



# City of Sunnyvale

## Agenda Item

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**15-0457**
**Agenda Date: 1/29/2016**


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### 2016 COUNCIL STUDY ISSUE

#### **NUMBER**

CDD 16-01

#### **TITLE**

Feasibility of A Plan to Seek Voter Approval for A New Bond Financing Measure to Generate Additional Funds for Affordable Housing Development in Sunnyvale

#### **BACKGROUND**

**Lead Department:** Community Development

Support Department(s): Finance, City Attorney, City Clerk (OCM)

#### **Sponsor(s):**

Councilmembers: Davis, Whittum

#### **History:**

1 year ago: N/A

2 years ago: N/A

#### **SCOPE OF THE STUDY**

##### **What are the key elements of the study?**

Study the feasibility of developing a local housing bond measure for the next available Sunnyvale general election ballot after the study is completed in 2017 (2018 or later). The study cannot be completed in time for the 2016 general election due to the timing of the study issues process. The measure would seek voter approval for the City to issue municipal bonds backed by a City-wide parcel tax and/or projected future housing impact fee revenues. For this type of ballot measure, California law requires approval by two-thirds of the local electorate in a general election. The bonds would be sized adequately to finance the development of at least 100-200 additional affordable rental units (i.e., in addition to the number of units that could be developed in the next several years without the bond, using current funds and projected Housing revenues). A possible further objective of the bond measure is to obtain voter endorsement of affordable housing projects at specific locations in the City by listing the sites to be acquired with the funds in the language of the bond measure. The study would analyze the following:

- A brief summary of the existence and/or success of other local bond measures for affordable housing in recent years (post-2008);
- Possible ways to structure the bond that could be successful from a financing perspective and maximize the City's resources for affordable housing. This would include examining potential revenue streams to pay back the bond, likely interest rates, sizing and terms of the bond, legal requirements, insurance, method of issuance, whether to issue taxable or tax-exempt bonds, etc.;

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- Possible ways to structure the measure itself, such as defining the proposed uses of the bond proceeds, the amount of any proposed parcel tax, and related details;
- The likelihood of such a bond measure passing with the required majority vote, based on an exploratory level of public opinion polling of registered Sunnyvale voters on this issue; and
- An evaluation of the cost-effectiveness of this approach compared to other possible approaches for funding an equal number of additional affordable housing units.

**What precipitated this study?**

This study was proposed shortly after the hearings on the proposed new rental housing impact fee in early 2015, during which a number of stakeholders noted the need for more affordable housing in the City, and some stakeholders suggested use of a parcel tax as a mechanism for funding affordable housing.

**Planned Completion Year: 2017****FISCAL IMPACT****Cost to Conduct Study**

Level of staff effort required (opportunity cost): Moderate

Amount of funding above current budget required: \$50,000

Funding Source: Will seek budget supplement

**Explanation of Cost:**

The additional funding would be used for the services of a public opinion researcher and any direct costs for the necessary polling, and for initial assistance anticipated to be required from bond counsel and debt consultants that specialize in advising local agencies on municipal bond issuance.

In addition to the additional funding needed for consultants, completing this study in a thorough, professional manner would impact staff workload in Community Development (primarily Housing Division), Finance Department, Office of the City Attorney, and the City Clerk.

**Cost to Implement Study Results**

Some cost to implement.

**Explanation of Cost:**

If the study resulted in Council deciding to issue a bond for affordable housing, there would be the costs to put the measure on the ballot, which the City Clerk recently estimated at approximately \$45,000, in addition to the \$50,000 noted above to complete the study itself.

If the measure were passed by two-thirds of the voters, there would also be significant costs to issuing the bonds, as well as long-term operating costs to administer the bond proceeds and monitor compliance with state and federal regulations, as well as any terms associated with the bond (such as ensuring tax-exempt uses of the proceeds). Some of these operating costs could potentially be covered by the bond proceeds as administrative expenses. Additional

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analysis will be included if this Study Issue advances in the process.

**EXPECTED PARTICIPATION IN THE PROCESS**

Council-approved work plan: No

Council Study Session: Yes

Reviewed by Boards/Commissions: Housing and Human Services Commission

**STAFF RECOMMENDATION**

**Position:** Drop

**Explanation:** There will be significant costs to complete the study and implement the proposed ballot measure, and a two-thirds voter approval rate is a very challenging level to obtain. There are other mechanisms available to fund the development of affordable housing, such as the new housing impact fees recently approved by Council. In addition, there are efforts in progress at the state and federal levels to establish a “permanent source” of funding for affordable housing. Currently such a bill, AB 1335, is pending in the State legislature; the City has taken an active support position of this measure.

One of the stated goals of the proposal is to seek voter approval of an affordable housing bond to establish a community-wide priority, which would help counter local opposition to proposed affordable housing projects that would be financed by the bond. However, passage of a ballot measure (if successful) is unlikely to deter or eliminate local opposition to the siting of an affordable housing project by residents living in the vicinity of the site.

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Reviewed By: Robert A. Walker, Assistant City Manager

Approved By: Deanna J. Santana, City Manager

See p. 5 of the LAO report at this link: <http://www.lao.ca.gov/reports/2014/finance/local-taxes/voter-approval-032014.pdf>