



Sunnyvale

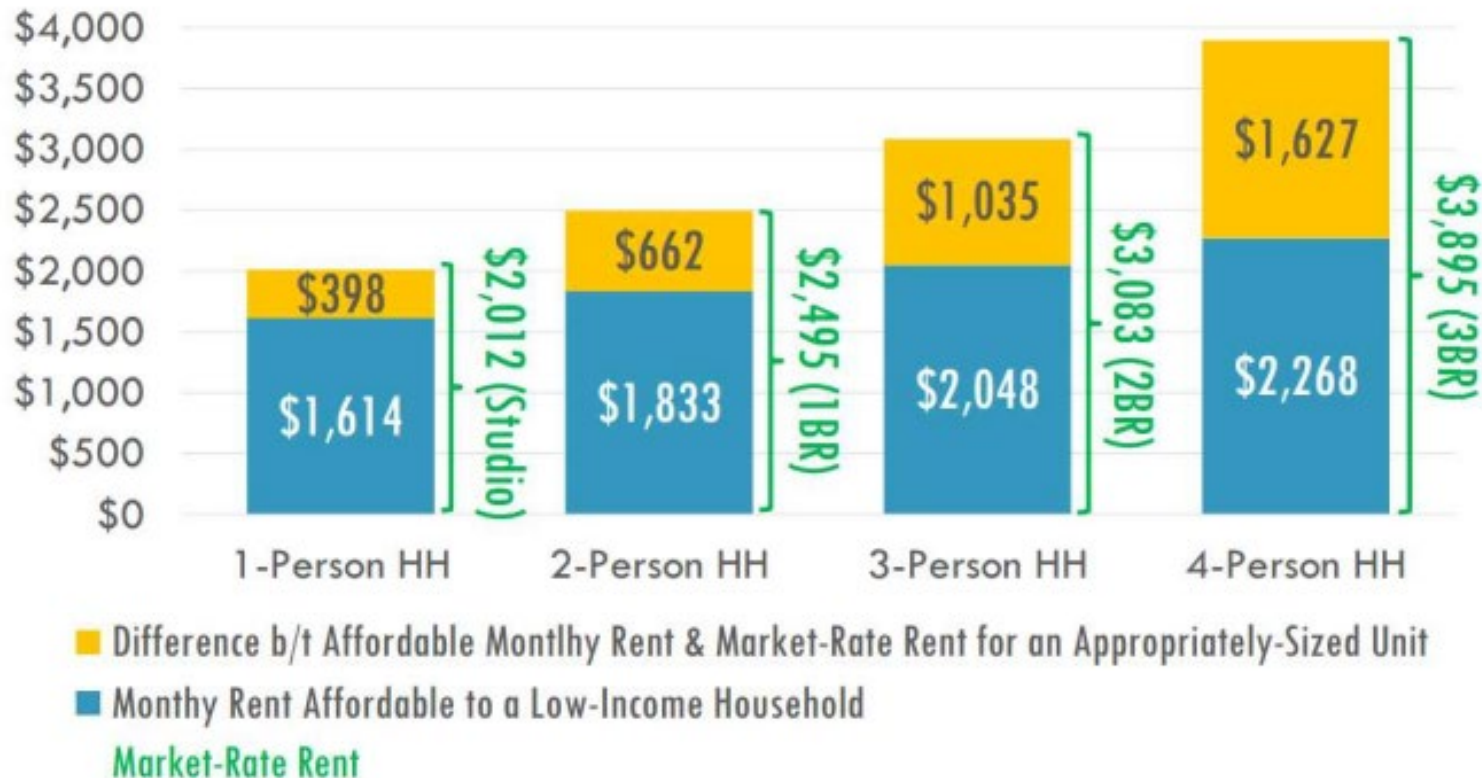
Introduce an Ordinance to add Chapter 19.77 ("Inclusionary Below Market Rate Rental Housing") to Title 19 ("Zoning") of the Sunnyvale Municipal Code to create an **Inclusionary Rental Housing Program**, and adopt a Resolution to amend the Master Fee Schedule and create a **Rental Housing In -Lieu Fee**

Background

- 1980 – Sunnyvale first adopted an Inclusionary Housing Program
 - ◆ 10-15% Rental Developments, 10-12.5% Ownership Developments
 - ◆ Has been modified various times
- 2009 – Palmer court decision required Cities to stop implementing or remove rental inclusionary due to Costa Hawkins Rental Housing Act.
- 2015 – City implements Housing Mitigation Fees for rental housing
- 2017 – California legislation passed (AB 1505) which modified Costa Hawkins to allow rental inclusionary

Need for Affordable Rental Housing

RENTAL HOUSING AFFORDABILITY IN SUNNYVALE



Regional Housing Needs Allocation

Income Level	Permits Issued Since 2015	RHNA	RHNA Percentage Met
Very Low (<50% AMI)	89	1,551	6%
Low (51-80% AMI)	21	885	2%
Moderate (81- 120% AMI)	167	765	22%
Market	1,606	368	436%
Total	1,883	3,569	53%

2017 Housing Strategy

- 2017 study issue work plan approved, work began late 2018, anticipated completion early 2020.
- Four main components:
 - ◆ Mobile Home Park Policy, Rental Inclusionary, Age Friendly, Supply/Demand
- Various outreach meetings in 2019
 - ◆ Community Workshops, Developer Stakeholders, Developer 1:1s, MHP Stakeholders
- Final Strategy will have variety of policies and programs to implement or modify existing programs.

Housing Strategy Summarized Feedback

Residents

- High demand for affordable rental housing
- 15% minimum set aside
- Most neutral on emphasis of fee vs units
- Build near transit when possible

Developers

- Consider moderate income units
- Incentives needed to assist development
- Flexibility important
- Impact Fee reductions
- Support In-Lieu Fee Recommendation

Summary of Proposed Rental Inclusionary

- 3 or more residential units subject to Rental Inclusionary
- 15% units set aside as follows:
 - ◆ 10% units for Low Income (50-80% AMI)
 - ◆ 5% units for Very Low Income (<50% AMI)
- In-lieu fee option
 - ◆ Council discretion for 7+ units (3-6 units by right)
- Various alternative compliance options
- Inclusionary units counted towards Density Bonus requirement
- Effective November 8, 2019

Rental In-Lieu Fee

Fee	Option 1 - (Existing Impact Fee Rate)	Option 2	Option 3	Potential fee per 800 square foot apartment (avg 2 bedroom size in Sunnyvale)			Potential fee per 20 unit building (example with all 800 square foot apartments)			Potential fee per 100 unit building (example with all 800 square foot apartments)		
				Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3
Small Rental In-Lieu Fee	\$9.60	\$12.50	\$15.00	\$7,680	\$10,000	\$12,000	\$153,600	\$200,000	\$240,000	\$768,000	\$1,000,000	\$1,200,000
Large Rental In-Lieu Fee	\$19.20	\$25.00	\$30.00	\$15,360	\$20,000	\$24,000	\$307,200	\$400,000	\$480,000	\$1,536,000	\$2,000,000	\$2,400,000

Fee Type	In-Lieu Fee per Rental Inclusionary Unit Requirement
Small Project	
Option 1	\$51,200
Option 2	\$66,666
Option 3	\$80,000
Large Project	
Option 1	\$102,400
Option 2	\$133,333
Option 3	\$160,000

**This table assumes a 15% inclusionary requirement with all units being 800 square feet.*

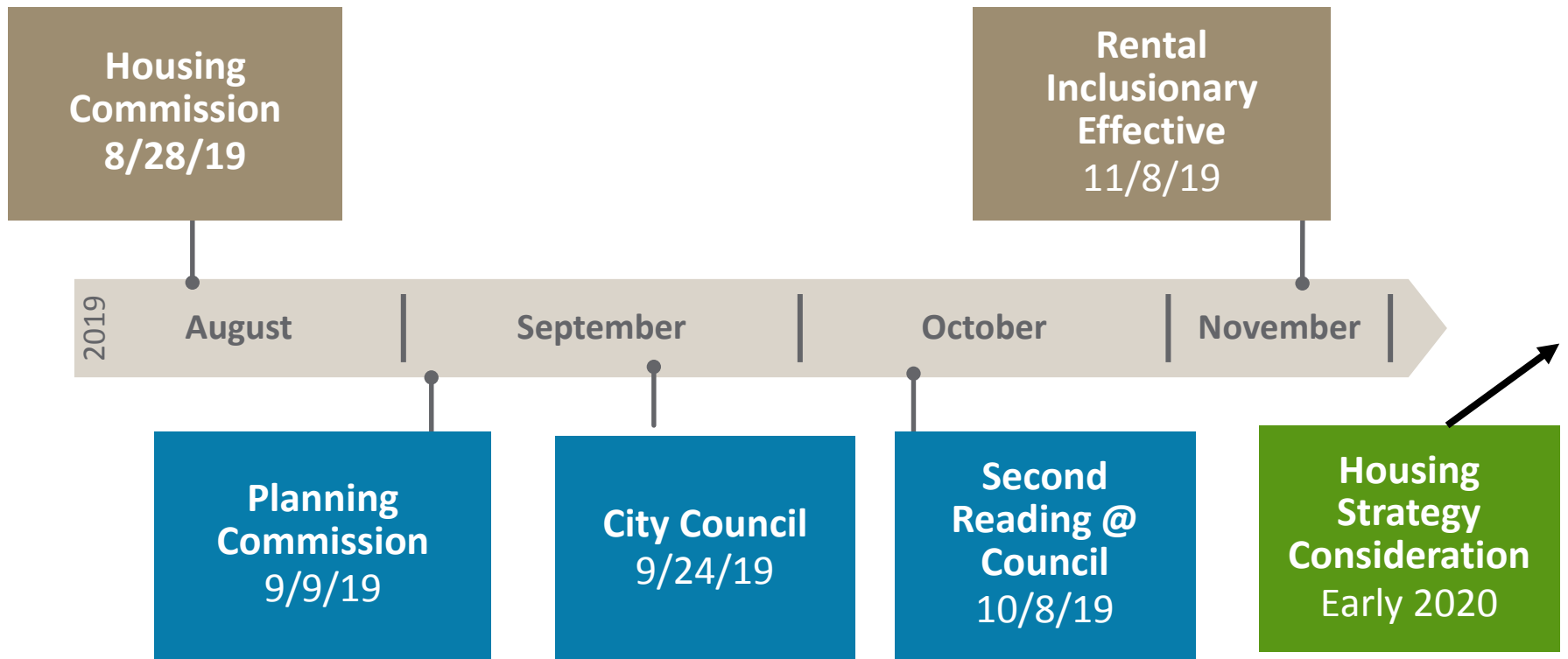
Rental In-Lieu Fee

- Neighboring cities range from \$20 to \$34/habitable sq. ft.
- 2015 Nexus Study identified acceptable range of \$50 to \$98/habitable sq. ft.
- Staff recommendation: **Option 2**
 - ◆ Would cover roughly 25% cost of developing new affordable unit
- Fees deposited into Housing Mitigation Fund

HHSC Recommendation

- Housing and Human Services Commission Meeting 8/28
- In Lieu Fee Recommendation to Council:
 - ◆ Select Fee **Option 3** (\$15/\$30)
 - ◆ Develop a way to incentivize development of larger units by reducing In-Lieu Fees charged on 3 and 4 bedroom apartments

Next Steps



Recommendation

Staff Recommendation

- Alternatives 1 & 4
 - ◆ Recommend the City Council Introduce an Ordinance to add Ch. 19.77 (Inclusionary Below Market Rate Rental Housing) to Title 19 of the Sunnyvale Municipal Code to create Inclusionary Rental Housing Requirements.
 - ◆ Recommend the City Council approve a Resolution to amend the Master Fee Schedule and create a new Small Rental Project In-Lieu Fee of \$12.50/habitable square foot and a new Larger Rental Project In-Lieu Fee of \$25.00/habitable square foot, adjusted annually as part of the City Fee Schedule