

EXCERPT

- 3** [15-0206](#) Introduce an Ordinance and Two Resolutions to Approve Two New Affordable Housing Impact Fees: Housing Impact Fee for Nonresidential Development and Housing Impact Fee for Rental Housing

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

Comm. Harrison confirmed with Mr. DeFrenchi that the reduced fee for less than eight units has not yet been suggested to the City Council, and confirmed with Trudi Ryan, Planning Officer, that there are about ten projects that have been submitted but are incomplete that would fall under the grandfathering provision if deemed complete prior to the effective date. Comm. Harrison clarified with Mr. DeFrenchi and Suzanne Ise, Housing Officer, that existing structures that have been vacant for no more than 12 months or sites with buildings that have been demolished within the 12 months prior would be exempt from these fees.

Comm. Klein verified with Mr. DeFrenchi that a developer providing low or very-low income rental housing would have to sell the units to the same income category if converted to ownership units, and confirmed that staff negotiates with the developer on the selection of onsite low and very-low income units.

Vice Chair Olevson and Ms. Ise discussed the reasoning behind listing convalescent hospitals as exempt use types, and discussed how the recommendation was determined to exempt rental projects of four or fewer units. Vice Chair Olevson and Ms. Ise also discussed whether it is more economical for a developer to build a Below Market Rate (BMR) unit versus paying the in-lieu fee, and that staff estimates rental impact fees could generate revenues of approximately \$3 million per year. Ms. Ise added that staff expects many developers to opt to provide units on-site rather than pay the fees.

Comm. Durham and Ms. Ise discussed whether the fee for rental units might encourage developers to build ownership rather than rental units and if it could potentially price people out of ownership units as it is cheaper to rent.

Chair Melton and Ms. Ise discussed the trend of increasing rents over the last couple of years.

Chair Melton opened the public hearing.

Matt Lewis, with Mid-Pen Housing, discussed his support of approving the Draft Ordinance and Fee Resolutions.

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Chair Melton discussed with Mr. Lewis the housing stability program offered by Mid-Pen Housing.

Chair Melton closed the public hearing.

Comm. Harrison moved to recommend to City Council Alternative 1 to approve the Draft Ordinance and Fee Resolutions.

Comm. Klein seconded.

Comm. Harrison said the ordinance is well thought out and the study was thorough. She said she understands the desire to reduce the fee for between four and eight units, but that she is glad there is a fee for between that number of units because the need for affordable housing is very great. She added that she wished the process moved more quickly so the recently approved projects could have been captured.

Comm. Klein said he will be supporting the motion, that this ordinance is something that has in the works for a while and the sooner it goes into place the better. He said applying the fee to rental projects of four to seven units makes sense, and that he has been pushing for BMR fees for purchased homes to be looked at with a greater percentage or for developments with fewer units. He said this is a way to help the overall housing issue within the City, and that by applying it to the smaller rental unit properties will help with the problem, but that the biggest impact will be applying the fees to the commercial projects, of which we have many. He noted that if we had approved this some time ago we might at least have the funds to try to create some solutions for these housing problems, and said he looks forward to this item going to City Council for approval and being put into law as soon as possible.

Vice Chair Olevson said he will not be supporting the motion for philosophical reasons, and that we are encouraging people to live and work in Sunnyvale and have asked businesses to contribute to BMR housing because it will be bringing people in and those people will need services. He said now we are saying that if you want to live close to businesses we are going to charge you more because you want to fulfill what Sunnyvale is promoting which is to live near work. He said it does not make sense to increase the cost of housing for the very people who will be living in that housing, that he does not see the logic and it is counterproductive to everything else we are doing in the City.

Chair Melton said he will be supporting the motion, and thanked staff for

shepherding this project. He noted that we are getting close to the City Council making their final decision, and that he likes that staff added a two-tier fee structure that is dependent upon the number of units, which shows that nice intellectual work went into this project. He thanked the speaker from Mid-Pen and noted that Mid-Pen is close to finishing its project on the former armory site, and its extensive waiting list is a good example of the critical situation of housing in Sunnyvale, especially for lower income people who work in Sunnyvale or work nearby and want to live here. He said implementing a program to alleviate the housing problem is an important thing to do, and added that when the Planning Commission previously reviewed the BMR program he stated that he believed, and continues to believe, in the market forces of supply and demand but that sometimes you have to override those forces for the public good with well crafted public policy, which is what we have here.

MOTION: Comm. Harrison moved to recommend to City Council Alternative 1 to approve the Draft Ordinance and Fee Resolutions establishing the Housing Impact Fees for Nonresidential Development and Housing Impact Fee for Rental Housing, as provided in Attachments 1, 2, and 3.

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

Yes: 5 - Chair Melton
Commissioner Durham
Commissioner Harrison
Commissioner Klein
Commissioner Rheaume

No: 1 - Vice Chair Olevson

Absent: 1 - Commissioner Simons