed with Mr. Defrenchi that Alternative 3 is meant to read \$21 rather than \$20 per square foot.

Comm. Rheaume moved to recommend to City Council Alternatives:

1. Direct staff to prepare an ordinance authorizing a rental housing impact fee for new market-rate rental housing developments;
3. Direct staff to set the initial fee at \$21 per square foot for all new market-rate rental developments, adjusted annually as part of the City Fee Schedule;
5. Direct staff to include in the ordinance an option to allow developers to provide affordable units within a project instead of paying the impact fee, as well as other possible options such as providing off-site affordable units or dedicating land; and
6. Direct staff to return to the City Council within two years to reevaluate and possibly adjust the rental housing impact fee.

Comm. Durham seconded.

Comm. Rheaume said he struggles with additional fees, and that seeing that Mountain View and San Jose are proposing a \$17 per square foot fee, he questions whether a \$21 fee is too high, but feels the bar should be set high by Sunnyvale. He said developers are benefitting from all of these new rental units they are putting in place and we need some type of fees to help with low income units. He said this is a thorough report, and this is something we need to do and is the responsible thing to do.

Comm. Durham said that although this number looks large per unit and development, he seconded the motion because staff comments have comforted him, and that the alternative would be having people forced out of the area which creates more problems to get workers here. He said when you look at the costs salary-wise to live here he is not sure he could afford to buy the house he is in now, and that he wishes there was a way to build outward, which cannot happen with Sunnyvale as landlocked as it is and with the little amount of building in the Bay Area because of a variety of reasons that Sunnyvale has little control over.

Comm. Klein offered a friendly amendment to request staff provide more information to City Council on the construction tax percentage and total fees in comparison to other cities.

Comms. Rheaume and Durham accepted.

Comm. Klein said he will be supporting the motion, and that this is one step toward trying to equalize the issue of housing in Sunnyvale and the Bay Area in general. He said we are trying to find a solution to provide lower income housing throughout the City and that this gives the City the option to collect more fees and the developer to make choices in order to provide this capability throughout the City. He said in one case we are collecting money and in another immediately providing lower income housing spread throughout the projects. Comm. Klein offered another friendly amendment to request staff provide more information to City Council on applying the same unit mix ratio to the affordable units.

Comms. Rheaume and Durham accepted.

Comm. Klein said that this amendment helps the breakdown of units within a different project, helps the developer decide what is more marketable and with the VLI units trying to mimic that mix, it allows a more equal basis for those units.

Vice Chair Olevson said he will not be supporting the motion, and that this philosophically looks like we are shifting to the City wanting more money and looking for someone to supply it. He said employers are already taxed for bringing in the workers and needing below market rate, and that there are too many assumptions unsupported in this study. He said that it seems that part of the philosophy is that everyone else is doing it so we should be able to get away with it too, and he does not think that justifies adding a cost to living in Sunnyvale. He added that at the end of the day this cost will be passed on to the people we are trying to encourage to live closer to work.

Comm. Simons said he will not be supporting the motion not because he does not believe in the philosophy of the study, but because he is much more supportive of \$26 per square foot.

Comm. Harrison said she will not be supporting the motion because she cannot see the rationale for going higher than Mountain View and San Jose, which are two very large cities, and that \$21 would be the highest in the immediate area. She said that while we need affordable housing, she struggles with the circular philosophy and having a higher fee than those of neighboring areas.

Chair Melton said he will be supporting the motion, and that while he is a person who believes in market forces of supply and demand, one thing he has learned early in his tenure as a Planning Commissioner is that sometimes there are some necessary societal overrides that need to be implemented by City Council or

Planning Commission to do right thing, of which affordable housing is one. He said the final decision will be up to City Council, and thanked staff for doing a great job.

MOTION: Comm. Rheaume moved to recommend to City Council Alternatives:

1. Direct staff to prepare an ordinance authorizing a rental housing impact fee for new market-rate rental housing developments;
3. Direct staff to set the initial fee at \$21 per square foot for all new market-rate rental developments, adjusted annually as part of the City Fee Schedule;
5. Direct staff to include in the ordinance an option to allow developers to provide affordable units within a project instead of paying the impact fee, as well as other possible options such as providing off-site affordable units or dedicating land; and
6. Direct staff to return to the City Council within two years to reevaluate and possibly adjust the rental housing impact fee.

With a request to include more information to City Council on the construction tax percentage and total fees in comparison to other cities, and to apply the same unit mix ratio to the affordable units.

Comm. Durham seconded. The motion carried by the following vote:

Yes: 4 - Chair Melton
Commissioner Durham
Commissioner Klein
Commissioner Rheaume

No: 3 - Vice Chair Olevson
Commissioner Harrison
Commissioner Simons