



City of Sunnyvale

Agenda Item

20-0254

Agenda Date: 8/26/2020

REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Consideration of Draft 2020 Housing Strategy (Study Issue)

REPORT IN BRIEF

A comprehensive Housing Strategy has been prepared for the City of Sunnyvale to provide a complete view of the City's existing housing programs and policies and to provide a plan to meet the future housing needs of the community. The Housing Strategy, based on the 2017 Study Issue, summarizes current housing stock and demographic data, outlines the existing housing programs, highlights the extensive public outreach, and recommends a variety of programs and policies to implement prior to or concurrent with the next Housing Element update in 2023. Staff recommends the Housing and Human Services Commission (HHSC) recommend that Council adopt the attached 2020 Housing Strategy (Attachment 2) and finalize ranking and timing of the recommended strategies (Attachment 3) to establish an implementation schedule.

BACKGROUND

The Housing Strategy Study Issue, CDD 17-09 (see Attachment 4), was ranked number one by Council among proposed Community Development Department (CDD) study issues for 2017. This Study Issue consists of a combination of several narrowly focused study issues proposed by Commissions and/or Council on housing policy issues in 2017. Staff proposed this approach as a more holistic and integrated alternative, rather than performing several highly specific, but possibly disjointed, study issues.

The scope of this Study was further refined through Council direction during the study issues workshops in February 2017, and specifically during the March 28, 2017 hearing on the proposed timeline for the ranked study issues (RTC No. 17-0156). Funding for this project was approved by Council as part of the 2017/18 Adopted Budget. Scope of Work for this study was approved by Council on December 12, 2017 (RTC No. 17-1069); the scope was further refined to prioritize completion of inclusionary rental housing in advance of the full strategy (completed September 24, 2019; RTC No. 19-0932).

Although this Study originated from a diverse set of issues, the general goal of the Housing Strategy is to refine the City's long-term housing strategy, identify potential improvements to existing programs and approaches, identify potential new approaches to increase affordable housing stock and improve affordability of housing in the City.

In support of this effort, a competitive Request for Proposals (RFP) was issued and posted to the City's public procurement network in March 2018. BAE Urban Economics ("BAE") was selected as the lead consultant, with PlaceWorks, Goldfarb & Lipman Attorneys, and Novin Development assisting as sub-consultants.

Existing Primary Housing Programs and Resources

The City's Housing Division is responsible for: oversight of the inclusionary housing programs; Housing Element preparation and lead on implementation; administering federal and local funds; administering housing rehabilitation programs; and, actively seeking new opportunities for affordable housing development. Primary program specifics include:

- Inclusionary Housing. Since 1980, Sunnyvale has managed a robust rental and ownership inclusionary housing program. Currently, a 15% inclusionary requirement for new rental developments is required, 10% set aside for low income and 5% set aside for very low income; and a 12.5% inclusionary requirement for new for-sale development is required, these units are sold to moderate income households. An initial part of the Housing Strategy was to re-introduce the rental inclusionary program after new legislation now allowed inclusionary units (that had been eliminated from all California jurisdictions due to the Palmer court case of 2009). The new rental inclusionary program was fast-tracked during the Housing Strategy effort and adopted by the Council in September 2019; therefore, further discussion of that effort is not included in this report.
- Home Improvement Programs. The City's Home Improvement Programs were first implemented in the 1970's and offer a wide array of rehabilitation loans including single family home improvements, energy efficiency loans, mobile home repair funds, multifamily rental rehabilitation loans, emergency funds and accessibility grants.
- Housing Mitigation Funds. Using Housing Mitigation Funds collected by both non-residential and residential developments, the City awards large dollar, low interest loans to assist with developing deed restricted affordable housing developments. Over \$75 million in loans have been awarded since the fee was created in 1983. Three new loans are slated to be issued in FY 2020/21.
- First Time Homebuyer Loans. These loans offer those who are income qualified and live or work in Sunnyvale assistance in purchasing homes within the City. Currently loans up to \$50,000 per household can be issued with an average of 8 loans per year.
- Federal Funding. Federal funds such as Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) are also managed through the Housing Division. Nearly \$1.5 million in federal CDBG and HOME funds are available through the City to nonprofits providing affordable housing, human service programs, ADA accessibility programs, and rental assistance programs.
- General Funds. Additionally, approximately \$135,000 in General Funds annually supplement grants to non-profits who provide essential human service programs in Sunnyvale.

Planning for Affordable Housing

During each eight-year Housing Element cycle, the Association of Bay Area Governments determines a Regional Housing Needs Allocation (RHNA) for each jurisdiction based on the Regional Needs

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determined by the State. The City is responsible for planning appropriately to accommodate the RHNA but is not responsible for constructing the units. Sunnyvale is in the middle of the 2015-2023 Housing Element with the following RHNA allocation and progress made:

Income Level	Number of Housing Units	Permits Issued as of 12/31/2019	Units Remaining by 2023
Very Low (<50% AMI*)	1,640	114	1,526
Low (51-80% AMI)	906	21	885
Moderate (81-120% AMI)	932	207	725
Above Moderate (Market Rate)	1,974	2,215	0
Total	5,452	2,557	3,136

*AMI =

Area Median Income of Santa Clara County

As of the date of this HHSC Meeting, one new affordable housing development is currently under planning entitlement review for 90 new affordable units in the City's downtown core, this development will begin construction in early 2021. In addition, two new affordable housing developments are in preliminary planning review with a total of over 300 potential units to be developed in late 2022/early 2023. From January to July 2020 building permits have been issued for 255 units, of which 17 units will be affordable to very low-income households. About 1,220 units are being reviewed for building permit issuance (79 of the units will be affordable to moderate or very low-income households).

With the demand for affordable housing increasing rapidly over the past ten years, the City is actively searching for ways to not only increase the stock of affordable housing, but also to identify new approaches to meet the needs of the City. To do so, the City Council approved the 2017 Housing Strategy Study Issue to evaluate these needs in depth. Due to time needed to approve funding, select a consultant, and various staff changes, the project officially began in early 2019. The City conducted this Study in a time of significant change in state law and during a statewide housing crisis. Since the Study Issue was selected in 2017, California has enacted new housing streamlining legislation, statewide rent control, increased Density Bonus legislation, and various other laws focused on increasing housing stock and removing local barriers towards development.

The City Council held a study session on this topic on February 4, 2020 and is scheduled to consider this item on October 13, 2020.

EXISTING POLICY

GENERAL PLAN: 2015-2023 Housing Element

Goal HE-1 ADEQUATE HOUSING Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

A detailed list of relevant General Plan Policy and policies from the Council Policy Manual are found

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in Attachment 5. Council Policy Manual includes:

- **Policy 2.3.2** Housing Incentive Fund
- **Policy 2.3.3** Strategies for Affordable Housing and the Use of Housing Mitigation Fees
- **Policy 5.1.3** Human Services

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Any policy recommendations resulting in a project will undergo thorough environmental review at time of implementation.

DISCUSSION

The 2020 Housing Strategy focuses on four core policy topics: mobile home parks, affordable housing supply, affordable housing demand, and age friendly housing. Project kick-off began with significant background research and data collection. Once a baseline understanding of the current housing needs was established, compared to the programs the City offered at the time, the consultants and City staff (collectively referred to as the Housing Strategy Team) began the community engagement and outreach process.

Community Engagement

Throughout this yearlong study process, a series of ten outreach meetings and events were held to gather public input on various topics. A kickoff meeting was held in February 2019 to introduce the community to this project and obtain feedback on what we would be studying, ensuring we captured all the right core focus areas. From there, the Housing Strategy team conducted various stakeholder meetings with developers, mobile home park owners, and mobile home park residents. Various other community meetings were held on each topic, including policy ranking meetings at the Saturday Farmers Market in Downtown Sunnyvale and online surveys.

Draft Policy Recommendations

Based on the policy ideas and housing needs collected from the community over the past year, staff developed a list of the highest rated policies now referred to as strategies. The Housing Strategy Team reviewed and ranked each recommendation based on time needed, cost to implement, staff availability, and time sensitivity. The Housing Strategy (Attachment 2) lists all strategies reviewed during this process, and then highlights the strategy implementation recommendations (summarized in Attachment 3) and Council feedback from the February 2020 Study Session. Each strategy is ranked on a tier system, which means the strategy would be implemented as follows:

1. Tier 1: Start implementation or bring a formal workplan to the Council in FY 2020/21
2. Tier 2: Start implementation or bring a formal workplan to the Council in FY 2021/22
3. Tier 3: Timeframe to be implemented to be determined.

The strategy recommendations and brief overviews are discussed below. Further information about each strategy and potential implementation tools are described in the Housing Strategy.

Mobile Home Parks

Sunnyvale’s housing stock is made up of nearly seven percent mobile homes. In fact, three of the

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largest mobile home parks in California are located in Sunnyvale: Casa de Amigos (923 spaces), Plaza del Rey (800 spaces), and Adobe Wells (613 spaces). Throughout this Study, residents spoke about the dramatic space rent increases and the hardships they were facing to stay in their homes. In addition, the increase in space rent and lack of vacancy control creates difficulties in selling mobile homes as space rent upon resale was increasing even further. Using that feedback, the key component of research and outreach for the mobile home park (MHP) component of the Strategy was rent stabilization. It is important to note that while this Study was underway, the California legislature adopted AB 1482 which enacted rent control throughout California on a majority of the rental housing stock, however, the law does not include mobile home space rent.

Four key approaches emerged from outreach efforts:

Mobile Home Park Strategy	Consider for Implementation?	Recommended Implementation Tier
Rent Stabilization	Yes	3*
Rent Mediation	No	N/A
Safety Net (for low income MHP residents)	Could combine with MOU/Accord	N/A
Memorandum of Understanding (MOU)/Accord	Yes	1*

**Staff proposes that a one-year timeframe be placed on implementation of the MOU/Accord. Within six months of adoption of the Housing Strategy, staff will return to Council with an update on the progress. If the park owners of the Sunnyvale mobile home parks are not actively participating in the MOU or if initial terms have not been identified by this six month mark, Council may direct staff to engage work on the Rent Stabilization Ordinance and end the MOU negotiations.*

- Rent Stabilization would establish an annual rent increase limit, potential requirements for re-sale (vacancy control), potential relocation requirements, and other components at the discretion of the City Council. Approximately 90 jurisdictions in California currently have mobile home park rent stabilization. This effort would be the most time consuming and costly activity for the City to implement, including potential new staff needed to oversee the program. This option was the overwhelming top choice of participating mobile home park residents.
- The MOU/Accord option was brought to the team's attention from a stakeholder group of MHP Owners, with the City of Napa and City of Rancho Cucamonga being examples of two successful Accords. An MOU/Accord requires a formal negotiated long-term agreement between the City and all MHP Park Owners (currently thirteen owners) to establish rules and regulations on rent increases and other topics that can be directed by the City Council; one agreement would be established between all parties involved and would only be implemented if all 13 owners agreed to the terms. Key components of the MOU could include: maximum rent increases, vacancy control, enforcement of the MOU, and remedies. Failure for one or more owners to participate would result in a failed MOU. While this would require significant staff time initially and at renewal of each MOU/Accord, long-term maintenance would be minimal assuming all owners follow the Accord.

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Following the Council's direction at the Study Session, preference on MHP policy should include a backup option should park owners fail to participate in the final policy selection. This request has been memorialized in staff's recommendation on this section which includes ranking the MOU as Tier 1 and Rent Stabilization Ordinance as Tier 3. This recommendation also includes a one-year timeframe be placed on implementation of the MOU/Accord. Within six months of adoption of the Housing Strategy, Staff will return to Council with an update on the progress. If the Park Owners of the Sunnyvale Mobile Home Parks are not actively participating in the MOU or if initial terms have not been identified by this six month mark, Council may direct staff to engage work on the Rent Stabilization Ordinance and end the MOU negotiations. This will encourage MHP park owners to be actively involved in the MOU process, which may be of greater benefit to them, and provide more opportunity for their input, as opposed to a Rent Stabilization Ordinance.

Supply Side

The core focus under this category was identifying ways to remove barriers towards affordable housing production and ways to increase the stock of affordable housing in Sunnyvale. With ten policies identified through the outreach process, the top five strategies are being recommended by staff to implement:

Supply Side Strategy	Consider for Implementation?	Recommended Implementation Tier
Increase Ownership Inclusionary Requirement	Yes	1
Promote Accessory Dwelling Units (ADUs)	Yes	1
Modify Programs/Policies to Encourage Missing Middle Housing	Yes	3
Up Zone Land to Facilitate Increased Residential Development	Yes	1
De-emphasize Dwelling Units per Acre as Development Standard	Yes	3
Add Developer Incentives for Unit Production into Rental Inclusionary Program	No	N/A
Density Bonus > 35%	No	N/A
Add Affordable Housing Payment Options	No	N/A
Modify Fee Programs to Add Further Gradations of Unit Size	No	N/A
Utilize Surplus Land for Housing Development	No	N/A

- Increasing the Ownership Inclusionary Requirement has been a topic of Council and Community discussion for several years. While a specific amount is not recommended at this time, a recommended starting point would likely be to bring the requirement from 12.5% to 15% to equal the rental inclusionary percentage. Any higher than 15% would result in the need for a

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Nexus Study and review by the Department of Housing and Community Development.

- Promoting ADUs is something the City is currently doing; implementing this strategy could expand City activities to incentivize development or potentially even assist with funding deed restricted ADUs. State legislation in 2018 and 2019 significantly reduced local control on how and where ADUs can be developed. The City currently creates informational brochures and attends various events to educate homeowners on this topic. ADUs are commonly rented for a rate equivalent to the rent set by the State for moderate income households. In 2019, 51 new ADU planning applications were submitted and 55 new ADUs received building permits (compared to 4 permitted in 2018). Between January 1, 2020 and July 31, 2020 60 ADU building permits have been issued.
- Missing Middle has been a buzzword in the housing industry for quite some time with very few agencies attempting this effort. In this strategy recommendation, the City would look at housing options affordable to middle income households, a term still needing to be defined but would be a category above moderate income (potentially up to 180% of the area median income); and also look at the missing middle housing type, commonly referred to as triplexes and small multifamily housing types which have a similar footprint to a single family home, but sell for a lower price point. Incentives and zoning ordinance flexibility with density would likely be needed to achieve this strategy.
- Upzoning land to facilitate increased residential development is a common theme throughout community engagement and developer meetings. Not only does increasing density in smart growth locations help preserve open space, but it allows projects to be more feasible with ever increasing land and construction costs. Often, medium to high density communities in appropriately zoned locations and can create walkable, mixed use communities. Incentives may be needed for affordable housing developers, or higher inclusionary rate may be needed, as upzoning land can increase land value making it harder for affordable housing developers to obtain land. The City is currently studying additional residential development opportunities (upzoning) in the Downtown, El Camino Real, Lawrence Station and Moffett Park plan areas.
- De-emphasize dwelling units as a development standard was added to the staff recommendation after the Council Study Session. This topic was ranked highly during community engagement as well. This idea would focus on considering tiering impact and development fees based on square footage or considering revising the way density is calculated to encourage small unit sizes which can often be more affordable. This change in approach could encourage additional units per acre without visible density increases. This would be a large effort through various City departments.

Demand Side

This category focused more on resident-based needs rather than housing production needs.

Demand Side Strategy	Consider for Implementation?	Recommended Implementation Tier
Adopt a Right to Lease Ordinance	Yes	2

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Adopt a Relocation Assistance Requirement	Yes	1
Establish a Safe RV Parking Program	Yes	3
Increase Down Payment Loan Amounts	No	N/A
Increase Loan Amounts/Modify Term for Home Improvement Program	No	N/A

- *Adopting a Right to Lease Ordinance* would provide flexibility and security for Sunnyvale renters. Commonly, a right to lease ordinance would require landlords to initially offer a yearlong (twelve month) lease prior to offering a month to month lease. This would lock in rent for up to twelve months (if selected by the tenant) and would provide security of no further rent increases during the lease. This was a 2019 Study Issue and resident participation during the outreach process echoed Council's support for this program. This strategy could be combined with the Relocation Assistance strategy effort.
- *Adopting a Relocation Assistance Program* has long been of interest to the City, especially as redevelopment of existing lower density older apartments is occurring more frequently. Currently, staff negotiates these requirements with developers; however, putting this into a formal ordinance will provide security for tenants displaced by new development. Relocation components could include specific financial components, displaced resident preference points on applications for the City's inclusionary program (in addition to the live/work preference points currently used), or extended noticing timeframes. Relocation requirements already occur for mobile home park conversions and condominium conversions. In addition, SB 330 has some relocation requirements for developers building certain types of new residential developments. A citywide policy would be sure to encompass SB 330 relocation aspects to streamline these requirements.
- *Establishing a Safe RV Parking program* is a common occurrence among Bay Area jurisdictions. With increasing homeless individuals/households residing in cars and RVs on city streets, cities and counties are partnering with homeless service providers and faith-based groups to allow a safe place for individuals to park at night. Commonly, a parking space is tied to requiring case management. Implementing this type of program would likely require City financial support for a local agency to implement the program on non-City owned land. At this time, Sunnyvale has no housing funding that can support this type of program so implementation would be based on when and if the City obtains homeless prevention funding opportunities.

Age Friendly

Through the Housing Strategy and with a study conducted by the Library and Community Service Department, the City has been actively studying age friendly opportunities for Sunnyvale. The Strategy recommends three programs that would assist residents to age in place or promote age friendly housing developments for aging residents. Many of these topics will require implementation partnership with the Building Division to encourage flexibility or incentives in the building code to encourage aging in place. The age friendly strategies identified as most important by the community are as follows:

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Age Friendly Strategy	Consider for Implementation?	Recommended Implementation Tier
Promote new Age Friendly Housing	Yes	2
Protect at risk Affordable Senior Housing/Preserve MHPs	Yes	3
Adapt homes to age in place	Yes	3
Facilitate new ways to use homes through home sharing	No	N/A

For this section, there are no Tier 1 recommendations as staff has to carefully balance the ability to implement the various programs during the allocation fiscal years. However, with all Tier recommendations, the Commission may choose to modify these recommendations with modifications to tiers of other strategies.

- Promoting new Age Friendly Housing will focus mainly on creation of policy to encourage new senior affordable housing and encouraging developers to meet and exceed ADA requirements. The Council may wish to prioritize senior housing in the City's next issuance of Housing Funds, dedicate future surplus land for senior affordable housing, or create incentives for developers to build senior housing. The City currently has 644 deed restricted senior affordable housing units.
- Protecting at-risk affordable senior housing development and mobile home parks consist of two main components. First, protecting affordable units often require City funding to assist the non-profit owners to extend the deed restriction period of these units. City Housing Funds can be used for preservation and rehabilitation, and could be prioritized in a policy to implement this specific strategy. Second, the mobile home park preservation aspect can be accomplished through the implementation of either the MOU or Rent Stabilization Strategy as this will secure rents to provide stability for senior mobile homeowners. The City will continue implementing the policy to ensure sufficient MHP zoned land remains in Sunnyvale.
- Adapting homes to age in place is a common theme among Sunnyvale residents who wish to remain in their homes as they age, which may be challenging as density increase and developments are three or more stories. This adaptation process commonly includes ground floor living renovations, modifications to bathrooms for walk in bathing facilities, widening doors or access ways, etc. Implementing this strategy would require partnership with both Building and Planning divisions to reduce the burden and even incentivize the options to adapt existing homes to be available for all age and ability levels in a cost-effective manner.

Next Steps

Based on staff's strategy recommendations, the next steps are to finalize strategies to implement, and establish a ranking tier to each of the recommended strategies. This tier will lead the timeframe of implementation. Tier 1 means the strategy will be implemented or brought to the Council in a formal workplan by June 30, 2021; Tier 2 by June 30, 2022; and Tier 3 would assess the timeframe based on current programs already underway.

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Implementation components vary for each strategy. Some strategies can move forward quickly with staff developing the strategy, while some strategies will require an RFP for consultant or legal services, new funding sources to be identified by the City along with a clear workplan for implementation. For larger strategies, such as one of the MHP strategy options, staff would bring a workplan to the Council to ensure implementation moves quickly and efficiently during the fiscal year in which funds are allocated.

The eventual goal is to add new programs and improve existing programs prior to the next update of the City's Housing Element, which will need to be adopted by December 2022. With RHNA allocations having the potential to triple (initial indicators point to a new RHNA around 12,000 units for Sunnyvale) the City will be well ahead of this process by implementing these new programs to successfully set the stage for the 2023 Housing Element.

The Housing and Human Services Commission will make a recommendation to the Council, which will be considered on October 13, 2020.

FISCAL IMPACT

In 2018, Council authorized a contract with BAE Urban Economics in an amount, not to exceed, \$198,916 in General Funds for consulting services to develop the Sunnyvale Housing Strategy project. All funds will have been spent by the Council meeting on October 13, 2020. Implementation of most recommended strategies will require additional funding; however, funding amount varies with each project and will be analyzed and appropriated on a case-by-case basis.

It is likely that several strategies will require significant upfront funding that cannot be accommodated by Housing's operating budget, as Housing Mitigation Fees have specific uses in accordance with the Mitigation Fee Act. It is also likely that some strategies will require ongoing costs or new staffing to implement and operate. If staff is unable to find outside funding sources to implement these programs, staff will explore potential modifications to the Housing Mitigation Fee Ordinance, and as a last resort, a Budget Modifications would be brought to the Council along with a potential workplan for the specific strategy. General Funds would be subject to competing needs and lack of availability, which has been exacerbated by the current pandemic, and will only be requested after all other funding options have been exhausted.

PUBLIC CONTACT

In addition to the extensive public outreach conducted through this Housing Strategy, public contact was made through posting of the Housing and Human Service Commission agenda on the City's official-notice bulletin board, on the City's website, and the availability of the agenda and report in the Office of the City Clerk. A public review draft of the Housing Strategy was also published prior to the HHSC meeting. Interested parties were notified of the schedule and the availability of the public review draft of the Housing Strategy.

ALTERNATIVES

Recommend to City Council:

Housing Strategy

1. Approve the 2020 Housing Strategy (Attachment 2 to the report).
2. Approve the 2020 Housing Strategy, with modifications.

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3. Do not approve the 2020 Housing Strategy.

Implementation Schedule

4. Approve the Strategy Implementation Schedule (Attachment 3 to the report)
5. Approve the Strategy Implementation Schedule with modifications.

RECOMMENDATION

Recommend to City Council Alternative 1 and Alternative 4: 1) Approve the 2020 Housing Strategy (Attachment 2 to the report) and 4) Approve the Strategy Implementation Schedule (Attachment 3 to the report).

Staff recommends the Housing Strategy and Implementation Schedule as a comprehensive approach to addressing priority housing issues in Sunnyvale. The selected strategies and implementation schedule are based on community and Council feedback and professional judgment on which strategies best suit Sunnyvale and have a good chance at success. Tier 1 items were selected to address high priority (such as mobile home park rents) and relatively simple to implement (such as increasing ownership inclusionary percentage).

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Reviewed by: Trudi Ryan, Director, Community Development

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. *Reserved for Report to Council*
2. 2020 Draft Housing Strategy
3. Housing Strategy Tier Recommendations and Implementation Recommendations
4. CDD 17-09 Housing Strategy Study Issue Paper
5. Detailed List of Relevant Housing Policies