

**Council Meeting: January 27, 2009****SUBJECT: INFORMATIONAL REPORT – VACANCY AND RENT SURVEY****REPORT IN BRIEF**

The purpose of this report is to provide City Council with the results of the Vacancy and Rent Survey completed during the month of December 2008.

**BACKGROUND**

The City conducts a vacancy and rent survey of rental properties in Sunnyvale annually in December and reports the findings in January.

**EXISTING POLICY**

Amendments to Chapter 19.66 of the Sunnyvale Municipal Code require that the semi-annual Vacancy and Rent Survey be used: (1) to establish the rental rate for new Below Market Rate (BMR) rental units, (2) to adjust rental rates on existing BMR rental units, (3) as a factor in determining whether or not some rental properties may be converted to condominium ownership and (4) as provided by City ordinance, to determine if an increase in the number of required BMR rental units is warranted.

**DISCUSSION**

In December of 2008, Realfacts conducted the semi-annual vacancy and rent survey for the City. In accordance with its contract, Realfacts surveyed approximately 15,000 rental units which are representative of all rental units in Sunnyvale. The survey results show that out of a total of 100 complexes with 14,851 units, 600 units were vacant. This equals a vacancy rate of 4%, which is higher than both the January 2007 vacancy rate of 2.37% and January 2008 vacancy rate of 2.72%.

**Annual Comparison – Vacancy and Rent Survey**

The following table illustrates the results of the current survey and calculates the average increase.

	<b>January 2008</b>	<b>January 2009</b>	<b>% Rent Increase January 2008 – January 2009</b>
Studio	\$ 1,043	\$ 1,079	3.45%
1 Bdrm	\$ 1,357	\$ 1,385	2.06%
2 Bdrm	\$ 1,675	\$ 1,704	1.73%
3 Bdrm	\$ 2,138	\$ 2,163	1.16%

The original BMR rental program allowed annual increases in existing BMR rents up to a maximum of one-twelfth of 25% of 80% of area median income. Beginning in 2001, when market rents declined dramatically but median income continued to increase, this formula resulted in BMR rents which actually exceeded market rents. Therefore, on September 30, 2003, City Council approved a rental formula establishing that rental increases for existing BMR units could be increased by a maximum of 5% or the actual increased percentage of average annual rent, based on the Sunnyvale Vacancy and Rent Survey, whichever is less.

Average annual rents increased on all unit sizes (studio to 3 bedrooms) from January 2008 to January 2009 by **2%**. A rental increase of the maximum allowable increase of **2%** will be permitted for all existing BMR rental units beginning in March 2009. Additionally, the annual adjustment in maximum allowable rents for future BMR tenants is as follows:

Unit Size	2008 Maximum Rent*	2009 Maximum Rent
Studio	\$1,166	\$1,190
1- Bedroom	\$1,332	\$1,360
2- Bedroom	\$1,499	\$1,530
3- Bedroom	\$1,799	\$1,835

**Determine whether or not rental properties may be converted to condominium ownership.**

On May 9, 2006, the City Council amended Municipal Code Section 19.70 to eliminate the restriction on conversion of apartment units to condominiums when the vacancy rate was 3% or less. In lieu of this restriction, a 175-unit limit was placed on conversions in any given 12-month period; conversion in excess of 175-units could be approved upon a finding that “the conversion will not adversely impact the community’s ability to provide housing for all economic segments of the community,” noting that the City “will consider the annual vacancy rate in making the Finding.” From the period of December 2007 through December 2008, two (2) units have been approved for conversion to condominiums.

**As provided by City Ordinance, to determine if an increase in the number of required BMR rental units is warranted.**

Chapter 19.66 of the Sunnyvale Municipal Code requires that 10% of the total number of dwellings units in a rental complex shall be maintained as affordable. However, it provides that when vacancy rates reach levels of 3% or less and rents show a net increase of 20% or more during a 24-month period, based on the Sunnyvale Vacancy and Rent Survey, new rental developments

will be required to maintain 15% of the total number of dwelling units as affordable.

The December 2006 Sunnyvale Vacancy and Rent Survey indicated the necessary factors to trigger the increase from 10% to 15% of the total number of dwelling units required to be affordable. The increase was reported to Council on January 30, 2007, (RTC# 07-025) and took effect on March 1, 2007.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

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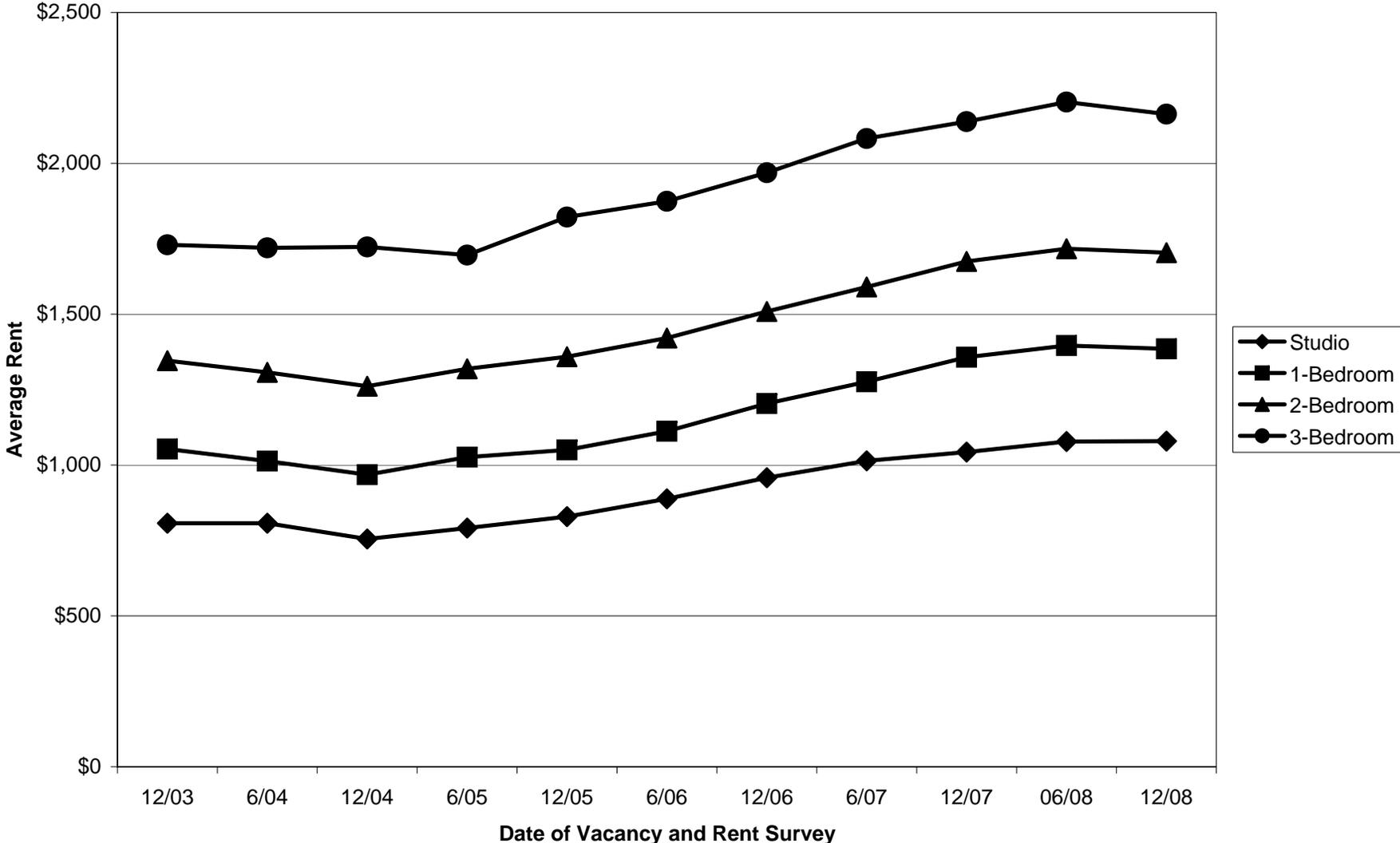
**Attachments**

- A. Vacancy Rate Graph 1/04 – 01/09
- B. Average Rent Graph 1/04 – 01/09
- C. Median Rent Graph 1/04 – 01/09
- D. Sunnyvale Municipal Code - Chapter 19.66 – Affordable Housing and Single Room Occupancies

# **ATTACHMENT A**

## **VACANCY RATE GRAPH DECEMBER 2003 - DECEMBER 2008**

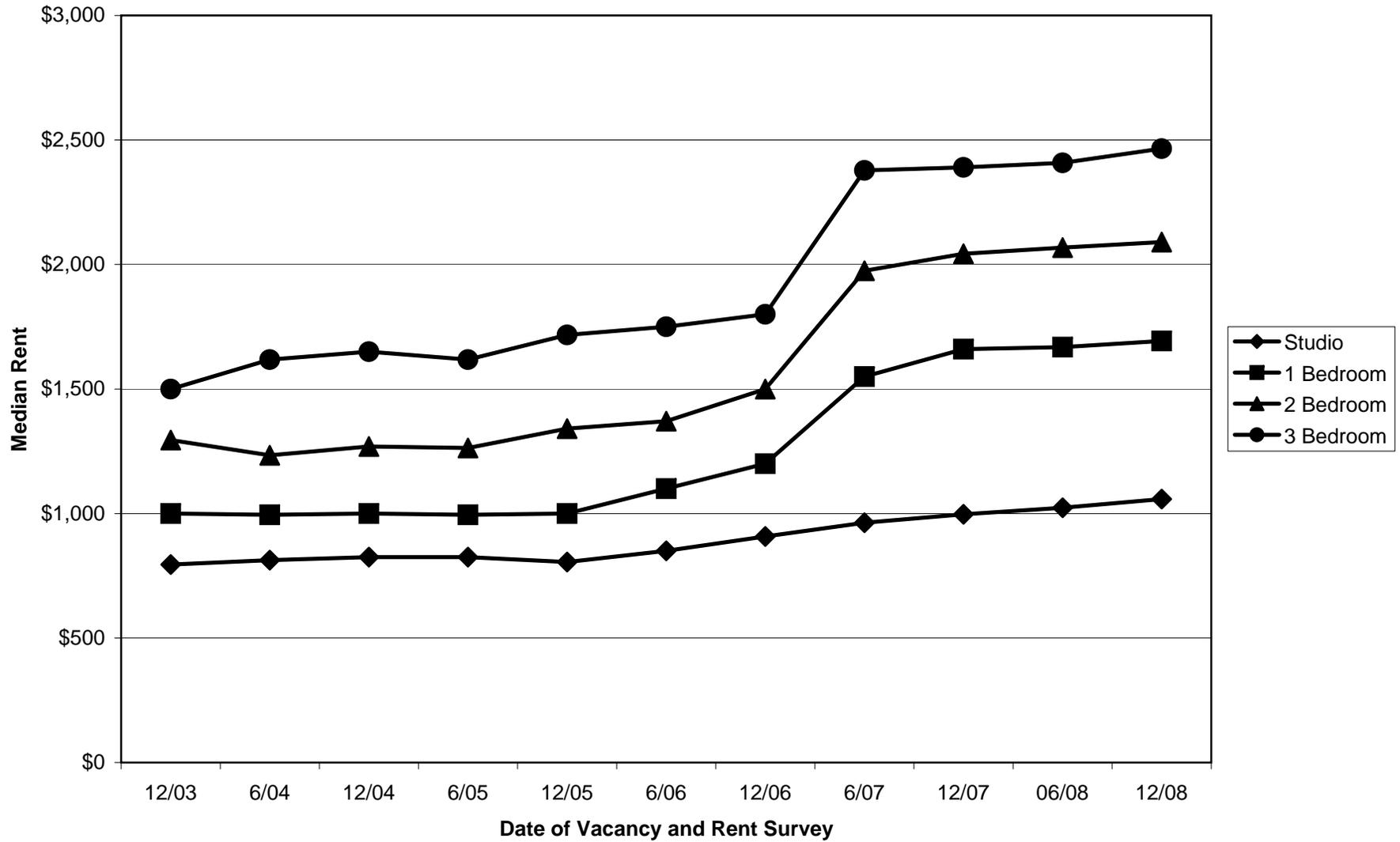
Average Rent Graph - 12/03 - 12/08



# **ATTACHMENT B**

## **AVERAGE RENT GRAPH DECEMBER 2003 - DECEMBER 2008**

MEDIAN RENT GRAPH - 12/03 - 12/08



# **ATTACHMENT C**

## **MEDIAN RENT GRAPH DECEMBER 2003 - DECEMBER 2008**

VACANCY RATE GRAPH - 12/03 - 12/08

