



City of Sunnyvale

Agenda Item

17-0219

Agenda Date: 2/17/2017

2017 COUNCIL STUDY ISSUE

NUMBER

CDD 17-09

TITLE 2017 Housing Strategy

BACKGROUND

Lead Department: Community Development

Support Department(s): Office of the City Attorney, Office of the City Manager

Sponsor(s):

City Manager

History:

1 year ago: N/A

2 years ago: N/A

SCOPE OF THE STUDY

What are the key elements of the study?

This study issue is offered as an alternative to the housing related studies that have been proposed:

- CDD 17-03 Rent Stabilization for Mobile Home Parks
- CDD 17-05 Consider Revising Certain Requirements of the Sunnyvale Municipal Code Chapter 19.72: Mobile Home Park Conversions
- CDD 17-06 Explore Introduction of a Rent Stabilization Ordinance

As discussed during the Strategic Policy Priority setting process, City staff relayed that the larger message taken from the collection of submitted housing study issues is that there is a desire to make sure that the City's housing policies, particularly for affordable housing, were appropriately meeting the needs of the community and goals of the City Council. Rather than absorbing a collection of issues to examine, it may be that these individual study issues combined will not fully address the housing needs of the community and staff would like the opportunity for the City Council to consider a more comprehensive approach that exceeds the topics submitted (and, in some cases, may integrate them fully) as it manages limited staff resources.

Plus, there is the following potential study issue, as previously sponsored by the Planning Commission and later voted to drop:

- CDD 17-07 Review and Consider Increasing the Below Market Rate (BMR) Ownership Housing Requirements (Chapter 19.67 of the Municipal Code)

As an alternative, staff feels that the City's sponsored Study Issue would complement several other

planned activities for the Housing Division in 2017.

- Legislative Advocacy: Monitoring (and advocating on the City's behalf, as needed) federal and state housing policy changes, including matters related to funding, key federal program regulations, and new legislation (mainly at the state level). State legislation already in process or expected to appear includes a variety of topics important to the City, such as: clean-up bills related to 2016 accessory dwelling unit bills; bills proposing to significantly change local permit processes ("by-right" bills) and/or the CEQA process related to housing development, and bills related to local jurisdictions' performance under current housing laws, such as the housing element law and various related laws. By the end of January 2017 there were at least seven new housing-related bills in various stages of preparation, at the state legislature. Various changes in federal housing policy, federal rule-making, and funding availability have either begun to occur or are expected to occur within the fiscal year, particularly during the federal appropriations process for the next federal fiscal year. Some federal policy makers have already suggested significant cuts to federal programs, even complete elimination of the Community Development Block Grant (CDBG) under which the City receives approximately \$1 million in grant funds annually
- Major Capital Projects: (new or rehabilitated housing developments completed with City financing and oversight). Staff is currently managing several major affordable housing development projects at various stages in the pipeline, including two new construction projects (Benner Plaza and the Block 15 affordable housing site in Downtown) and several rehabilitation projects (Eight Trees, Crescent Terrace, Orchard Gardens). In addition, many older properties previously assisted by the City have reached a phase where time-consuming compliance and asset management activities are required, such as updating and modifying existing agreements to allow for the exit of limited investor partners, revisiting loan terms, etc.
- Housing Element Policy Objectives: The adopted 2015-2023 Housing Element includes several actions requiring further study that are supposed to be completed within the next year or two. These include: a study of options to expand areas where accessory dwelling units (ADUs) can be developed, primarily by lowering the minimum lot size requirement; a study of options for requiring landlords to provide relocation assistance for tenants of standard rental units (apartments, etc.) when those units are removed from the market through redevelopment or substantial rehabilitation requiring temporary or permanent relocation; a study of possible incentive programs or policies for Priority Development Areas to encourage development of more affordable units; and a study of funding policies and priorities for the City's current housing mitigation fee revenues
- Development Review (Housing Related): There are several major developments already entitled or in the application phase that will require significant amount of time from the Housing and legal staff this year; completing the project's Below Market Rate, Density Bonus, and/or fee-related agreements, due to the variety of options developers can pursue in complying with the City's BMR and/or fee requirements. These projects include the AMD site redevelopment, Butcher's Corner, Town Center, and several density bonus rental projects (Sobrato on Karlstad and Greystar on Kifer, among others). In addition, the large number of affordable units currently in the pipeline (~500) will require significant work by Housing staff in assisting developers to market and lease or sell these units, as applicable, such as through lotteries, waiting lists, or general marketing efforts. Development review efforts also include oversight of proposed and/or approved mobile home park conversions and/or subdivisions of various kinds, and any tenant relocation efforts in process. In addition, properties with expiring affordable units, such as the recent Grove Garden project and upcoming expirations in BMR

rental projects, require significant staff effort to assist tenants in finding other housing.

Staff has proposed this study to undertake a more comprehensive look at the City's current market conditions, current policies, programs, planned studies, proposed studies, and existing pipeline of affordable units, in the context of external forces that impact the City's housing stock, including federal, state, and private sector actions. The intended outcome of this study would be a comprehensive strategy that would offer the City guidance in using its limited funding and staffing resources in the most effective way to positively impact current local housing conditions for local residents and workers, focusing on issues such as affordability, accessibility, quality, and sustainability (both in the financial and environmental sense). The study could also propose changes in the City's existing practices that promote the Council's desired goals.

Additional ideas that may be analyzed as part of this study could include any of those on the list below, which were presented at the City Council strategic planning sessions in 2017.

Supply-side (producer) approaches

- Relax development standards to reduce development costs
- Further streamline development review process / Expand by-right zoning (state may impose on cities anyway)
- More generous project funding/underwriting standards*
- Develop Land Acquisition Assistance Program*
- Condo conversion ordinance update*

Demand-side (consumer) approaches

- Expand down payment & renter assistance programs
- Expand current programs to new income levels (e.g., above 120% AMI)
- Increase Education Programs (financial literacy, homebuyer education, tenant education)*
- BMR expansion (related to proposed Study Issue: CDD-17-07)
- Rent stabilization (related to other proposed Study Issues: CDD 17-03 and CDD 17-06)
- Other mobile home related items (related to proposed Study Issue: CDD 17-05)

*Staff has preliminarily identified these strategies as being the most impactful for Sunnyvale.

What precipitated this study?

There is growing concern about the affordability and availability of housing in Sunnyvale and the region. There are several other proposed study issues focused on specific concerns or solutions; this study is proposed as a more holistic examination of the overall local housing context, to analyze which strategies could be implemented by the City most effectively and to assist the largest number of local residents and/or housing seekers. These strategies could consist of modifications/enhancements to existing housing programs, integration of proposed study issues, introduction of new programs, changes to City policies or regulations, or other strategies.

Planned Completion Year: 2017/2018

FISCAL IMPACT

Cost to Conduct Study

Level of staff effort required (opportunity cost): Major

Amount of funding above current budget required: \$ 200,000

Funding Source: Will seek budget supplement

Explanation of Cost:

There is minimal capacity in the Community Development Department for housing-related studies this year due to the large number of affordable housing development projects, policy projects, development review-related workload, legislative advocacy and general operational workload currently impacting staff, as described above. The funding would be used to hire one or more specialized consultants with expertise in these areas, such as an economic/financial firm and housing policy/programs firm, as well as short-term provisional or contract staff to manage the consultant contracts, plan and manage public outreach efforts, and respond to public inquiries related to the study. The work of the staff and consultants would be overseen by the Housing Officer.

Cost to Implement Study Results

Unknown. Study would include assessment of potential costs.

Explanation of Cost: The study will include an assessment of existing revenue sources for housing programs and projects, and whether changes in how the various housing activities are administered and/or current City codes or policies could be modified to reduce project or program costs.

EXPECTED PARTICIPATION IN THE PROCESS

Council-approved work plan: Yes

Council Study Session: Yes

Reviewed by Boards/Commissions: Housing and Human Services; possibly Planning Commission if changes to zoning regulations are proposed.

STAFF RECOMMENDATION

Position: Support

Explanation: The study is recommended as an alternative to the other housing-related study issues proposed for 2017 to provide a more comprehensive review of options for improving the production and availability of affordable housing and addressing other areas of public concern related to housing.

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