

Sunnyvale to increase developer fee, gives boost to affordable housing

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Funding for affordable housing projects in the city will be getting a bit of a boost.

The Sunnyvale City Council voted Dec. 9 to expand the city's housing mitigation fee to include not just all net new industrial and office projects, but also retail and lodging development projects in any zone in the city.

Two hours of discussion revolved around increasing the fee as well and to what amount. Concerns were raised about how to best balance the need for more affordable housing and the ability of the developers to pay a higher fee.

City staff recommended increasing the existing fee of \$9.74 per square foot to \$12, of which local developers were in favor. However, several representatives from nonprofits that work with low-income residents recommended a higher fee.

About a dozen speakers came to talk about the increase. Some pushed for as much as \$20 per square foot.

Charisse Ma Lebron, director of community development with Working Partnerships, spoke in favor of the increase. Lebron cited the city's 2015-23 draft housing element, which states 7 percent of Sunnyvale homeowners and 11 percent of renters are living in overcrowded conditions.

She added that more than 7,300 homeowners and renters are burdened with severe overpayment, which means they pay more than 50 percent of their gross monthly income for housing.

"New revenues from the housing mitigation fee will allow Sunnyvale to fund new affordable housing development in order to alleviate overcrowding and overpayment," Lebron said during the meeting. "Housing is a critical component in ensuring that Sunnyvale is a place where all communities can live, grow and thrive."

In the last 15 years, revenue from the housing mitigation fee has brought close to \$25 million to the city, which funded 10 projects for a total of 744 affordable housing units, according to Suzanne Ise, Sunnyvale's community development manager.

Some of the most recently approved developments include two separate affordable-housing projects proposed by MidPen Housing and Charities Housing at the former armory site on E. Maude Avenue. Prior to that, there was the affordable housing project for seniors on S. Fair Oaks Avenue.

The city council decided to set the initial fee rate at \$15 per square foot for office, research and development, and industrial projects, giving a \$7.50 per square foot discount for the first 25,000 square feet, and \$7.50 per square foot for retail and lodging projects. The discount aimed to reduce the burden to build smaller square footage projects.

Both will be adjusted annually for inflation as part of the annual fee schedule adoption. The council also included a provision to clarify that the new fee rates apply to all complete planning applications submitted on or after the effective date of the ordinance.

Staff was also directed to return every two years to review the \$15 amount and whether it should be adjusted.

Councilman Gustav Larsson stated this fee is just one tool the city uses to try to get affordable housing and will continue to look at and use others.

"This \$15 per square foot would be a substantial contribution towards our affordable housing funds that we could start to do projects much more frequently, and it strikes a good balance between the need that we have in the community and the ability to actually generate funds," Larsson said during the meeting.

"If we set this fee too high, we're going to discourage development and in the end get fewer funds that we can actually use for affordable housing. So, what we're trying to do here is find that sweet spot."