



Sunnyvale

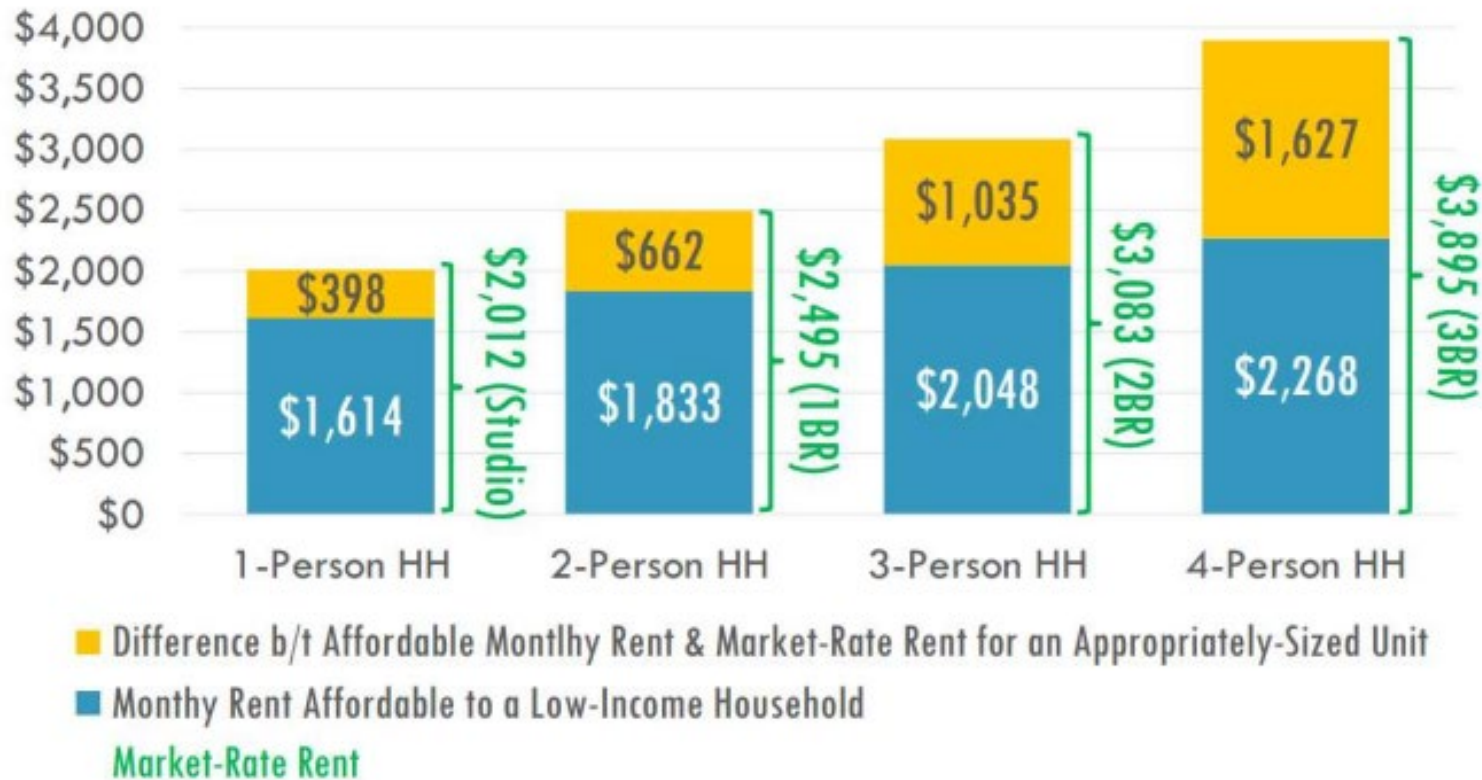
Creation of Inclusionary Rental Housing Program

Background

- 1980 – 2009: Inclusionary Rental Program
 - ◆ 10 – 15% Requirement
- 1980- current: Inclusionary Ownership Program
 - ◆ 10 – 12.5% Requirement
- 2009 – Palmer court decision
- 2015 – Housing Mitigation Fees Created
- 2017 – AB 1505 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

- Four main components:
 - ◆ Mobile Home Park Policy
 - ◆ Rental Inclusionary
 - ◆ Age Friendly
 - ◆ Supply/Demand
- Various outreach meetings in 2019
- Final Strategy will have options to implement or modify existing programs.
 - ◆ Completion early 2020

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

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

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**
 - ◆ Approx. 25% cost of developing new affordable unit
- Fees deposited into Housing Mitigation Fund

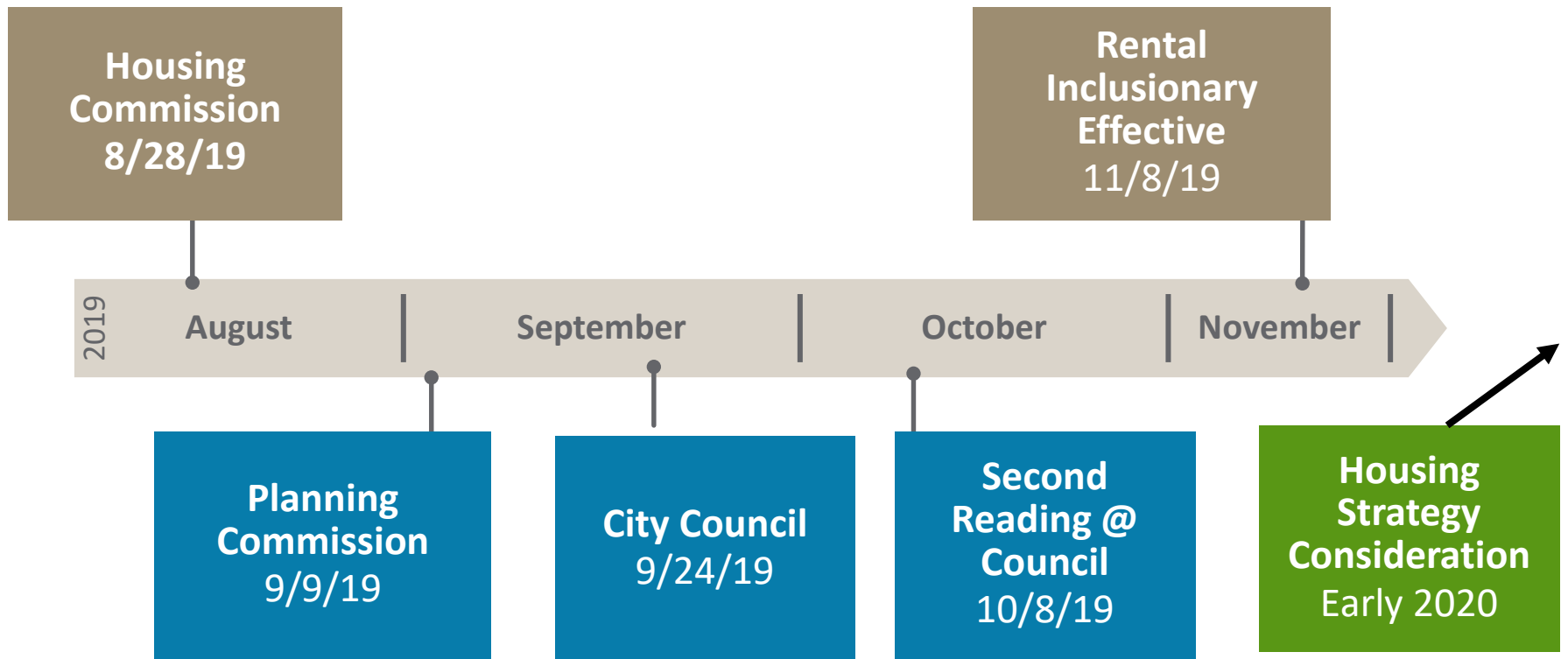
HHSC Recommendation

- 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

PC Recommendation

- Planning Commission Meeting 9/9
- Ordinance Recommendation:
 - ◆ Consider exemption for DSP projects
 - ◆ Remove Right of Action language
- In Lieu Fee Recommendation to Council:
 - ◆ Select Fee **Option 2** (\$12.50/\$25)

Next Steps



Recommendation

Staff Recommendation

- Alternatives 1 & 4
 - ◆ Introduce an Ordinance: Inclusionary Below Market Rate Rental Housing
 - ◆ Approve a Resolution: Amend the Master Fee Schedule and create a new In-Lieu Fee of:
 - \$12.50/habitable square foot, Small Rental Project
 - \$25.00/habitable square foot, Larger Rental Project
 - Adjusted annually as part of the City Fee Schedule