



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 24-0248, Version: 1

REPORT TO COUNCIL

SUBJECT

Approve the 2023 Draft Housing Element Annual Progress Report

BACKGROUND

California Government Code Section 65400 ("Section 65400") requires cities and counties to submit an Annual Progress Report (APR) to the State by April 1 of each year. APRs must be submitted to two State agencies: Governor's Office of Planning and Research (OPR) and Department of Housing and Community Development (HCD). The APRs describe each jurisdiction's progress in implementing the housing elements of their General Plans.

The Draft 2023 APR (Attachment 1) describes the City's accomplishments for calendar year 2023 that contribute toward meeting its Regional Housing Needs Allocation (RHNA) and Housing Element program objectives. The 2023 APR measures housing production during calendar year 2023 that will be counted towards the Sixth Cycle (2023-2031) RHNA **Projection Period**. The **Projection Period** is the timeframe for which the RHNA is calculated and RHNA progress is measured. The Sixth Cycle (2023-2031) **Projection Period** began on June 30, 2022, and ends on December 31, 2030.

Calendar year 2023 also marks the transition between the Fifth Cycle (2015-2023) and Sixth Cycle (2023-2031) Housing Element **Planning Periods**. The **Planning Period** determines the Housing Element adoption date and timeframe for Housing Element policies and programs. Because the Fifth Cycle (2015-2023) **Planning Period** ended on January 31, 2023, the 2023 APR includes final updates for Fifth Cycle (2015-2023) program objectives as well as accomplishments for the new Sixth Cycle (2023-2031) program objectives. The Sixth Cycle (2023-2031) **Planning Period** began on January 31, 2023, and ends on January 31, 2031.

All successor housing entities are also required to submit an annual report on the Low-Moderate Income Housing Asset Funds (LMIHAF) as an addendum to the Housing Element APR to HCD. The City is the Housing Successor to the Redevelopment Agency and therefore is required to provide information on housing financial and activity information by including specified information as part of the Housing Successor Agency Annual Report on the LMIHAF (Attachment 2), annually.

EXISTING POLICY

2023-2031 Housing Element

Goal H-1: Provide adequate sites for the development of new housing through appropriate land use and zoning to address the diverse needs of Sunnyvale's residents and workforce.

2015-2023 Housing Element*

Goal A. *Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's*

households of all income levels.

**(provided for context of the prior Housing Element)*

Community Vision

Policy CV-1.2: Provide accurate and thorough information in a timely manner to ensure that community members have an opportunity to respond effectively.

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(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

DISCUSSION

The APR is comprised of thirteen different tables and reports detailing housing production and the City’s progress on implementing Housing Element programs and meeting the RHNA. For each housing unit included in the APR, the City indicates the affordability level by income group and whether the unit is deed restricted. In previous APRs, all market-rate rental units were considered Above Moderate Income units. Beginning with the 2023 APR, the City will consider half of all market-rate rental housing units to be Non-Deed Restricted Moderate Income units, with the other half considered Above Moderate Income units. This assumption aligns with the City’s Adopted 2023-2031 Housing Element and rent data from recently constructed housing projects. To determine affordability of Accessory Dwelling Units (“ADUs”), the City uses the recommendations of the Association of Bay Area Government’s Affordability of Accessory Dwelling Units study in September 2021 (Attachment 3). These recommendations also align with ADU affordability assumptions in the City’s 2023-2031 Housing Element.

The APR now begins with a concise summary report of housing production during calendar year 2023. This report includes information on planning and building permits for calendar year 2023 and summarizes details such as affordability, structure type, and application type. Subsequent tables include much more detailed information about each project. Due to the complexity, small row size, and difficulty viewing some of the larger tables in the APR, a summary of each table/report is provided below.

Table A in the Draft 2023 APR shows the number of housing units for which a planning application was determined complete in calendar year 2023. An “application” is defined as a formal submittal of a project for approval. Applications that have not been determined to be complete are not included. The table also shows the total number of “Disapproved Units” (calculated by subtracting “Total Approved Units by Project” from “Total Proposed Units by Project”). While the “Approved Units” count is less than the “Applications Submitted”, this does not mean the development applications were denied, but rather because many projects are not entitled the same year they are determined complete. A summary of Table A is below:

Table A Summary: Planning Applications Submitted (2023)

Affordability Level (by Household Incomes)	Complete Applications Submitted (Total Units)	Complete Applications Approved (Total Units)
Very Low	21	20
Low	85	83
Moderate	251	247
Above Moderate	369	365
Total	726	715

Table A2 shows a more in-depth look at the net new housing units and developments that have received any one of the following in calendar year 2023:

- An approved planning application (“Units Issued Entitlements”);
- An issued building permit (“Units Issued Building Permits”); or
- A certificate of occupancy (“Units Finaled”).

The summary of Table A2 below shows these units according to their respective affordability levels from very-low to above-moderate (market rate) income. The goal of this table is to show the timeline in which the project moved through various planning and building phases and progress towards RHNA housing goals. Only building permits issued are reported for purposes of determining progress towards the RHNA. A summary of Table A2 is seen below:

Table A2 Summary: Units Entitled, Permitted, and Finaled (2023)

Income Level	Units Issued Entitlements	Units Issued Building Permits	Units Finaled
Very Low	20	134	15
Low	83	61	12
Moderate	247	74	162
Above Moderate	366	332	321
Total	716	601	510

Table A2 includes additional project information such as the number of demolished units, State density bonus provisions, and affordability restrictions. This table also indicates whether a project was approved using streamlining provisions from recent State housing legislation such as Senate Bill (SB) 9, which streamlines the residential lot split process. In prior years, streamlining information was reported in “Table I”, but this table has been removed from the 2023 APR by HCD.

ADUs are identified as one of the permitted unit categories and can be counted towards RHNA goals. In 2023, 39 new ADUs were finaled, 59 received building permits, and 25 received planning entitlements. For ADU projects that meet certain criteria, the City offers a streamlined permitting process that requires only building permits. As a result, many ADU projects are not required to secure planning entitlements.

Table B is a summary of all permitting activity for the Sixth Cycle (2023-2031) Housing Element **Projection Period**. This table includes permitting data beginning with the start of the **Projection Period** on June 30, 2022, through the end of calendar year 2023. This table reports the number of units for which building permits were issued to demonstrate progress in meeting the jurisdiction's share of RHNA by income level. At this early stage in the 2023-2031 cycle, the City has issued building permits for 1,442 units, or 12% of the City's total RHNA. With the recent adoption of long-term plans such as Moffett Park Specific Plan, El Camino Real Specific Plan, and Lawrence Station Area Plan, new residential development is expected to increase in the coming years. As a reminder, the City is required to plan and accommodate for the RHNA in its Housing Element, but is not required to build the units. A summary of the City's RHNA progress is provided below:

Table B Summary: Sixth Cycle RHNA Progress (June 30, 2022 to December 31, 2023)

Income Level	RHNA Allocation 2023-2031	Units Issued Building Permits 2023-2031	Percent Complete	Remaining RHNA
Very Low	2,968	151	5%	2,817
Low	1,709	95	6%	1,614
Moderate	2,032	99	5%	1,933
Above Moderate	5,257	1,097	21%	4,160
Total	11,966	1,442	12%	10,524

Table C identifies sites or rezoned land used to accommodate a shortfall of RHNA sites. Because the Moffett Park Specific Plan was not adopted before the start of the Sixth Cycle (2023-2031) Housing Element **Planning Period** on January 31, 2023, the City had a shortfall of 1,535 lower-income units and 3,280 above moderate-income units. Table C includes the Moffett Park Specific Plan sites that were rezoned to meet this shortfall in 2023.

Table D provides an update on the City's progress toward achieving the housing programs listed in the Implementation Plan of the Housing Element. Because the 2015-2023 Housing Element **Planning Period** ended on January 31, 2023, Table D must include progress updates for the previous Fifth Cycle (2015-2023) and current Sixth Cycle (2023-2031) Housing Element **Planning Periods**.

Table E provides information on commercial developments that were approved with development bonuses in exchange for providing affordable housing. The City did not receive any commercial applications requesting bonuses during the reporting year.

Table F provides the number of affordable housing units rehabilitated, acquired, and/or preserved, only if such projects were included as objectives in the Housing Element. This table is not applicable to the City since rehabilitation projects are not identified as a method to meet the RHNA requirement in the Housing Element.

Table F2 shows the above moderate income units that were converted to moderate income units through deed restrictions. No above moderate income units were converted in the reporting year.

Table G provides an inventory of City-owned property in the Housing Element Sites Inventory that was leased or sold in 2023. In September 2023, the City entered into a short-term lease with MidPen Housing for the property at 295 South Mathilda Avenue for the development of a 100% affordable project. In December 2023, the City entered into a long-term lease with MidPen Housing for the property at 1178 Sonora Court for a 176-unit affordable housing project that is currently under construction.

Table H is an inventory of City-owned surplus lands. The City has no locally owned surplus lands.

Table I was removed from the 2023 APR by HCD (also noted above).

Table J shows any student housing projects that were granted a density bonus. There were no student housing projects with a density bonus in 2023.

Table K was added to the 2023 APR as a result of SB 649, which requires local governments that have adopted a local tenant preference policy to create a webpage with information about their policy and report this information on their APRs. The City does not have an adopted local tenant preference policy.

The LEAP Reporting tab includes a summary of the City's use of the Local Early Action Planning (LEAP) grant, which is administered by HCD as well as a summary of entitlements, building permits issued, and building permits finalized for calendar year 2023.

Lastly, the Low-Moderate Income Housing Funds (LMIHAF) report is required by California Health and Safety Code Section 34176.1 for a city that has assumed the housing function of a former redevelopment agency ("housing successor agency") and is responsible for administering housing set-aside funds, now known as Low-Moderate Income Housing Funds (LMIHAF). The City is the housing successor agency for the former Redevelopment Agency of the City of Sunnyvale. Attachment 2 provides data on the Sunnyvale Housing Successor Agency's activities and finances in fiscal year 2022/23. The City continues to meet the Extremely Low Income test, the Senior Housing Test, and Excess Surplus Test.

FISCAL IMPACT

Approval and submittal of the APR is required by State law and will assist the City in qualifying for State funding opportunities. Otherwise, as the report is primarily for informational purposes, this action does not have any fiscal impact.

PUBLIC CONTACT

Public contact was made by posting the Council meeting agenda on the City's official-notice bulletin board at City Hall, at the Sunnyvale Public Library and in the Department of Public Safety Lobby. In addition, the agenda and this report are available at the NOVA Workforce Services reception desk located on the first floor of City Hall at 456 W. Olive Avenue (during normal business hours), and on the City's website.

Section 65400 requires Council to consider the APR “at an annual public meeting before the legislative body where members of the public shall be allowed to provide oral testimony and written comments” (on the City’s reported progress in implementing its Housing Element). In addition, email notifications were sent to interested parties, including housing advocacy organizations.

ALTERNATIVES

1. Approve the 2023 Draft Housing Element Annual Progress Report and direct staff to submit it to the Governor’s Office of Planning and Research and the California Department of Housing and Community Development.
2. Approve the 2023 Draft Housing Element Annual Progress Report with modifications, and direct staff to submit it to the Governor’s Office of Planning and Research and the California Department of Housing and Community Development.

STAFF RECOMMENDATION

Alternative 1: Approve the 2023 Draft Housing Element Annual Progress Report and direct staff to submit it to the Governor’s Office of Planning and Research and the California Department of Housing and Community Development.

All local jurisdictions, including charter cities, are required to submit the APR to the Governor’s Office of Planning and Research and the California Department of Housing and Community Development by April 1 of each year. Staff recommends Alternative 1 in order to maintain the City’s compliance with State law (i.e., Health and Safety Code Section 34176.1 and Government Code Section 65400).

Prepared by: Ryan Dyson, Housing Specialist

Reviewed by: Jenny Carloni, Housing Officer

Reviewed by: Trudi Ryan, Director of Community Development

Reviewed by: Connie Verceles, Deputy City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Draft 2023 Housing Element Annual Progress Report
2. Housing Successor Agency Annual Report on the Low-Moderate Income Housing Asset Fund (LMIHAF) FY 2022/23
3. Affordability of Accessory Dwelling Units Study