Council Meeting: October 14, 2008

SUBJECT: City of Sunnyvale Affordable Housing Strategy

REPORT IN BRIEF

The Housing Division has prepared a long-term comprehensive affordable Housing Strategy for the City of Sunnyvale to provide to the City Council a complete overview of the existing programs and the plan to meet future housing goals. The Housing Strategy is comprised of city demographic data, data on the city's housing stock, the current and projected Housing budget, an overview of existing housing programs, barriers to affordable housing, and short and long term objectives to address these barriers and to increase affordable housing production. Staff recommends that the City Council adopt the attached Affordable Housing Strategy to allow for the implementation of the strategies proposed within the plan.

BACKGROUND

The preparation of a long-term Housing Strategy began in 2007, with assistance from professional consultant, Andrea Georgelos. The purpose of the strategy is to outline the City's housing policies and programs and set out new objectives to improve affordable housing production in the face of constraints and challenges to rental and ownership affordability for Sunnyvale residents. The plan will continue to evolve over time as more research is gathered for the next Housing Sub-Element update in 2009. This research may lead to additional objectives to be incorporated into the City's strategy.

The Housing Strategy (Attachment 1) implements a portion of the mission that is articulated in the 2007 Sunnyvale Community Vision that the Sunnyvale of the future will offer a variety of housing options for a diverse and changing population. The City of Sunnyvale has a long history of proactive affordable housing programs that have led to the creation of almost 2300 ownership and rental affordable housing units, almost 4% of the housing stock. In addition, Sunnyvale has the resource of mobile home parks which typically are affordable by design and comprise an additional 7% of the overall housing stock.

The following are the primary components of the City's Housing Program.

- The City's Housing Improvement Programs were first implemented in the 1970s. The City offers a wide array of rehabilitation loans including, general improvements for single-family homeowners, energy efficiency loans, mobile home repairs, multifamily rental rehabilitation, emergency loans, and paint and accessibility grants.

- The City adopted a Below Market Rate (BMR) program in 1980, requiring all new market rate ownership and rental development to contain a proportional share of affordable units. The requirement is 12.5% for ownership and 15% for rental housing. The City has 271 BMR ownership units, and 235 BMR rental units.

- A Housing Mitigation Fee Policy was adopted in 1983 and revised in 2003 and 2008. For certain types of commercial development a fee of $8.00 per square foot is collected as a mitigation fee and put toward the development of affordable housing.

- First Time Homebuyer Down Payment Assistance has been in effect since 2003. The City currently provides up to $50,000 for Low income first-time homebuyers to purchase BMR ownership units. Recipients are taken from the City's eligible household waiting list of over 500 households. The City also provides down payment assistance for public school, City and child care employees to purchase BMR or market rate units. The City provides Homebuyer Education, and Individual Development Accounts, which match savings up to $10,000 to aid in down payments.

- The creation of affordable rental housing has also occurred through subsidized rental construction or rehabilitation projects which are typically 100% affordable and are built by nonprofit housing developers who apply for tax credit funding and other grant funding, thus leveraging a significant level of non-local resources for Sunnyvale. The City has created over 1530 affordable rental units through this program and it is the most efficient way to produce a number of affordable units, keeping local subsidy to approximately $80,000 per unit or below.

EXISTING POLICY
The policies below are discussed further in the Housing Strategy.

BMR Inclusionary Ordinance (SMC Section 19.66)
Housing Mitigation Fees (SMC Section 19.32)
Community Development Strategy
The Housing and Community Revitalization Sub-element (state mandated)
Consolidated Plan
Annual Action Plan for HOME/CDBG

DISCUSSION

The Association of Bay Area Governments (ABAG) assigns fair share affordable housing goals for each jurisdiction in the Bay Area region. The goals for the 2009-2014 Housing Element are shown below. These are the **new** housing units that the City is assigned to facilitate the creation of through 2014.

These goals do not take into account the almost 2300 units of existing affordable housing. The City also has approximately 4,000 mobile home units within the city and these units, while not deed restricted as affordable units, are typically affordable to Very Low and Low income households.

Income Levels and Percent of AMI	**Number of Housing Units**
Very Low (< 50%)	1,073
Low (< 80%)	708
Moderate (< 120%)	776
TOTALS	**2,557**

To meet these goals, considerable financial resources are needed. In addition, cities only receive 25% for rehabilitation units toward meeting their goals.

Housing Resources and Budget

Housing Program funds in Sunnyvale originate from a variety of sources. The following reflects the balances in housing funds at the beginning of FY 08/09. To create affordable housing through new construction programs, local subsidies range from $50,000 to $100,000 per unit. The Housing Budget is described below.

Reserves as of July 1, 2008

Housing Mitigation Fund	$14,925,182
BMR In-lieu Fund	$ 2,218,749
Community Development Block Grant	$ 150,000
CDBG revolving loan fund	$ 1,135,406
HOME Grant	$ 2,258,144
Redevelopment 20% Set Aside Funds	Deferred
TOTAL	$20,687,481

FY 08/09 Budget

Administration/In Lieu	$ 982,506
First Time Homebuyer Loans	$ 1,000,000
Down Payment Assistance	$ 250,000
Indiv. Development Accounts	$ 110,000
Rehabilitation Loans	$ 500,000
Paint and Access Grants	$ 100,000
Fair Oaks/Garland	$ 6,000,000
Other Projects	$ 695,385
Outside Group Funding	$ 432,289
TOTAL	$10,070,180
Committed Reserve (Onizuka)	$ 8,200,000

The Housing fund (CDBG, HOME, Housing Mitigation) anticipates receiving $4,758,900 in fees, grants, and other revenues for FY08/09.

The Housing Mitigation fund is the primary source of funds right now for affordable housing. This account receives funding when certain commercial projects of over 35% Floor Area Ratio are permitted.

Typically, 20% of the tax increment that is generated with the Redevelopment Project Area must be set aside for the creation or preservation of affordable housing. The City of Sunnyvale has dispensation to repay pre-1986 debt prior to setting aside affordable housing funds from property tax increment. It is anticipated that pre-1986 debt will be fully repaid by 2013. At that time, Redevelopment Set-Aside funds will start to flow into Housing program funds and are projected at approximately $3 million per year until the Set-Aside is fully paid out at the end of the Redevelopment term, 2028.

The City also receives an annual allocation of federal HOME grant funds for new construction of housing, and a portion of the Community Development Block Grant may also be used for affordable housing development.

The Silicon Valley Housing Trust Fund is another resource for affordable housing funds. The City of Sunnyvale has contributed $1.6 million toward this fund over the past 7 years, and these funds have been re-lent to Sunnyvale residents for first-time homebuyer loans. Substantial additional loan funds have been leveraged through the Trust Fund for residents, beyond the City's contribution.

New Affordable Projects Under Consideration

There are several new affordable developments in the pipeline that, if approved, will create up to 216 new units affordable to Very Low income, which could meet about 20% of the Very Low Fair Share goal. The BMR units in the pipeline would create about 329 Low or Moderate units which could assist in meeting 25% or more of each of these goals.

Income Levels and Affordability

Sunnyvale has experienced an increase in the percentage of lower income households over the past five years, including an increase in homelessness. At the time that the 2000 U.S. Census was taken, a little over 27% of Sunnyvale households fell into the Low to Extremely Low Income categories. A more recent American Census Sample Survey was performed in 2006, which showed a significant increase in the Low Income categories, up to about 40% of all households.

	2000 Survey	**2006 Survey**
Extremely Low	9.2%	10-13%
Very Low	9%	12-14%
Low	9.1%	16%
TOTAL	27.3%	38%-43%

In terms of homelessness, in 2005, the Sunnyvale homeless count was about 420 sheltered and unsheltered homeless per night. By 2007, this had increased to 640 per night, based upon the 2007 County of Santa Clara Homeless Census and Survey.

Rental Affordability

The table below indicates what rent levels are affordable to a one-person household and a four-person household in various low and moderate income categories. A rent is considered affordable when it is no more than 30% of gross monthly household income.

Income Group & Percent of AMI	**1-person Median Income**	Affordable Rent		**4-person Median Income**	Affordable Rent
Very Low (50%)	$37,150	$929		$53,050	$1,326
Low (80%)	$59,400	$1,485		$84,900	$2,123
Moderate (120%)	$88,620	$2,215		$126,600	$3,165

When comparing affordable rents to the current median rents in Sunnyvale, in the table below, it is apparent that the median rents are not affordable from studios to 3-bedroom units to the Very Low Income category. In the Low Income category, median rents for studios and 1-bedrooms are affordable;

however, 2-bedroom and 3-bedroom unit median rents are not affordable to Low Income families.

	studio	1-br	2-br	3-br
Very Low	$929	$1,061	$1,194	$1,326
Low	$1,485	$1,698	$1,910	$2,123
Median	**$971**	**$1,660**	**$2,043**	**$2,390**

Ownership Affordability

The table below illustrates the maximum affordable home prices for Sunnyvale families at various low and moderate income levels. All prices in the affordable category, from Extremely Low to Upper Moderate are still well below the median single family home prices of approximately $850,000 and the condominium prices of approximately $575,000. To purchase a home, Low and Moderate Income families would either need to have a significant down payment, or assistance from the City Housing programs or other forms of buyer assistance.

Income Group and Percent of Area Median Income (AMI)	Median Income for Four	Monthly Affordable Payment for Four at 10% down	Property Taxes, Insurance	Maximum Affordable Home Price
Extremely Low (30%)	$31,850	$650	$146	**$108,500**
Very Low (50%)	$53,050	$1,082	$244	**$180,500**
Low (70%)	$73,850	$1,507	$339	**$251,500**
Low (80%)	$84,900	$1,732	$391	**$289,000**
Moderate (120%)	$126,600	$2,584	$581	**$430,000**
Upper Moderate (150%)	$158,250	$3,230	$726	**$540,000**
2008 MEDIAN HOME PRICES- **Single Family: $830,000 to $860,000** **Condominiums: $550,000 to $600,000**				

Barriers to Affordable Housing Production

As shown above, the current home prices and rents leave many families without affordable housing options. In addition to this, it is difficult to create new affordable opportunities for families due to the following barriers or issues that the City faces:

- Limited City resources – shrinking federal Community Development Block Grant and HOME Grant funds
- The loss of BMR rental units that have expiring restrictions and are now becoming market-rate rentals
- Increase in homelessness
- The high cost of land and the scarcity of land for new development
- The high level of subsidy needed (from $50K to $100K) to subsidize an affordable unit
- Inhibitive program restrictions that may decrease program usage, not serving moderate income households

Key Short Term and Long Term Objectives

To address some of the barriers and affordability issues in the city, staff is proposing the following changes to existing programs that will implement a series of Short-Term Objectives. Staff is also proposing new programs and policies that would increase overall resources for affordable housing, increase affordable housing production, and allow the City to better meet its State mandated Fair Share Housing Goals in the future. All of these implementation measures are proposed and outlined in further detail in the Housing Strategy. If the strategy is adopted, staff would immediately begin to work on the short-term objectives.

Short-Term Objectives:

1. Issue: Low rehabilitation loan program utilization, deterioration of housing stock
    a. Standardize interest rates at below market, favorable rates for borrowers
    b. Allow combination of different types of rehab loans
    c. Eliminate age restrictions in the paint program
    d. Develop a pilot program to target rental and ownership rehab and greater incentives to specific areas

Target: Low and Very Low income

2. Issue: Greater need for down payment assistance due to high ownership costs
    a. Increase First-Time Buyer Down Payment Assistance Loan to $75K and serve incomes up to 120% AMI, and applicable to mobile homes as well
    b. Increase Housing Trust Fund commitment
    c. Revise HPCC (Housing for Public School, City, and Childcare Employees)
        i. To serve up to 120%AMI
        ii. Change equity share agreement– reduce City's equity
        iii. Eliminate City loan being repaid in 6 months from leaving employment, and allow up to 3 years to repay City's loan
        iv. Create Equity sharing Downpayment Assistance – allowing downpayment assistance for any Moderate Income household to

purchase a market-rate home, with share of equity due back to the City at resale.

Target: Moderate income

3. Issue: Need to increase affordable production overall, revise BMR Ordinance
    a. Allow the City to consider the option of acquisition/rehabilitation of off-site housing to create affordable units only if a greater number of units can be produced
    b. Allow flexibility in transferring of BMR requirements within project area, only if a greater number of units can be produced
    c. Increase BMR ownership from 12.5% to 15%
    d. Lower the threshold requirement to projects of 5 or more units
    e. Amend terms to 45 years for MBR ownership – consistent with State Redevelopment law to ensure RDA funded units are counted.
    f. Allow 100% of CPI increase as seller equity
    g. Incorporate density bonus law into BMR ordinance
    h. Revise Resale of Affordable Housing Units
        i. If the LTV ratio is within the value established in the restrictions, then the homeowner is responsible for correcting the deferred maintenance issues. The costs associated with correcting the deferred maintenance is paid by the existing homeowner.
        ii. If the LTV ratio exceeds the value established in the restrictions and there is minimal amount of deferred maintenance, the City may choose to correct the deferred maintenance items. Because the LTV ratio exceeds the true value of the unit, per the recorded restrictions, the lender is required to issue a short payoff demand and the seller receives no proceeds.
        iii. If there is a substantial amount of deferred maintenance, the City may choose to act as the interim purchaser and rehabilitate the unit. Because the LTV ratio exceeds the true value of the unit, per the recorded restrictions, the lender is required to issue a short payoff demand and the seller receives no proceeds.

    Target: Very Low, Low and Moderate Income

4. Issue: High subsidies needed to create affordable units
    a. Review the Housing Mitigation Fee ordinance to consider including other industrial and commercial developments to increase housing resources for all loan and development programs. (Study issue already proposed on this item.)

5. Issue: Need to preserve and increase affordability

a. Strengthen the mobile home and condominium conversion ordinances to ensure sufficient relocation benefits, minimize displacement
b. Work with nonprofits to acquire and rehabilitate rental units to create and preserve affordable rents

Long-Term Objectives:
6. Issue: Need to better meet ABAG goals by increasing affordable production and provide more assistance to moderate income and up to 150% AMI

a. Explore creation of community land trust (CLT) and seek a possible project sponsor
    i. CLT sells homes to buyers, while retaining ownership to the land with the potential to serve up to 150%AMILand Banking
    ii. Purchase Land with RDA Housing funds or Housing Mitigation funds when available for development of new rental or ownership housing
b. Bond Financing
    i. Explore the feasibility of issuing tax exempt and taxable mortgage revenue bonds to fund permanent mortgages for affordable housing projects
c. Raise BMR percentage requirements to more aggressive levels, e.g. 20% or more
d. Increase Funding Allocation to Rental Housing

Target: Very Low, Low and Moderate income up to 150% AMI

As an alternative to allowing eligible buyers in these new programs to earn up to 150% AMI, Council may direct staff to target new programs to 120% AMI only. This may be beneficial in terms of meeting ABAG Fair Share goals which are set at 50%, 80% and 120% AMI. The City would not receive affordable credit for the units serving over 120% AMI.

Input from City Council Study Session

In a Study Session on September 16th, the City Council heard a presentation outlining the elements of the Housing Strategy. Feedback was received by staff on various elements of the strategy. Comments are described below.

A Council member requested that the City research providing down payment assistance loans to purchase mobile homes, and also recommended investigating requiring long term leases, such as 20 or 30 years, as a form of rent control. He also recommended reviewing requirements of mobile home park owners who are converting to ownership. As part of the short term objectives, staff can include the review the existing mobile home park conversion ordinance and research and recommend the feasibility of longer term leases and greater protections for tenants.

A Council member recommended an alternative for off-site BMR requirements to allow a developer to purchase and rehab units. This alternative can be added to the BMR ordinance revisions when they are brought forward in November for consideration. He supported the $75,000 maximum for first-time buyer assistance and serving up to moderate income families. He recommended pursuing grant funding, and continuing the commitment to Housing Trust fund.

A Council member recommended selling forced sale units at a lower price if the unit has been properly maintained, in order to keep the prices more affordable, rather than substantially rehabilitating them. Two other Council members supported this approach as well. This proposal can be included by staff in the BMR administrative procedures.

A Council member proposed shifting more funding toward ownership housing. He preferred to maintain the 30-year ownership restriction. Two other Council members supported keeping the 30-year ownership restriction after it was clarified that a resale would restart the ownership restriction. Staff is recommending the 45-year restriction to create consistency with state Redevelopment law and to ensure that credit is given for units toward Redevelopment goals in the future.

A Council member asked the staff to research how Palo Alto achieves high percentages of affordable housing. He supported the idea of land trust model and land banking. Staff spoke to Palo Alto's planning staff and learned that during the last Housing Element cycle there were two large subsidized rental developments, Oak Court and the Opportunity Center, comprised of 130 units that assisted in their achieving a fairly high percentage of their Very Low Income goal. Also, Stanford built an affordable housing development that helped them exceed their Low income goal of 116 units.

One Council member requested that staff perform an assessment of City-owned properties that might be feasible for affordable housing. The Housing Element update will include an assessment of underutilized and vacant sites as well as city-owned parcels.

One Council member preferred an equity sharing model of downpayment assistance where a family can buy a market rate home and use City downpayment funds to eliminate the PMI requirement, then repay the City its equity share at the unit resale. This model is proposed in the new Equity Sharing Program that is also referred to as the Wealth Creation model. The Council member preferred no off-site alternatives, except in the case of a condominium or mobile home park conversion.

Four Council members preferred to keep the BMR requirement to disperse affordable units, not aggregate them. Three Council members preferred to maintain the 12.5% ownership requirement rather than increase it to 15%. The requirement for dispersal of units is included within the BMR ordinance restrictions and applies only to BMR units. The City attempts to geographically disperse subsidized rental projects throughout the city, to reduce over concentration of lower income housing; however, these projects are competitive for tax credits through the greatest levels of affordability. Nonprofit developers achieve significant leverage of non-local resources through the creation of 100% affordable development, and these developments tend to be smaller in project size than market-rate developments. The BMR ordinance increase to 15% would allow residential projects in the city to compete for state funding for infill and transit-oriented development that are only eligible with 15% or higher affordable housing requirements.

One Council member suggested making both the ownership and rental the same percentage at 15%, due to some cases where developments start as rental and later become ownership.

One Council member asked for research on the effect of the mortgage crisis on our policy. Sunnyvale has not had a large number of foreclosures, as compared to other Bay Area jurisdictions. A recent data search in August showed 8 foreclosures in Sunnyvale. The full effects of the foreclosure crisis are still not known; however, lenders are requiring more equity from borrowers, and are stricter on their credit score requirements. Due to the City's practice of requiring 30-year, fixed payment mortgages and our underwriting practices, the City has not seen foreclosures in the BMR program.

FISCAL IMPACT

The approval of the Housing Strategy would not have an immediate fiscal impact; however, if new policies were pursued, it could lead to an increase in Housing resources in the long term.

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. The Housing and Human Services Commission heard the staff recommendations in this report on the meeting on September 24th, 2008.

ALTERNATIVES

1. Approve the draft City of Sunnyvale Housing Strategy, 2008.

2. Approve the draft City of Sunnyvale Housing Strategy, 2008, with modifications, including targeting new programs up to a maximum of 120% AMI.
3. Do not approve the draft City of Sunnyvale Housing Strategy, 2008.

RECOMMENDATION

It is recommended that City Council approve Alternative 1, adopting the City of Sunnyvale Housing Strategy, 2008, to allow Housing staff to pursue program changes and new programs to increase affordable housing production and to increase local resources for affordable housing in Sunnyvale over the next twenty years.

Reviewed by:

Hanson Hom, Director, Community Development Department
Prepared by: Laura Simpson, Housing Officer

Approved by:

for Amy Chan
City Manager

Attachments

1. Draft Housing Strategy, October 14, 2008

DRAFT

CITY OF SUNNYVALE
TWENTY-YEAR AFFORDABLE HOUSING STRATEGY

October 14, 2008

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LIST OF TABLES

I. EXECUTIVE SUMMARY

This affordable housing strategy is designed as a practical, action-oriented guide based on an examination of internal and external factors to direct programs, goal setting and resource allocation to achieve meaningful results over time. The strategy provides Sunnyvale with an updated analysis of affordable housing needs and includes current demographic data, household income data, population ages, housing tenure, overcrowding, overpaying, housing conditions and current market rate costs to obtain ownership and rental housing. The strategy provides a projection of available funding resources from 2008 over the next twenty years. It provides recommended modifications to many of the existing housing programs, recommendations for further review and study of new activities, and proposes future activities that may be considered and undertaken over time and as revenues are likely to increase.

This strategy also provides a historical view of the city's accomplishments during the past thirty years. It proposes aggressive production goals for the development and creation of new affordable housing and first time homebuyer programs by utilizing the funding anticipated from the future tax increment revenues to be generated through the redevelopment of Sunnyvale's downtown redevelopment and from projected revenues derived from Housing Mitigation fees, as well as all other resources available to the city of time.

The City of Sunnyvale has historically been pro-active and innovative on the issue of affordable housing and currently supports affordable housing and homeownership in a number of ways.

Historical Actions Related to Housing Programs:

1. Enacted Below Market Rate (BMR) inclusionary housing program in 1980.
2. Enacted revisions to BMR program in February 2003.
3. Enacted Housing Mitigation Policy, 1983 and Municipal Code Section 19.22, August 2003.
4. Providing housing improvement programs since 1970's.
5. Providing assistance to first time homebuyers, January 2002.

Past actions by the City to support homeownership for low and moderate income households include: adoption of a condominium conversion ordinance, contributions to the Santa Clara County Housing Trust Fund's program for down payment loans to first-time homebuyers, Mortgage Credit Certificates and CASA second loans for first-time homeowners, creation of the Housing for Teachers and City Employees program, and increasing the supply of Below Market Rate (BMR) ownership units by Ordinance on February 4, 2003, and the implementation of down payment assistance loans, homebuyer education and an independent development account program (IDA). Nonetheless, high cost housing in the region continues to cause concern about low and moderate-income households' ability to attain homeownership in Sunnyvale.

Funding Resources

The City utilizes multiple funds to support housing programs. Attachment A shows the projected funding sources for housing available over the next 20 years. Federal funds have been used for land acquisition, preservation, construction, predevelopment and rehabilitation. City Housing Mitigation Funds have been used to fund acquisition, preservation, construction, and to support city programs that target assistance to renters and future homebuyers. Below Market Rate In-Lieu fees have been used to fund city programs that target first time homebuyers and provide ongoing educational support. This strategy identifies proposed levels of funding support for existing and new programs and includes an estimate of future housing mitigation fees and future tax increment set-aside housing funds anticipated from activities within the redevelopment area. The following resources are the current fund balances as of June 30, 2008.

Resources	
Housing Mitigation Fund	$14,925,182
BMR In-lieu Fund	$ 2,218,749
Community Development Block Grant	$ 150,000
CDBG revolving loan fund	$ 1,135,406
HOME Grant	$ 2,258,144
Redevelopment 20% Set Aside Funds	Deferred
TOTAL	$20,687,481

Typically in California, 20% of a jurisdiction's tax increment in a Redevelopment Project Area must be set aside for the creation or preservation of affordable housing. The City of Sunnyvale has dispensation to repay debt incurred pre-1986 prior to setting aside affordable housing funds from the property tax increment. It is anticipated that pre-1986 debt of the city will be fully repaid by 2013. At that time, Redevelopment Set-Aside funds will start to flow into Housing program funds and are projected at approximately $3 million per year until the Housing set-aside is fully paid out at the end of the Redevelopment term in 2028.

The Santa Clara County Housing Trust Fund is another resource for affordable housing funds. The City of Sunnyvale has contributed $1.6 million toward this fund over the past 7 years, and these funds have been re-lent to Sunnyvale residents for first-time homebuyer loans. Substantial additional loan funds have been leveraged through the Trust Fund for residents, beyond the City's contribution.

Housing Policy

Sunnyvale prepares a variety of housing plans to meet State and Federal requirements, such as, the Consolidated Plan and the Annual Action Plan, that outline needs and address how resources will be spent in order to receive federal funding. Sunnyvale is also required by the State of California to complete an updated Housing Element as part of its general plan. Additionally, as revenues are generated, the city's Redevelopment Agency must prepare a housing implementation plan.

Each of these plans serves a particular purpose. However, because they must report specific information in particular formats, they often do not result in a clear and measurable strategy for Sunnyvale, by identifying all projected revenue sources and the full range of housing needs. Although these plans each contain good information about most housing needs and the market, they do not focus on the housing needs of all households, and especially those with incomes above 80% of area median income. Additionally, these plans do not include projected revenues from the various city resources available to support affordable housing. The goal of this strategy is analyze all projected revenues available over the next twenty years, comparable to the city's long range financial plan, and propose the types of programs and number of units that may be developed utilizing the projection.

Sunnyvale's policies and actions have been directed towards providing a broad range and choice of housing for the community. The Housing and Community Revitalization Sub-Element emphasizes the need for both rental and owner-occupied affordable housing in the City. The Consolidated Plan describes the City's intent to concentrate its efforts on increasing and maintaining the affordable housing stock. A five year Community Development Strategy confirmed by City Council in 2003 included the primary housing goal was "Homeownership: to encourage households to invest in the city and its neighborhoods through homeownership."

During the past 30 years the policies and programs, with limited funding available for housing development, have produced 1,534 (subsidized) affordable rental units, 424 BMR rental units, and 322 BMR homeownership units for a total of 2,280 units in Sunnyvale. The City has also funded projects in adjacent communities that resulted in the development of 275 rental units and shelter beds.

Assessment of the Affordable Housing Needs

The U.S. Department of Housing and Urban Development (HUD) established the 2007 Area Median Income (AMI) for Santa Clara County, including Sunnyvale, at $73,900 for a household of one and $105,500 for a household of four.

Income Profile for Sunnyvale's Households

Income	All Households
Total	52,798
Less than $10,000	4.3%
$10,000 to $14,999	3.5%
$15,000 to $24,999	5.2%
$25,000 to $34,999	6.8%
$35,000 to $49,999	11.1%
$50,000 to $74,999	15.7%
$75,000 to $99,999	13.0%
$100,000 to $149,999	20.8%
$150,000 to $199,999	11.0%
$200,000 or more	8.5%
Median Income	$79,926

Source: U.S. Census Bureau, 2006 American Community Survey

2008 Income Levels for Santa Clara County

Income Group and % of AMI	Four Person Household
Extremely Low 0-30%	$31,850
Very Low >30-50%	$53,050
Low >50-80%	$84,900
Moderate/Median >80-100%	$105,500
Moderate* >100-120%	$126,600
Upper Moderate >120-150%	$158,250

Sources: U.S. Department of Housing and Urban Development, 2008 Income Limits; California Department of Housing and Community Development, 2007 Income Limits
*Note: Federal programs generally characterize 81-120% of AMI as moderate-income households.

By comparing the incomes of Sunnyvale households to HUD's area median incomes, it shows that approximately 25% of all Sunnyvale households fall within the extremely low to very low-income groups; and about 16% of all households are low-income in Sunnyvale. An estimated 10.5% of all households are within the moderate/median income group. Therefore, about 41.5% of all households in Sunnyvale are lower-income households that earn less than 80% of AMI. Approximately 52% of all Sunnyvale households earn less than 100% of AMI.

Housing Costs and Affordability

Housing costs are directly related to the quality of life in a given community. If housing costs are relatively high in comparison to the average resident's income, a community will experience higher levels of overcrowding, overpayment, displacement and economic impacts as a result of the lack of affordability of housing.

Rental Rates in Sunnyvale

Since the 2000 Census, when median rents in Sunnyvale were $1,270, median rents in Sunnyvale have increased. The results of Sunnyvale's citywide rent survey for December 2007 show that the median monthly rent for a one-bedroom apartment is $1,660; and the median rent for a two-bedroom apartment is $2,043 per month.[1] About one-in-five households in Sunnyvale can afford to rent the median priced rental unit.

From January 2003 to July 2005, median rents for studio; one-bedroom, two-bedroom and three-bedroom apartments in Sunnyvale decreased or remained steady. However, since July

[1] Source: City of Sunnyvale RTC 08-016 - January 29, 2008, Results of City-wide Rental Survey in December 2007.

2005, median monthly rents have consistently increased for all sizes of rental units. In fact, for one, two and three-bedroom apartments, median rents have dramatically increased by more than 25% from January 2007 to January 2008.

According to the Census, approximately 36% of Sunnyvale renters in 2006 paid more than 30% of their income for rent, which is the HUD standard for determining if a household is overpaying for housing. Table 5, below, shows the results of Sunnyvale's citywide rent survey for December 2007; and Table 6 illustrates affordable rental housing costs for one and four person households, at different income levels. The median rent for a one, two or three bedroom apartment is well beyond the affordability levels of extremely low and very low-income households.

Rental Costs in Sunnyvale

	Low	**High**	**Average Rent**	**Median Rent**
Studio	$625	$1,368	$1,043	$997
1 Bdrm	$825	$2,495	$1,357	$1,660
2 Bdrm	$1,095	$2,990	$1,675	$2,043
3 Bdrm	$1,300	$3,480	$2.138	$2,390

Source: City of Sunnyvale RTC 08-016 - January 29, 2008, Results of City-wide Rental Survey in December 2007

As Table 6 shows, one-person households earning up to 50% of AMI cannot afford the median rents in Sunnyvale; and one-person households earning 70% to 80% of AMI can only afford studio apartments. Four person households earning 50% of AMI and 70% of AMI can afford a studio and one bedroom apartment, respectively – which results in overcrowding for those households. One person and four person households earning 80% of AMI or more can afford the median rents in Sunnyvale – without resorting to overcrowding. Therefore, because households earning 80% of AMI or more can afford median rents in Sunnyvale, the City's programs support renter-households that earn up to 70% of AMI through its: BMR rental assistance program; efforts to provide funding or other assistance to organizations that will build or preserve low-income rental units in Sunnyvale; and encouragement of the Santa Clara County Housing Authority to provide Section 8-rental housing vouchers and Section 8-project based housing vouchers to housing developments.

Affordable Housing Costs for Rental Units in Sunnyvale, by Income

	One-Person Household				Four-Person Household		
Income Group & Percent of AMI	**Median Income**	**Maximum Monthly Affordable Rent**	**Affordability Compared to Median Rent**		**Median Income**	**Maximum Monthly Affordable Rent**	**Affordability Compared to Median Rents**
Extremely Low (30%)	$22,300	$558	None		$31,850	$796	None
Very Low (50%)	$37,150	$929	None		$53,050	$1,326	Studio*
Very Low (70%)	$52,695	$1,317	Studio		$73,850	$1,846	1 Bdrm*
Low (80%)	$59,400	$1,485	Studio		$84,900	$2,123	2 Bdrm*
Moderate (120%)	$88,620	$2,215	2 Bdrm		$126,600	$3,165	3 Bdrm or larger
Upper Moderate (150%)	$110,775	$2,769	3 Bdrm or larger		$158,250	$3,956	3 Bdrm or larger

Note: *Results in overcrowding.

Housing Costs for Ownership Units in Sunnyvale

In 2006, the Census estimated that the median value of an owner-occupied home in Sunnyvale was approximately $708,700. Median sale prices for market-rate homes are even higher than the median values of owner-occupied homes. Recent median single-family home prices in Sunnyvale have been estimated to be between $830,000 and $860,000[2]; and condominium median prices have been estimated at $605,000[3]. According to the annual survey of affordability by the National Association of Home Builders (NAHB) determining households able to afford a home in almost 2000 metropolitan areas across the country, the San Jose metropolitan area, which Sunnyvale is a part of, was among the least affordable areas in the nation. In 2007, only 14.1% of the homes sold in the San Jose metropolitan area were affordable to families with the median income.

HUD income guidelines for 2007 identify Area Median Income (AMI) in the San Jose metropolitan area (which includes Sunnyvale), for a family of four persons, as $105,500. Based upon this AMI, the maximum income level for a family of four at the extremely low-income level (at 0-30% AMI) is $31,850. For a four person very low-income household (at 31-50% AMI), the maximum level is $53,050; while for a four person low-income household (at 51-80% AMI) it is $84,900. Assuming that the potential homebuyer within each income group has sufficient credit, sufficient down payment (10%), and maintains affordable housing expenses (i.e. spends no greater than 30% of their income on the mortgage, taxes and insurance), the

[2] See National Association of Realtors Metropolitan Area Prices, Single-Family 4th Quarter 2007; www.zillow.com; www.movoto.com

[3] See www.zillow.com

maximum affordable prices for homes within the City are presented in the table below. Maximum affordable home prices can be determined for a household at the top of that income category with a household size of four.

Given Sunnyvale's median home prices, homeownership is beyond the reach of most, if not all, lower-income households – even after considering the current downturn in the Santa Clara County housing market.

Affordable Housing Costs for Ownership Units in Sunnyvale, by Income

Income Group and Percent of AMI	Median Income for Four	Monthly Affordable Payment for Four	Property Taxes, Insurance	Maximum Affordable Home Price
Extremely Low (30%)	$31,850	$650	$146	$108,500
Very Low (50%)	$53,050	$1,082	$244	$180,500
Very Low (70%)	$73,850	$1,507	$339	$251,500
Low (80%)	$84,900	$1,732	$391	$289,000
Moderate (120%)	$126,600	$2,584	$581	$430,000
Upper Moderate (150%)	$158,250	$3,230	$726	$540,000

Note: Calculation of affordable mortgage and home price based on a 7% interest rate, 10% down payment, AMI for a family of four, and does not include Principal Mortgage Insurance (PMI) and Homeowner's Association (HOA) dues.

Local Sources of Funding for Affordable Housing Programs

Sunnyvale annually receives federal grant funds, and the annual allocation is now at approximately $1.8 million. These grants include Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME). A loan portfolio currently provides about $200,000 annually in repayment revenues. The use of these funds is restricted by federal regulations and by the City's Consolidated Plan. As federal budget priorities change, the grant funds the City receives may continue to decline or end. The 5-year Consolidated Plan, among other things, assesses and prioritizes housing needs for the City and requests funding for certain citywide housing programs. Sunnyvale's Consolidated Plan for 2005-2010 identifies the City's short-term priorities in affordable housing and documents the City's housing program accomplishments

In addition to federal funding, the City's Housing Mitigation Fund and Inclusionary Housing Ordinance play significant roles in promoting the development and retention of affordable housing in Sunnyvale. Also, as Redevelopment Agency Housing Funds become available, those funds will also play a major role in promoting the development of affordable housing in the City.

Housing Mitigation Fund

Housing Mitigation funds are collected from industrial developments that exceed established floor area ratios (FAR) of 35%. It was established to mitigate the impact of commercial and industrial developments in Sunnyvale on the demand for affordable housing. The housing mitigation fee is imposed only on intense job-producing development because such intensive job creation also tends to increase the cost of existing housing through increased demand. Funds are available for acquisition, rehabilitation, new construction, preservation of at-risk-housing and predevelopment costs for affordable housing for households with incomes up to 120% AMI. Since these funds provide greater flexibility as a funding source, it is recommended for programs that are not eligible for federal funds, or as a supplement to other resources.

The fund has been used to preserve 322 low-income housing units, acquire a 24-unit and 20-unit rental complex, assist in development of a 30-unit family building, and construct 23 units for developmentally disabled individuals and their families. The estimated balance in the fund, beginning July 2008, is approximately $10.2 million dollars. An additional $20 million in revenue is projected throughout the next twenty years.

Redevelopment Agency-Housing Set-aside Funds

Sunnyvale's Redevelopment Agency (RDA) was created in 1975 to stimulate redevelopment in the downtown area. Redevelopment agencies derive their income from the property tax collected on the increased value of property in the redevelopment area (tax increment), and redevelopment law requires agencies to set aside 20 percent of the tax increment collected by the agency to increase and improve housing for low and moderate-income households earning up to 120% of AMI. Since Sunnyvale's redevelopment agency was created prior to 1976, the RDA is permitted to defer payments into this fund as long as the agency's pre-1986 debt service payments exceed the tax increment collected by the agency. The RDA tracks the amounts that should have been paid into the fund each year and must repay the deficit in the fund when money becomes available.

It is estimated that the RDA Housing Set-aside Fund, for the development of low and moderate income housing, will begin to receive funds in FY 2012/13, with an anticipated growth of 2% per year, thereafter, up through FY 2027/28 – when the RDA terminates. In the final fiscal years, 2028/29 and 2029/30, the payment into the RDA Housing Fund will reflect the balance due of $19,836,437. The total projected funding for housing, $64,797,728 includes projected assessed value growth resulting from the sale of the Mozart office buildings and assumes 100% build out of the Town Center and Town & Country properties.

Addressing the identified affordable housing needs

Primarily, Sunnyvale's housing programs and funding has targeted the housing needs of extremely low-income to low-income households – families with incomes ranging from 30% of AMI to 80% of AMI. The BMR Ownership opportunities and HPCC loan programs provide assistance and benefits up to moderate income (120% of AMI) households. The table below illustrates the full spectrum of assistance provided by the City's current housing programs; and although no one program can be a complete solution for today's housing issues, each program represents a part of the city's best efforts to address the needs of the community.

	0% AMI	10% AMI	20% AMI	30% AMI	40% AMI	50% AMI	60% AMI	70% AMI	80%AMI	90%AMI	100%AMI	110%AMI	120%AMI	130%AMI	140%AMI	150%AMI
Affordable Rental Housing																
Acquisition, Construction & Preservation					(0-40% AMI)											
Below Market Rate Rental Housing								(0-70% AMI)								
HPCC Security Deposit Loans														(50-120% AMI)		
Housing Improvement Programs																
Single & Multi-Family Rehabilitation Loans									(0-80% AMI)							
Mobile Home Rehabilitation Loans																
Paint Loans and Grants																
Home Access Grants																
Emergency and Weatherization Loans																
Energy Efficiency Loans																
Homeownership Programs																
BMR Homeownership Housing														(70-120% AMI)		
First-Time Homebuyer (FTHB) Down Payment Loans									(60-80% AMI)							
FTHB Education																
Individual Development Accounts (IDA's)																
Housing for Public School, City and Child Care																
Employees (HPCC) Down Payment Loan														(80-120%)		
HPCC Homebuyer Education																
Proposed Programs																
Creation of Wealth Down Payment Loan																(100-150% AMI)
Community Land Trust																
Single Family Rehabilitation Loans For Moderate Income Households																(80-120% AMI)

Very low and extremely low-income families are best served with affordable rental opportunities. The household income and rental cost data clearly indicate an ongoing need to support the creation of new affordable rental housing, and to rehabilitate rental housing to provide affordable rental units locally. The analysis of household income data compared to current rents indicate an ongoing need for the city to assist in the development of affordable rental housing for low-income one-person households and very low-income family households (four or more persons). These are the two household types based on an assessment of the data that are the most impacted by high rental housing costs.

As shown in the table, some of the City's housing programs directly assist homebuyers and renters to obtain housing: the First Time Homebuyer (FTHB) and Housing Assistance for Public School District, City and Child Care Employees (HPCC) Down Payment Assistance programs help low to moderate-income households achieve affordable homeownership; and the BMR Rental and the HPCC Security Deposit programs assist very low to moderate-income households obtain affordable rental property.

The City's home improvement programs, funded with restricted federal funds, help low-income households or tenants (at 80% of AMI or below) to maintain and enhance the livability of their homes or rental property: single and multi- family rehabilitation loans, and mobile home loans assist low-income homeowners and property owners with necessary repairs such as electrical, roofing, plumbing or heating repairs; the paint grant and loan program provides low-income homeowners with funds to paint the exterior of their homes; and home access grants provide funds to low-income, disabled homeowners to retrofit their homes for handicapped accessibility.

As the table illustrates, despite the City's many affordable housing programs, existing programs do not address the housing needs of household's earning between 120% and 150% of AMI to achieve homeownership and long term family financial security through the creation of real estate equity.

Most ownership housing programs can be divided into two major approaches of housing assistance, long-term affordability of housing and creation of wealth, or equity building through homeownership programs. Sunnyvale has implemented a variety of affordable housing programs. Affordable housing programs typically set out to provide housing to extremely low, very-low, low and moderate-income households by subsidizing rental or ownership housing units that have rental or housing costs set at below market rates, and/or by providing grant or loan assistance in order to make housing costs more affordable. Preserving the long-term affordability of the housing units is the major criterion of affordable housing programs.

Equity building homeownership programs typically utilize homeownership as the primary mechanism for accumulating financial security for low to moderate-income households. Many creation of wealth programs place fewer or no resale restrictions against the property, in exchange for the repayment of a city loan and a percentage of the home's appreciated value upon market-rate resale. Such programs, therefore, may help low to moderate-income households purchase homes that would be unaffordable without housing assistance, while also allowing them to build wealth through the ownership and market-rate resale of their home. Consequently, these programs can be an opportunity to step up to purchasing market-rate housing through the sale of a subsidized unit. However, upon sale, the unit may no longer be affordable to a low-income or moderate-income household.

In the current housing market, households earning up to 150% of AMI have great difficulty in purchasing homes and keeping monthly market-rate housing costs within affordable thresholds. The City's housing programs currently do not address the needs of households that earn in excess of 120% of AMI, and provide limited equity building opportunity. Recent median single-family home prices in Sunnyvale have been estimated to be between $830,000 and $860,000; and condominiums median prices have been estimated at $605,000. Under conventional rules of home lending and affordability, it would require an annual income of approximately $155,000 to purchase a condominium and more than $211,000 annual income to afford a single-family home (147% of AMI and 200% of AMI, respectively, for a family of four) without a down payment significantly greater than 20%.

Key Short Term and Long Term Objectives

To address some of the barriers and affordability issues in the city, this strategy proposes a series of program revisions or new programs to meet short term Objectives. It also proposes new programs and policies to be implemented for the longer term Objectives of increasing overall resources for affordable housing, increasing affordable housing production, and allowing the City to better meet its State mandated Fair Share Housing Goals in the future. Below is a list of measures that are proposed within this strategy to be researched and implemented by staff after the adoption of the Housing Strategy.

Short-Term Objectives:

1. Issue: To increase program utilization and revitalize housing stock
    a. Standardize interest rates at below market, favorable rates for borrowers
    b. Allow combination of different types of rehab loans
    c. Eliminate age restrictions in the paint program
    d. Develop a pilot program to target rental and ownership rehab and greater incentives to specific areas

Target: Low and Very Low income

2. Issue: To assist more first-time homebuyers who are in need of down payment assistance
    a. Increase First-Time Buyer Down Payment Assistance Loan to $75K and serve incomes up to 120% AMI, and applicable to mobile homes as well
    b. Increase Housing Trust Fund commitment
    c. Revise HPCC (Housing for Public School, City, and Childcare Employees) to serve up to 120%AM, Change equity share agreement, and allow up to 3 years to repay City's loan
    d. Create Equity sharing Downpayment Assistance – allowing downpayment assistance for any Moderate Income household to purchase a market-rate home, with share of equity due back to the City at resale

Target: Moderate income

3. Issue: To increase affordable production overall
    a. revise BMR Ordinance to:
        - Allow the City to consider the option of acquisition/rehabilitation of off-site housing to create affordable units only if a great number of units can be produced

- Allow flexibility in transferring of BMR requirements within project area, only if a greater number of units can be produced
- Increase BMR ownership from 12.5% to 15%
- Lower the threshold requirement to projects of 5 or more units
- Amend terms to 45 years for MBR ownership – consistent with State Redevelopment law to ensure RDA funded units are counted.
- Allow 100% of CPI increase as seller equity
- Incorporate density bonus law into BMR ordinance
- Revise Resale of Affordable Housing Units

Target: Very Low, Low and Moderate

4. Issue: To increase resources to provide the subsidy needed to create affordable units
   a. Review the Housing Mitigation Fee ordinance to consider including other industrial and commercial developments to increase housing resources for all loan and development programs. (Study issue already proposed on this item.)

   Target: Very Low, Low and Moderate

5. Issue: To preserve affordability
   a. Strengthen the mobile home and condominium conversion ordinances to ensure sufficient relocation benefits, minimize displacement
   b. Work with nonprofits to acquire and rehabilitate rental units to create and preserve affordable rents

   Target: Very Low, Low and Moderate

Long-Term Objectives:

6. Issue: To better meet ABAG goals by increasing affordable housing production
   a. Explore creation of community land trust (CLT) and seek a possible project sponsor
      - CLT sells homes to buyers, while retaining ownership to the land with the potential to serve up to 150%AMI
   b. Land Banking
      - Purchase Land with RDA Housing funds or Housing Mitigation funds when available for development of new rental or ownership housing
   c. Bond Financing
      - Explore the feasibility of issuing tax exempt and taxable mortgage revenue bonds to fund permanent mortgages for affordable housing projects
   d. Raise BMR percentage requirements to more aggressive levels, e.g. 20% or more
   e. Increase Funding Allocation to Rental Housing

   Target: Very Low, Low and Moderate income

Summary of Affordable Housing Programs –as Proposed to Address the City's Needs in the Short and Long-term

Housing Program	Program Description	Resources	Purpose of Program	Income limits
Existing Programs				
Single Family Rehabilitation Loan Program	Low interest loans (up to $60,000) that fund repairs for code violations, deferred maintenance and general improvements in low-income homes	CDBG Revolving Loan Fund	Home Improvement	Up to 80% AMI
Energy Efficiency Loan Program	Low interest loans (up to $25,000) to increase energy efficiency of low-income residences, including the repair or replacement of inefficient and aging appliances, heating systems, windows, and other types of weatherization improvements	CDBG Revolving Loan Fund	Home Improvement	Up to 80% AMI
Mobile Home Rehabilitation Loan Program	Low interest loans (up to $15,000) that fund repairs that address health and safety issues, deferred maintenance, and updates to mobile homes	CDBG Revolving Loan Fund	Home Improvement	Up to 80% AMI
Paint Loan and Grant Program	Grants (up to $1,000) and low interest loans (up to $4,000) to low-income, single-family homeowners, to paint the exterior of their homes	CDBG Program Fund	Home Improvement	Up to 80% AMI
Home Access Grant	Grants (up to $6,500) to retrofit homes by eliminating barriers that inhibit the use of dwellings occupied by low-income disabled persons, such as installation of hydraulic lifts to allow for wheelchair accessibility in mobile homes	CDBG Program Fund	Home Improvement	Up to 80% AMI
Emergency Loan Program	Emergency grants (up $5,000) to fund critical health and safety repairs for low-income home owners, such as: burst pipes, water heater repairs; heating repairs and sewer line repairs	CDBG Program Fund	Emergency Home Improvement	Up to 80% AMI
Multifamily Rental Property Rehabilitation Loan Program	Low interest loans to address code violations and general improvements and updates to multifamily rental housing structures; qualifying properties must verify that at least 51% of occupants earn no more than 80% of AMI and must agree to maintain affordable rents following the rehabilitation of the property	CDBG Program Fund	Home Improvement	Up to 80% AMI

First Time Homebuyer (FTHB) – Down Payment Assistance (DPA)	Down payment assistance in the form of low interest loans (up to $75,000) to first time homebuyers to purchase BMR ownership units	Housing Mitigation Fund	Home Ownership	60% to 80% AMI
FTHB Education	Homebuyer educational programs to assist qualified renters; topics covered include: restrictions on the FTHB DPA Program, individual credit counseling, and assistance with the program's application process.	BMR-in-Lieu Reserve Fund	Home Buyer Education/ Home Ownership	60% to 80% AMI
Individual Development Accounts (IDAs)	Program assists low-income residents to save funds toward the purchase of a home in Sunnyvale; the City matches the participant's deposits on a 2:1 ratio up to a maximum match of City funds of $10,000 to the participant's funds of $5,000; participants attend financial education programs	BMR-in-Lieu Sub Fund	Home Ownership	60% to 80% AMI
Housing for Public School Employees, City Employees and Child Care Teachers Program (HPCC)	Program provides: down payment assistance in the form of low interest loans (up to $50,000); homebuyer education; and security deposit loans (up to $5,000) to employees of the four school districts that serve Sunnyvale residents, City of Sunnyvale employees and licensed child care teachers in Sunnyvale; assists low to moderate-income qualified employees to live closer to their employment	Housing Mitigation Fund	Home Buyer Education/ Home Ownership	80% to 150% AMI for DPA loans; 50% to 120% AMI for security deposit loans
BMR Homeownership Units	Provides homeownership opportunities to low and moderate-income households; the BMR program requires 12.5% of new, market rate residential ownership construction be designated as affordable housing for low and/or moderate-income households	BMR Ordinance (Municipal Code, Chapter 19.66)	Home Ownership	70% to 120% of AMI
BMR Rental Units	Provides rental opportunities to low-income households; the BMR program requires 15% of new, market rate residential rental construction be designated as affordable housing for low-income households	BMR Ordinance (Municipal Code, Chapter 19.66)	Affordable Rental Housing	Up to 70% AMI
Acquisition, Construction and Preservation of Affordable Housing	Sunnyvale provides funding to non-profit agencies to acquire land for new construction of affordable housing, for the acquisition of existing rental properties in order to preserve affordability, and for the construction of new affordable rental housing	CDBG, HOME and Housing Mitigation Funds	Affordable Rental Housing	Up to 40% AMI (rents are set at 30% of gross income for households earning up to 40% of AMI)
<u>Proposed Programs</u>				
Creation of Wealth DPA	Program expands the spectrum of housing assistance Sunnyvale provides	Housing Mitigation	Home Ownership	100% to 150% AMI

	by offering low interest loans (up to $100,000) to moderate and above-moderate-income first-time homebuyers to purchase market rate homes	Fund		
Community Land Trust (CLT)	A CLT is a type of shared equity home ownership, where an independent non-profit corporation is formed and the CLT sells homes to buyers, while retaining ownership to the land; by removing the cost of land from the purchase price, the home is made much more affordable; homeowners have a long-term ground lease for exclusive use of the land	Housing Mitigation Fund	Home Ownership	100% to 150% AMI
Landlord/ Property Manager Educational Program	Program provides landlords and property managers, in targeted neighborhoods, with information on how to maintain rental units that are in compliance with the City's health and safety codes; it works in tandem with the Multifamily Rental Property Rehabilitation Loan Program in order to encourage owners of targeted multifamily properties to apply for rehabilitation loans to make necessary repairs and improvements to their rental units – in exchange for the required affordable rental units	Housing Mitigation Fund and/or CDBG Program Fund	Affordable Rental Housing	N/A
Moderate Income Single Family Rehabilitation Loans	Low interest loans that fund repairs for code violations, deferred maintenance and general improvements in moderate-income homes	RDA Housing Set-Aside funds	Home Improvement	80% to 120% AMI
Land Banking	Land Banking is the acquisition of land in advance of imminent need and holding it for future use. Primarily vacant, abandoned, or dilapidated parcels are acquired and then either held and subsequently improved by the City or sold or leased to an outside entity. In the long-term, land banking could make an important contribution for expanded production of affordable housing in Sunnyvale	Redevelopment Agency Affordable Housing Set-Aside Fund; Housing Mitigation Fund	Affordable Rental and Ownership Housing	Up to 40% AMI (rents are set at 30% of gross income for households earning up to 40% of AMI)
Bond Financing	Bond financing of affordable housing projects is another method of financing in which tax exempt and taxable mortgage revenue bonds are utilized to fund permanent mortgages for affordable housing projects; and Sunnyvale may act as the designated issuer of tax exempt housing revenue bonds in order to leverage future revenues and create a large fund to support affordable housing activities	N/A	Affordable Rental and Ownership Housing	Up to 60% AMI (rents are set at 30% of gross income for households earning up to 60% of AMI)

II. INTRODUCTION

This affordable housing strategy is designed as a practical, action-oriented guide based on an examination of internal and external factors to direct programs, goal setting and resource allocation to achieve meaningful results over time. The strategy proposes to provide Sunnyvale with an updated analysis of affordable housing needs that includes current demographic data, household income data, population ages, housing tenure, overcrowding, overpaying, housing conditions and current market rate costs to obtain ownership and rental housing. The strategy provides a projection of available funding resources from 2008 over the next twenty years. It provides recommended modifications to many of the existing affordable programs, recommendations for further review and study of new activities, and proposes future activities that may be considered and studied over time and as revenues are likely to increase.

The City utilizes multiple funds to support housing programs. Federal funds have been used for land acquisition, preservation, construction, predevelopment and rehabilitation. City Housing Mitigation Funds have been used to fund acquisition, preservation, construction and to also support city programs that target assistance to renters and future homebuyers. Below Market Rate In-Lieu fees have been used to fund city programs that target first time homebuyers and provide ongoing educational support. The strategy will identify proposed levels of funding support for existing and new programs. Lastly, this strategy will include an estimate of future tax increment set-aside housing funds anticipated from activities within the redevelopment area.

The recommended modifications to existing programs and proposed future activities have been made in the context of the limited amount of local housing funds projected over time, a consideration of critical affordable housing needs and creation of options that create a balance of housing opportunities through many socio-economic levels of residents.

Sunnyvale, as most California communities, is faced with the challenge of providing sufficient housing opportunities for a growing population. Meeting these housing needs - including the need for various housing types and affordability levels - is increasingly difficult. California has the highest median home price in the nation, about two-and-a-half times the national average; and median home prices in Silicon Valley are higher than California's median home price. Fair market rents require a minimum wage earner to work 126 hours a week. According to The National Low Income Housing Coalition, California is the least affordable state in the country. During the past eighteen months Sunnyvale rents have increased approximately 25%, and now exceed the high-cost rent at the height of the "dot com" boom period; meanwhile, median incomes have remained stagnant. With the higher costs of food, transportation, and medical services, lower income residents' budgets are even more challenged to manage their household costs.

In a 2005 survey of 114 business leaders in Silicon Valley, housing costs were cited by 100% of the respondents as being the top concern. Employers need housing for their workers. Business leaders also cited high housing costs as a major impediment to business expansion in Silicon Valley because it was difficult to attract new employees to the area due to housing costs.

Because affordable work force housing is a critical issue amongst businesses surveyed, this strategy proposes new housing programs to target such issues – the Creation of Wealth Down Payment Assistance Loan and the Community Land Trust.

A recent editorial in the San Jose Mercury News summed up the current condition of the local real estate market:

> The leveling off of the housing market in the Bay Area this spring might seem to herald a new era of more affordable housing in Silicon Valley.
>
> The reality check on that hope was a report earlier this month by Mercury News Real Estate Writer Sue McAllister: Faced with a sluggish market, developers are building fewer homes than expected this year. That's true not just in the high-cost Silicon Valley but across California, including the Central Valley, where there are fewer government restrictions on growth.
>
> And if history repeats, builders won't resume full speed production until demand - which is to say, prices - starts climbing again. So while the economy and the population of Silicon Valley continue to grow, the supply of housing will further shrink in proportion to the need.
>
> The pattern leads to two conclusions:
>
> Production of subsidized housing and other types of government or non-profit housing aid is growing in importance. They are the only reliable ways of increasing the supply of affordable housing and helping first-time buyers get into a home. Businesses and philanthropists need to increase support of groups like the Housing Trust of Santa Clara County and non-profit developers. The state and federal governments need to do more to support housing efforts.
>
> Silicon Valley cities need to lower costs for developers by speeding up permits, making clearer rules and encouraging desirable projects. This may not significantly reduce sales prices, which are determined mainly by what buyers are willing to pay. But it can help increase housing production in good times, a further hedge against the market slumps when building slacks off.
>
> The Bay Area no longer has a franchise on this problem. It's part of a broad-based shift in our national economy, with local wages in many if not most major metropolitan areas failing to keep up with property costs. Sunday newspapers in Dallas this week proclaimed a crisis in the lack of affordable homes: Yes, that's Dallas, Texas, where government doesn't meddle and taxes are low.
>
> To combat the trend, the importance of subsidized housing can't be overstated.
>
> The array of non-profit builders in the valley and funders like San Jose's Housing Department will not slow their work because the market is slumping. During the

recession of the early 1990s, for-profit builders all but shut down production. The lion's share of the building permits issued in San Jose for several years was for non-profit builders.

For non-subsidized homes, the market is the main determinant of prices. If a resale home in Evergreen is going for $900,000, with offers coming in above the asking price, a builder of new homes the same size a half-mile away would be crazy to sell them for significantly less than the going rate. That's simply a fact in a market-based economy.

So this is a call for additional creativity. There is no easy market-based solution to the gap between earning power and real estate prices that is now a national crisis.

Housing Affordability

The U.S. Department of Labor has calculated living expenses for families of different sizes, assuming varying standards of living and income levels. The conclusion of these studies has been that a lower-income household, at about 80% of median income, can afford to spend about 25% of its income on housing. However, as incomes decline below 80% of median income, this affordability percentage declines because food, transportation, medical expenses, and other basic necessities represent a higher proportion of a family's budget. Affordability most severely impacts families struggling to provide safe, healthy homes for their children to grow and learn. This problem disproportionately impacts lower paid workers and industries and occupations crucial to a city's continued economic and social prosperity. The poorest families are often faced with the difficult choices of survival; do they eat, or do they sleep with a roof over their heads? When a household pays more than 50% of its income on housing, it must make impossible choices-whether to eat or pay for health care or move elsewhere to find cheaper housing.

The U.S. Department of Housing and Urban Development (HUD) has established the housing affordability standard at 30% of annual income, adjusted for household size. This affordability standard measurement is used throughout this document to compare current market conditions in Sunnyvale, to the ability of various income groups to obtain and maintain housing costs. Targeting specific programs according to various income levels provides a tool for analyzing each program's ability to be of real benefit to that income group.

Why Build Affordable Housing?

The reasons to build, improve and preserve affordable housing are numerous. Building and preserving affordable housing promotes healthy neighborhoods, reduces overcrowding and supports the city's goals for economic growth. Other benefits include:

- Promoting neighborhood stability by increasing homeownership opportunities;
- Promoting local policies, including the location of housing near jobs and along transportation corridors and neighborhood revitalization;

- Attracting, retaining and expanding businesses by stabilizing housing costs and improving productivity and morale;
- Reducing the housing costs of low and moderate-income households, allowing families more funds for other expenses (e.g.: education, and reducing their need for other government services);
- Creating jobs by providing construction and professional service employment opportunities; and,
- Generating revenues through various taxes and fees

Why Develop A Housing Strategy?

Sometimes, it seems all we do is plan. Sunnyvale has completed a consolidated plan, required by the federal government that outlines needs and addresses how resources will be spent in order to receive federal housing and community development funding. Sunnyvale is also required by the state of California to complete a housing element as part of its general plan. Additionally, as revenues are generated, the city's redevelopment agency must prepare a housing implementation plan.

Each of these plans serves a particular purpose. However, because they must report specific information in particular formats, they often do not result in a clear and measurable strategy that identifies all projected revenue sources and the full range of housing needs. Although the Consolidated Plan contains good information about housing needs and the market, it does not focus on the housing needs of households with incomes above 80% of area median income and does not project revenues from a variety of sources.

Sunnyvale's Housing and Community Revitalization Sub-Element presents policies and programs to address a broad range of housing needs but does not specify a particular strategy to meet affordable housing needs.

A redevelopment agency housing implementation plan addresses the agency's plans for meeting its affordable housing obligations under Community Redevelopment Law. However it may not cover programs other than what is legally mandated or the citywide policies that dictate the use of all available resources.

The goal of this housing strategy is to enable Sunnyvale to most effectively focus its resources to meet the full range of its housing needs and legal obligations. To a great extent, resources dictate which of its needs, and how many of its needs, the City can tackle at any given time. For example, if sufficient funding is not available to subsidize or build new construction of housing or fund activities like land banking for the acquisition of land, it may be that the City may have to focus on attainable activities like homeownership through alternative lending programs. The preparation of this housing strategy provides the opportunity for community residents, the business community, the Planning Commission and the Housing and Human Services Commission and City Council to participate and reach agreement on what needs to be done, given current and the projected future available resources, to address the need for affordable housing.

III. BACKGROUND

The City of Sunnyvale has historically been pro-active on the issues of affordable housing and currently supports affordable housing in a number of ways. Sunnyvale's Twenty-Year Affordable Housing Strategy ("Housing Strategy") is a strategic planning document that identifies and projects Sunnyvale's: affordable housing needs, funding sources, and housing programs to address the City's affordable housing needs over the short-term and the long-term. This Housing Strategy covers the period from July 1, 2008 through June 30, 2028. However, the Housing Strategy should be reviewed every two years to ensure that it continues to address the City's affordable housing needs. The Housing Strategy includes the following components:

- An assessment of the affordable housing needs for the City;
- An explanation of the City's sources of funding for affordable housing programs, and projections for long-term funding sources;
- A strategy that establishes priorities for addressing the identified affordable housing needs; and
- A description of affordable housing programs that address the City's needs in the short and long-term.

The goals of the City's housing programs are: to preserve and improve housing conditions; support the increased development of affordable housing by improving the physical conditions of the City's housing; and increasing the supply of safe, habitable and affordable housing. Homeownership represents an investment in and commitment to a community. The community benefits are greater stability, a higher level of community participation, and often an increased and sustained level of property maintenance. The Housing and Community Revitalization Sub-Element, Goal E, states "Maintain and increase housing units affordable to households of all income levels and ages."

The City has a number of affordable housing programs that provide grants, loans or below market housing to very low, low and moderate-income households (30% of Area Median Income to 120% of Area Median Income (AMI)) for the purpose of renting, purchasing, maintaining, or rehabilitating homes and making homes more accessible. These programs represent the City's long-standing, and current, support of affordable housing and homeownership for households at very low to moderate-income levels.

The City's programs currently include:

- Affordable Rental Housing
  - Acquisition, Construction, and Preservation - targeting benefits to households with incomes from up to 40% of Sunnyvale's area median income.
- Housing Improvement Programs- targeting benefits to households with incomes from up to 80% of Sunnyvale's area median income.
  - Single and Multi-Family Rehabilitation Loans
  - Mobile Home Rehabilitation Loans
  - Paint Loans and Grants

    - Home Access Grants
    - Emergency and Weatherization Loans
- Below Market Rate (BMR) Housing Program
    - New Homeownership Housing – targeting benefits to households with incomes from 70% to 120% of Sunnyvale’s area median income.
    - New Rental Housing - targeting benefits to households with incomes from 0% to 70% of Sunnyvale’s area median income.
- Housing for Public School District, City and Child Care Employees (HPCC)
    - Homebuyer Education - targeting benefits to households with incomes from 80% to 120% of Sunnyvale’s area median income.
    - Security Deposit Loans - targeting benefits to households with incomes from 50% to 120% of Sunnyvale’s area median income.
    - Down Payment Loans - targeting benefits to households with incomes from 80% to 120% of Sunnyvale’s area median income.
- First Time Homebuyer (FTHB) Program - targeting benefits to households with incomes from 60% to 80% of Sunnyvale’s area median income.
    - Homebuyer Education
    - Down Payment Loans
    - Individual Development Accounts (IDA’s)

IV. SUNNYVALE'S HOUSING NEEDS AND FUNDING SOURCE

As part of preparing the Housing Strategy, the City examined the City's Consolidated Plan for 2005-2010 ("Plan"), the 2003 Community Development Strategy, and the City's Housing and Community Revitalization Sub-Element in order to reach a conclusion regarding the City's needs and conditions of affordable housing, given the funding sources available to Sunnyvale. The findings were based upon updated demographic and economic profiles of Sunnyvale's population, housing costs, housing needs and funding sources.

A. Demographic, Economic and Housing Profiles of the City of Sunnyvale

1. Age of Sunnyvale's Population

The City's population in 2001 was 132,711, and is currently at its peak at 135,721. While the age distribution of residents has remained relatively constant, there have been slight shifts in the age structure of the community, as reflected in the City's increased median age from 34.3 in 2000 to 35.2 in 2006. Since 2000, the proportion of school-age children (ages 5 to 17) has increased from 13.4% to 16.6% in 2006, representing an increase of over 5,500 school-age children in Sunnyvale. Sunnyvale's senior population has shown a slight increase in number and proportion. Seniors age 65 and over accounted for 10.3% of the population in 1990. In 2006, this proportion increased to approximately 10.8%.

Table 1 - Age Profile of Sunnyvale's Population

Age Group	Approximate Percentage of Sunnyvale's Population
Under 5 years	9.1%
5 to 9 years	7.8%
10 to 14 years	5.5%
15 to 19 years	4.8%
20 to 24 years	3.7%
25 to 34 years	18.5%
35 to 44 years	16.8%
45 to 54 years	14.6%
55 to 59 years	5.1%
60 to 64 years	3.2%
65 to 74 years	6.0%
75 to 84 years	3.5%
85 years and over	1.3%
Median age (years)	35.2

Source: US Census Bureau, 2006 American Community Survey

2. Economic Profiles of Sunnyvale's Residents

The 2000 Census median household income in Sunnyvale was $74,409, and the median family income was $81,634. According to the Census, the approximate median household income for 2006 was approximately $79,926 (a 7.4% increase) and the median family income was approximately $98,568 (a 20.7% increase). The average household size in Sunnyvale increased from 2.49 in 2000 to 2.62 in 2006 and the average family size increased from 3.06 to 3.30 for the same time periods. The U.S. Department of Housing and Urban Development (HUD) established the 2007 Area Median Income (AMI) for Santa Clara County, including Sunnyvale, at $73,900 for a household of one and $105,500 for a household of four.

Table 2 - Income Profile for Sunnyvale's Households

Income	All Households*		Families *	Nonfamily Households*
Total	52,798		34,677	18,121
Less than $10,000	4.3%		3.3%	7.8%
$10,000 to $14,999	3.5%		2.4%	6.1%
$15,000 to $24,999	5.2%		4.4%	7.9%
$25,000 to $34,999	6.8%		6.3%	10.7%
$35,000 to $49,999	11.1%		8.1%	13.5%
$50,000 to $74,999	15.7%		13.5%	20.0%
$75,000 to $99,999	13.0%		12.5%	12.8%
$100,000 to $149,999	20.8%		23.8%	14.1%
$150,000 to $199,999	11.0%		14.6%	3.3%
$200,000 or more	8.5%		10.9%	3.8%
	99.9%		99.8%	100%
Median Income	$79,926		$98,568	$53,138

Source: U.S. Census Bureau, 2006 American Community Survey
*All numbers are approximate percentages

Table 3 - 2008 Income Levels for Santa Clara County

Income Group and % of AMI	One Person Household	Two Person Household	Three Person Household	Four Person Household
Extremely Low 0-30%	$0-$22,300	$0-$25,450	$0-$28,650	$0- $31,850
Very Low >30-50%	$22,301- 37,150	$25,451-$42,450	$28,651-$47,750	$31,851- $53,050
Low >50-80%	$37,151-$59,400	$43,451-$67,900	$47,751-$76,400	$53,051- $84,900
Moderate/Median >80-100%	$59,401-$73,850	$67,901-$84,400	$76,401-$94,950	$84,901- $105,500
Moderate* >100-120%	$73,851-$88,600	$84,401-$101,300	$94,951-$113,950	$105,501- $126,600
Upper Moderate >120-150%	$88,601-$110,775	$101,301-$126,600	$113,951- $142,425	$126,601-$158,250

Sources: U.S. Department of Housing and Urban Development, 2008 Income Limits; California Department of Housing and Community Development, 2007 Income Limits
*Note: Federal programs generally characterize 81-120% of AMI as moderate-income households.

By comparing the incomes of Sunnyvale households to HUD's area median incomes, it shows that approximately 25% of all Sunnyvale households fall within the extremely low to very low-income groups; and about 16% of all households are low-income in Sunnyvale. An estimated 10.5% of all households are within the moderate/median income group. Therefore, about 41.5% of all households in Sunnyvale are lower-income households that earn less than 80% of AMI. Approximately 52% of all Sunnyvale households earn less than 100% of AMI.

During the 1990's, Sunnyvale enjoyed low unemployment rates. The annual unemployment rate for 2000 was 1.7%. However, 2006 Census estimated the rate had increased to 5.9%. The Association of Bay Area Governments' (ABAG) 2007 projections show that Sunnyvale will see steady growth in all sectors of employment through 2030. The strongest area of growth numerically is expected in the Manufacturing and Wholesale sector, with an additional 2,830 jobs between the years 2005 and 2010 (which was downgraded from a projected increase of 5,670 jobs)[4].

3. Sunnyvale's Families and Households

The number of family households increased from 62.2% in 2000 to 65.7% in 2006. The share of families with minor children rose from 27.5% of all households in 2000 to 33.6% in 2006[5]. There were 14,519 families with children under the age of 18 in Sunnyvale, according to the 2000 Census; and in 2006, there were 17,759 families with minor children. Of these families with children, in 2000, approximately 18.8% were single-parent families; and in 2006, approximately 25% were single-parent families. In 2000, approximately 72.5% of single-parent families had female heads of household; and in 2006, approximately 65% had female heads.

4. Housing Tenure of Sunnyvale's Population

Since 2000, the tenure of housing in Sunnyvale changed slightly, with owner-occupied units increasing from 47.6% to 50.2% in 2006 and renter-occupied units decreasing from 52.4% to 49.8%. The median value of owner-occupied housing dramatically increased from 2000 to 2006. In 2000, the median value of owner-occupied housing units was $495,200; and in 2006 the median value was $708,700 – a 43% increase. For owner-occupied housing units with a mortgage, the median value was even higher at $744,500. Since the 2000 Census, when median rents in Sunnyvale were $1,270, median rents in Sunnyvale have also increased. The results of Sunnyvale's city-wide rent survey for December 2007 show that the median monthly rent for a one-bedroom apartment is $1,660; and the median rent for a two-bedroom apartment is $2,043 per month.[6]

In 2006, approximately 70% of the owner-occupied units had housing debt; and of those units with housing debt, approximately 38% of the households were considered to be overpaying for their housing (when housing costs exceed 30% of the household income). Similarly, approximately 36% of all renters paid rent in amounts that exceeded the affordability threshold.

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[4] See: City of Sunnyvale 2005-2010 Consolidated Plan, Executive Summary ES-4.
[5] U.S. Census Bureau, 2006 American Community Survey
[6] Source: City of Sunnyvale RTC 08-016 - January 29, 2008, Results of City-wide Rental Survey in December 2007.

The number of overcrowded households in Sunnyvale decreased from 2000 to 2006. Approximately 13% of all households in Sunnyvale were overcrowded in 2000 (when a housing unit has more than one person per room); and in 2006, approximately 8.8% of all housing units were overcrowded. The extent of overcrowding varied considerably by tenure. Approximately 13.2% of renter households experienced overcrowding, compared to 4.5% of owner households.

Sunnyvale has large numbers of residents who are characterized as special needs populations, including over 14,000 seniors (nearly 5,000 of whom are frail elderly), nearly 12,000 persons with one or more disabilities (physical, developmental, mental, and/or self-care), over 4,500 large family households, over 4,300 female-headed households with children, and between 300 and 600 persons who experienced homelessness at least one night during the year.

5. Sunnyvale's Housing Stock

In addition to understanding Sunnyvale's demographics, it is also important to understand the condition and type of housing in Sunnyvale. The following sections examine the physical characteristics of Sunnyvale's housing.

a. Description of Housing Stock in Sunnyvale

According to the City's Planning Division, Sunnyvale had a total of 55,141 housing units as of December 2007, approximately 2% more than in 2000. The Sunnyvale housing stock is considerably more balanced between single-family and multifamily units than in most Bay Area communities: 48.8 percent of units are single-family detached or attached, and a nearly equal percentage is multifamily units, 44.1%.[7] The 3,927 mobile homes (7.1% of total units) are an important part of Sunnyvale's affordable housing supply.

A total of 2,533 new housing units were added between 2000 and 2007, but 1,486 multi-family units were lost; therefore, the net gain of housing units was 1,027 between 2000 and 2007.

Table 4 - Housing Units by Type

Type of Unit	2000	2007	% of Total Units in 2007	Change 2000 to 2007
Single-Family	25,846	26,887	48.8%	1,041
Multi-Family	23,572	24,327	44.1%	755
Mobile Homes	4,023	3,927	7.1%	-96
Totals	**53,441**	**55,141**	**100%**	**1,700**

Source: City of Sunnyvale Planning Division, July 2008

[7] Source: City of Sunnyvale Planning Division, July 2008.

b. Age and Condition of Housing in Sunnyvale

Although age of housing is not, by itself, an accurate predictor of present housing condition, it is one factor that can explain current housing problems. One percent of the present housing stock was built before 1940, and 25% of the housing stock was built between 1940 and 1960. These houses were often modest in size and quality of construction; therefore, unless they have benefited from substantial reinvestment, most homes constructed before 1960 are in need substantial repairs or rehabilitation.

A complete windshield survey was undertaken of each property in the City at the end of 2001; and although the information is somewhat dated, it still provides a generally accurate picture of the relative condition of housing throughout Sunnyvale. There were 2,620 single-family homes, or 11% of all single-family homes in the City, which were in need of substantial rehabilitation.[8] Seventeen percent of the multi-family units, or 4,465 units, were in need of substantial rehabilitation. Most of the units in need of substantial rehabilitation were in smaller complexes, housing two to ten units.

B. Housing Costs and Affordability

Housing costs are directly related to the quality of life in a given community. If housing costs are relatively high in comparison to the average resident's income, a community will experience higher levels of overcrowding, overpayment, displacement and economic impacts as a result of the lack of affordability of housing.

1. Rental Rates in Sunnyvale

Since the 2000 Census, when median rents in Sunnyvale were $1,270, median rents in Sunnyvale have increased. The results of Sunnyvale's city-wide rent survey for December 2007 show that the median monthly rent for a one-bedroom apartment is $1,660; and the median rent for a two-bedroom apartment is $2,043 per month.[9] About one-in-five households in Sunnyvale can afford to rent the median priced rental unit.

Graph 1, below, illustrates that from January 2003 to July 2005, median rents for studio, one-bedroom, two-bedroom and three-bedroom apartments in Sunnyvale decreased or remained steady. However, since July 2005, median monthly rents have consistently increased for all sizes of rental units. In fact, for one, two and three-bedroom apartments, median rents have dramatically increased from January 2007 to January 2008.

[8] See City of Sunnyvale Community Development Strategy 2003, pp. 13-14. Homes that were in need of substantial rehabilitation were homes that were built prior to 1960 and benefited from very little reinvestment, other than required maintenance of such things as a leaky roof. These homes often had original plumbing and outdated electrical service.

[9] Source: City of Sunnyvale RTC 08-016 - January 29, 2008, Results of City-wide Rental Survey in December 2007.

Figure 1 - Median Rent Graph 1/03 - 1/08

Source: City of Sunnyvale RTC 08-016 - January 29, 2008, Results of City-wide Rental Survey in December 2007.

According to the Census, approximately 36% of Sunnyvale renters in 2006 paid more than 30% of their income for rent, which is the HUD standard for determining if a household is overpaying for housing. Table 5, below, shows the results of Sunnyvale's city-wide rent survey for December 2007; and Table 6 illustrates affordable rental housing costs for one and four person households, at different income levels. The median rent for a one, two or three bedroom apartment is well beyond the affordability levels of extremely low and very low-income households.

Table 5 - Rental Costs in Sunnyvale

	Low	High	Average Rent	Median Rent
Studio	$625	$1,368	$1,043	$997
1 Bdrm	$825	$2,495	$1,357	$1,660
2 Bdrm	$1,095	$2,990	$1,675	$2,043
3 Bdrm	$1,300	$3,480	$2.138	$2,390

Source: City of Sunnyvale RTC 08-016 - January 29, 2008, Results of City-wide Rental Survey in 12/2007

As Table 6 shows, one person households earning up to 50% of AMI cannot afford the median rents in Sunnyvale; and one person households earning 70% to 80% of AMI can only afford studio apartments. Four person households earning 50% of AMI and 70% of AMI can afford a studio and one bedroom apartment, respectively – which results in overcrowding for those households. One person and four person households earning 80% of AMI or more can afford the median rents in Sunnyvale – without resorting to overcrowding. Therefore, because households earning 80% of AMI or more can afford median rents in Sunnyvale, the City's programs support renter-households that earn up to 70% of AMI through its: BMR rental assistance program; efforts to provide funding or other assistance to organizations that will build or preserve low-income rental units in Sunnyvale; and encouragement of the Santa Clara County Housing Authority to provide Section 8-rental housing vouchers and Section 8-project based housing vouchers to housing developments.

Table 6 - Affordable Housing Costs for Rental Units in Sunnyvale, by Income

	One-Person Household				Four-Person Household		
Income Group & Percent of AMI	**Median Income**	**Maximum Monthly Affordable Rent**	**Affordability Compared to Median Rent**		**Median Income**	**Maximum Monthly Affordable Rent**	**Affordability Compared to Median Rents**
Extremely Low (30%)	$22,300	$558	None		$31,850	$796	None
Very Low (50%)	$37,150	$929	None		$53,050	$1,326	Studio*
Very Low (70%)	$52,695	$1,317	Studio		$73,850	$1,846	1 Bdrm*
Low (80%)	$59,400	$1,485	Studio		$84,900	$2,123	2 Bdrm*
Moderate (120%)	$88,620	$2,215	2 Bdrm		$126,600	$3,165	3 Bdrm or larger
Upper Moderate (150%)	$110,775	$2,769	3 Bdrm or larger		$158,250	$3,956	3 Bdrm or larger

Note: *Results in overcrowding.

Table 7 provides a description of the multi-family rental properties that were contacted in Sunnyvale's city-wide rent survey – which gathered information from 101 apartment complexes, representing a total of 14,871 units. Notably, the rent survey is mostly based upon information received from properties ranging in size between 16 and 760 units; only three of the complexes contacted had fewer than 16 units. The remaining 98 apartment complexes had units ranging in numbers between 20 and 766. Typically, smaller properties have lower rents and, therefore, provide more affordable housing options than the larger apartment complexes. Smaller multi-family units (less than 16 units) typically charge rents that are significantly less than larger properties[10]; however, because it is difficult to obtain contact information for smaller properties (state law only requires on-site property managers for properties with sixteen or more units), it is difficult to gather more precise or reliable rental information regarding smaller properties.

[10] Larger apartment complexes usually offer greater amenities to their tenants than smaller complexes, such as: swimming pools, exercise rooms, and club houses or recreation rooms.

Table 7 – Description of Apartment Complexes Contacted in City-Wide Rent Survey

Complex Size	Number of Complexes
1-15 Units	3
16-50 Units	18
50-100 Units	31
101-200 Units	28
200+ Units	21

2. Housing Costs for Ownership Units in Sunnyvale

In 2006, the Census estimated that the median value of an owner-occupied home in Sunnyvale was approximately $708,700. Median sale prices for market-rate homes are even higher than the median values of owner-occupied homes. Recent median single-family home prices in Sunnyvale have been estimated to be between $830,000 and $860,000[11]; and condominium median prices have been estimated at $605,000[12]. Every year, the National Association of Home Builders (NAHB) tracks the ability of households to afford a home in almost 2000 metropolitan areas across the country. NAHB develops a Housing Opportunity Index (HOI) for a given area that is defined as the share of homes sold in that area that would have been affordable to a family earning the median income. The San Jose metropolitan area, which Sunnyvale is a part of, was among the least affordable areas in the nation. In 2007, only 14.1% of the homes sold in the San Jose metropolitan area were affordable to families with the median income.

In assessing affordability, federal housing programs use a standard affordable housing cost of no more than 30% of the gross household income. For planning and funding purposes, HUD conducts annual housing income surveys for metropolitan areas across the country. These surveys are adjusted for differences in households. HUD uses these income levels to determine the maximum amount that a household could pay for housing and their eligibility for federal housing assistance.

HUD income guidelines for 2007 identify Area Median Income (AMI) in the San Jose metropolitan area (which includes Sunnyvale), for a family of four persons, as $105,500. Based upon this AMI, the maximum income level for a family of four at the extremely low-income level (at 0-30% AMI) is $31,850. For a four person very low-income household (at 31-50% AMI), the maximum level is $53,050; while for a four person low-income household (at 51-80% AMI) it is $84,900. Assuming that the potential homebuyer within each income group has sufficient credit, sufficient down payment (10%), and maintains affordable housing expenses (i.e. spends no greater than 30% of their income on the mortgage, taxes and insurance), the maximum affordable prices for homes within the City are presented in the table below.

[11] See National Association of Realtors Metropolitan Area Prices, Single-Family 4th Quarter 2007; www.zillow.com; www.movoto.com
[12] See www.zillow.com

Maximum affordable home prices can be determined for a household at the top of that income category with a household size of four.

Given Sunnyvale's median home prices, homeownership is beyond the reach of most, if not all, lower-income households – even after considering the current downturn in the Santa Clara County housing market.

Table 8 - Affordable Housing Costs for Ownership Units in Sunnyvale, by Income

Income Group and Percent of AMI	Median Income for Four	Monthly Affordable Payment for Four	Property Taxes, Insurance	Maximum Affordable Home Price
Extremely Low (30%)	$31,850	$650	$146	$108,500
Very Low (50%)	$53,050	$1,082	$244	$180,500
Very Low (70%)	$73,850	$1,507	$339	$251,500
Low (80%)	$84,900	$1,732	$391	$289,000
Moderate (120%)	$126,600	$2,584	$581	$430,000
Upper Moderate (150%)	$158,250	$3,230	$726	$540,000

Note: Calculation of affordable mortgage and home price based on a 7% interest rate, 10% down payment, AMI for a family of four, and does not include Principal Mortgage Insurance (PMI) and Homeowner's Association (HOA) dues.

3. Affordable Housing Units in Sunnyvale

As noted above, housing is generally defined as affordable when it requires less than 30 percent of a household's annual income. Families that must pay more than that threshold may have difficulty affording other necessities such as food, clothing, transportation and medical care. The U.S. Department of Housing and Urban Development estimates that 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing, and a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. The insufficient supply of affordable housing units presents a major hardship for low-income households. It often limits where these households reside or prevents them from meeting their basic needs.

Federal, state and local agencies mandate various programs in order to encourage the development of affordable housing for all income levels. Jurisdictions receiving federal housing funds are required to prepare a "Consolidated Plan" which consolidates the planning and application aspects of multiple federal programs into a single submission. These programs include Community Development Block Grants (CDBG) and HOME Investment Partnership. The Consolidated Plan is a 5-year strategic plan that, among other things, assesses and prioritizes housing needs for the City and requests funding for certain citywide housing programs. Sunnyvale's Consolidated Plan for 2005-2010 identifies the City's short-term priorities in affordable housing and documents the City's housing program accomplishments.

Although there are no public housing units in Sunnyvale, the City contracts with the Housing Authority of the County of Santa Clara (HACSC) to administer its Section 8 Voucher rental assistance program. According to Housing Authority's 2006 statistics, there were 632 Section 8 Certificates being utilized in Sunnyvale; and there were over 2,200 applicants on the Section 8 waiting list. The Housing Authority has estimated that there is a five to seven year wait for rental assistance. Table 9, below, provides a breakdown of Section 8 voucher participants in the City.

Table 9 - Section 8 Participants in Sunnyvale

	By Income Level								
Income Category	**Number of Persons in Family**								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**Total**
Extremely Low	272	128	53	43	13	8	8	3	528
Very Low	13	18	25	11	4	3	1	1	76
Low	1	7	7	5	1	0	0	0	21
Moderate	0	0	0	0	0	0	0	0	0
Total	**286**	**153**	**85**	**59**	**18**	**11**	**9**	**4**	**625**

By Family Type	
Disabled	131
Elderly	145
Disabled and Elderly	82
Non-Disabled/Non-Elderly	274
Total	**632**

Source: City of Sunnyvale, Housing Division – Housing Authority of the County of Santa Clara Section 8 Housing Statistics for Sunnyvale, 2006.

In addition to federal funding, the City's Housing Mitigation Fund and Inclusionary Housing Ordinance play significant roles in promoting the development and retention of affordable housing in Sunnyvale. Also, when Redevelopment Agency Housing Funds become available, those funds will also play a considerable role in promoting the development of affordable housing in the City.

Tables 10 and 11 depict the location and quantity of "assisted rental housing" (housing that is managed privately but receives public funds to maintain its affordability for lower-income households) and BMR rental units that do not receive funding assistance. Assisted housing does not include licensed community care facilities or emergency shelters.

Table 10 - Affordable Housing Projects Subsidized with Federal, State, or City Funds, Bond Financing or Other Funding Sources

Project Name and Location	Targeted Income Group	Targeted Resident Group	Number of Units	
			Total	**Affordable**
Arbor Terrace 753 South Fair Oaks Avenue	Very Low (30-50% AMI)	Families	174	10
Aster Park 1059 Reed Avenue	Very Low & Low (30-80% AMI)	Families	95	95
Borregas Court 101 West Weddell Drive	60% AMI and Below	Singles, Families	193	192
Carroll Inn 174 Carroll Street	40% AMI and Below	Singles (single parents with one child also accepted)	120	119
Crescent Terrace 130 Crescent Avenue	Very Low (30-50% AMI)	Seniors	48	48 (48 BMR)
Eight Trees 183 Acalanes Drive	Extremely Low (0-30% AMI)	Families	24	24
Fairways 1269 Poplar Avenue	Very Low (30-50% AMI)	Families	40	15
Grove Garden Apartments 243 Buena Vista Avenue	50-80% AMI	Families	220	44
Homestead Park 1601 Tenaka Way	30-60% AMI	Families	211	211
Klee Court	Very Low (30-50%)	Seniors	2	2
Life's Garden 450 Old San Francisco Road	Very Low & Low (30-80% AMI)	Seniors	208	150
Morse Court 825 Morse Avenue	Below 80% AMI (but most are 30% AMI)	Families	35	35
Moulton Plaza 1601 Tenaka Way	60% AMI	Families	66	66
Orchard Gardens 245-251 Weddell Drive	Very Low & Low (30-80% AMI)	Families	62	62
Pacific Plaza 785 Reseda Drive	Low (50-80% AMI)	Families	38	38
Plaza De Las Flores 233 Carroll Street	25-60% AMI	Seniors, Disabled	101	100
Stoney Pines 267 West California Ave.	30-60% AMI	Disabled	23	22
Total Units			**1,660**	**1,233**

Source: City of Sunnyvale, Housing Division, 2006

Table 11 - BMR Rental Units without Funding Assistance

Project Name and Location	Number of BMR Units
Alexan Villa del Sol 355 East Evelyn Avenue	11
Avalon at Parkside 355 North Wolfe Road	19
Bristol Commons 732 East Evelyn Avenue	17
Cherry Orchard Apartments 250 West El Camino Real	30
Copley Square 979 Pinto Palm Terrace	5
The Encinal Place 604 South Fair Oaks Avenue	2
Kensington Place Apartments 1220 North Fair Oaks Avenue	16
Magnolia Lane 117 South Mary Avenue	3
Mission Pointe 1063 Morse Avenue	54
Poplar Terrace 973 & 987 Wisteria Terrace	2
Renaissance Apartments 718 Old San Francisco Road	24
Tamarind Square 1160 Morse Avenue	12
Trellis Square 963 East El Camino Real	19
Windsor Ridge 825 East Evelyn Avenue	21
Total Units	**235**

Source: City of Sunnyvale, Housing Division July 2008
Note: BMR rental units are set at rates affordable to households earning approximately 65% to 70% of AMI; and households with incomes at or below 70% of AMI are eligible to apply for BMR rental units.

In Sunnyvale, there are currently 294 affordable housing units in the form of BMR ownership units – which provide homeownership opportunities to households earning between 70% and 120% of AMI. Therefore, in total, approximately 4% of the City's housing stock (or 2,169 units) are currently considered affordable, with rent or sale prices controlled by the government to remain below market rate. Figure 2 (map to be completed by planning) is a map depicting the location of all current affordable housing in Sunnyvale. Additionally, it is estimated that approximately 161 new BMR ownership units and 137 rental units will be built between FYs 2008/2009 and 2010/2011; and approximately 146 rental units are set to convert to market-rate housing within the next five years, when price controls expire – for a net increase of 152 affordable units over the next five years.

The conversion of rental housing to condominiums is also an issue of ongoing concern in Sunnyvale. Although converting apartments to condominiums provides additional opportunities for low-cost home ownership, it does not increase the overall supply of housing. Reducing the supply of rental housing limits opportunities for lower-income households who cannot afford the costs of home ownership. Therefore, to meet these concerns, Sunnyvale adopted the Condominium Conversion Ordinance (Zoning Code Chapter 19.70), which prohibits conversion unless the vacancy rate for rental housing exceeds 3 percent for one year. Additional provisions protect the elderly and require that a percentage of the units be set aside for low and moderate-income households. Since passage of the Ordinance, there have been no condominium conversions in the City.[13]

Similarly, because mobile homes are an important part of the affordable housing stock, the City has enacted a Mobile Home Park Conversion Ordinance (Zoning Code Chapter 19.72). While this ordinance neither encourages nor discourages conversions, it does provide mitigation measures to protect residents from the impacts of conversion – such as relocation assistance and short-term housing allowances for qualifying residents.

4. Preservation of At-Risk Affordable Housing Units

The high cost of housing is the most daunting housing problem in Sunnyvale, reflecting a region-wide problem in the Bay Area. In order to help provide affordable housing, a number of federal, State, and local government programs provided subsidies to housing developers in exchange for guarantees that some of the units in the project would be affordable to low- and moderate-income households. These projects included both rental and owner-occupied units.

These units in Sunnyvale were originally subsidized by the Federal government or produced under the City's inclusionary zoning (below market rate program). The government entity providing the subsidy negotiated with the developer to maintain the affordability of the units for a fixed period of time. For projects funded with tax-exempt Mortgage Revenue Bonds, the term was generally for half the life of the bonds. Since the bonds typically had a 40-year maturity, the affordability provisions were generally to remain in effect for 20 years. Units developed under the City's inclusionary zoning ordinance originally required that ownership and rental units remain affordable for 20 years; however, the City's ordinance was amended 2003 and now requires that ownership units under the BMR program remain affordable for 30 years and rental units must remain affordable for 55 years.

Because of the limited term of the affordability provisions, many of the existing subsidized units may be converted to market rate in the near future. The loss of these affordable units will have a severe impact on low and moderate-income households; and therefore, State Housing and Community Development law, and HUD Consolidated Plan regulations require cities to prepare an inventory of the units eligible to convert to market-rate housing uses due to

[13] City of Sunnyvale Housing and Community Revitalization Sub-element, p. 41.

termination of the subsidy contract, mortgage prepayment, or expiring use restrictions. These units are considered to be "at risk" of being lost to the affordable housing inventory.

Estimating the costs of preserving at-risk rental units can be difficult to calculate; however, in Sunnyvale, the preservation of at-risk units requires fewer funds and takes less time per housing unit than developing new units. Affordability could be preserved by assisting a for-profit or nonprofit developer in purchasing the units in exchange for maintaining affordability.

Typically, the at-risk rental units the City attempts to preserve have some form of federal or state funding assistance – and are not rental units created solely under the City's BMR Program. Federal or state subsidized affordable rental units are most at-risk of becoming market rate and are the focus of preservation because: rental rates for those units are usually set for very-low income households (30-50% of AMI) – whereas BMR rental rates are set at rates affordable to households earning approximately 65% to 70% of AMI;[14] non-BMR affordable rental units have a shorter period of required affordability (usually 20 years versus BMR's 55 year restriction); a non-profit organization may already be involved in the housing project and it may have an option to purchase the property for less than market-rate; and affordable rental unit projects that are not part of the BMR program usually represent entire buildings of affordable rental units and, therefore, the entire building of at-risk units can be preserved as affordable units (there is no cost-effective mechanism by which the City can preserve only a few BMR rental units in an otherwise market-rate development; therefore, the City targets assistance programs to the BRM tenants, individually). [15]

Although there has been some federal funding available in the past to assist with the preservation of at-risk units, currently the primary resources for funding are CalHFA (California Housing Financing Agency), MHP (California's Department of Housing and Community Development Multifamily Housing Program) and tax credit financing obtained through the California Low Income Housing Tax Credit Program. CalFHA funding provides additional resources to address localities' unmet affordable housing needs by using a competitive process to award loans with repayment terms of up to ten years at a 3% interest rate; and CalFHA encourages local governments to provide funding and obtain additional funding from third parties and tax credits in order to achieve project feasibility. Therefore, the City, working with a non-profit developer, must first commit a portion of the necessary funding and then apply and be awarded the balance of the funding.

Possible City sources of funding may include the Housing Mitigation Fund and Sunnyvale Redevelopment Agency Affordable Housing fund. Some assistance may also be possible from the Housing Trust of Santa Clara County. The City will also need to enlist the cooperation of nonprofit housing developers and project owners in order to preserve the maximum number of at-risk units. Below is Table 12, which contains a list of locally assisted

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[14] Source: City of Sunnyvale RTC 08-016 - January 29, 2008, Results of City-wide Rental Survey in December 2007, p.2; see discussion of the two formulas established to set base rents for BMR rental units.

[15] The City addressed the loss of BMR rental units by providing eligible BMR renters, in at-risk rental units, a priority preference for the application of a First Time Homebuyer Down Payment Assistance Loan and/or an Individual Development Account.

affordable rental housing developments that are at risk of becoming market-rate units within the next five years.

Table 12 Inventory of At-Risk Rental Units Over Next Five Years

Property Name	Location	Number of At-Risk Units	At-Risk Date
Avalon at Parkside	355 N. Wolfe Road	19	2010
Bristol Commons	732 E. Evelyn Avenue	17	2008
Kensington Place Apts.	1220 N. Fair Oaks Avenue	16	2013
Mission Pointe	1063 Morse Avenue	54	2010
Trellis Square	963 E. El Camino Real	19	2010
Windsor Ridge	825 East Evelyn Avenue	21	2008
	Total Units At-Risk	**146**	**--**

Source: *List of Sunnyvale Rental Projects with Affordable Units (2004).*

C. Sunnyvale's Affordable Housing Needs Based on Income Levels

1. Housing Needs for Extremely Low-income Households (0- 30% of AMI)

After comparing the 2006 Census estimated income profiles for Sunnyvale's households to HUD's income definitions, an estimated 10-13% of the total households in Sunnyvale are considered extremely low-income.[16] Since the preparation of the Consolidated Plan in 2005, the current estimated number of extremely low income households in Sunnyvale has increased from 9.2% of the total households in Sunnyvale.[17]

According to the most recent HUD Data, Sunnyvale had 2,915 extremely low-income renters and 1,943 extremely low-income owners. Of the renter households, approximately 81% experienced housing problems and 71% of the owners experienced housing problems (housing problems include: units with physical defects (lacking complete kitchen or bathroom); overcrowded conditions; housing cost burden, including utilities, exceeding 30% of gross income; or severe housing cost burden, including utilities, exceeding 50% of gross income). These problems were primarily cost burden (housing costs exceeded 30% of the household's gross income).

In fact, 61.3% of all extremely low-income households experienced a severe cost burden. Extremely low-income owners have difficulty in being able to maintain their homes and require continued support through the City's housing rehabilitation program to insure a safe living environment. Moreover, because extremely low-income renters have difficulty paying market-rate rents, or simply cannot pay market-rate rents in Sunnyvale, it is necessary to provide support to such renters through the BMR rental housing program, to continue the City's efforts to provide funding or other assistance to organizations that will build or preserve low-income rental units in Sunnyvale, and to encourage the Santa Clara County Housing Authority to provide

[16] Note: although HUD's definitions for income levels are current, the income profile data available for Sunnyvale households is based upon U.S. Census Bureau, 2006 American Community Survey.
[17] City Of Sunnyvale's 2005-2010 Consolidated Plan, §3.1.8

Section 8-rental housing vouchers and Section 8-project based housing vouchers to housing developments.

2. Housing Needs for Very Low-income Households (31-50% of AMI)

After comparing the 2006 Census estimated income profiles for Sunnyvale's households to HUD's income definitions, an estimated 12-14% of the total households in Sunnyvale are considered very low-income;[18] an increase from 9.0% since the Consolidated Plan.[19]

According to the most recent HUD data, Sunnyvale had 2,932 very low-income renters and 1,829 very low-income owners. Of the renter households, 84% experienced a cost burden greater than 30% of their income. Of the owner households, 63% experienced a similar cost burden. Approximately 86% of the renter households experienced some housing problems, including cost burden.

3. Housing Needs for Low-Income Households (51-80% of AMI)

In 2008, low-income households in Sunnyvale are those earning no more than $59,400 for a single person family and $84,900 for a family of four. Using the most recent income figures and levels available from the Census and HUD, an estimated 16% of the total households in Sunnyvale are considered low-income, an increase from the 9.0% of the total households in 2000[20].

HUD data indicated that approximately 54% of renter households were classified as low-income, while only 45% of owner households were in this category. More than half (60%) of the renter households in this income category were living with a cost burden greater than 30%. Likewise, 43% of owner households were considered to be overpaying for housing.

4. Housing Needs for Moderate and Median-Income Families (70-120% of AMI)

In 2008, one person households earning 70% to 100% of Sunnyvale's area median income earn between $52,695 and $73,850 and four person households earn between $73,850 and $105,500. Moderate-income households (100% to 120% AMI) in Sunnyvale earn no more than $88,600 for a one person household and $126,600 for a household of four. Roughly 22.4% of Sunnyvale's total households earn from 70% to 120% of AMI.

According to HUD, households earning in excess of 80% of AMI represented approximately 72.5% of all households in Sunnyvale (renters and owners); and of those households earning more than 80% of AMI, about 50% were renters and 50% were owners. Despite these households earning more than 80% of the AMI, 24% of them faced at least one

[18] Note: although HUD's definitions for income levels are current, the income profile data available for Sunnyvale households is based upon U.S. Census Bureau, 2006 American Community Survey.
[19] City Of Sunnyvale's 2005-2010 Consolidated Plan, §3.1.8
[20] City Of Sunnyvale's 2005-2010 Consolidated Plan, §3.1.8

housing problem (overcrowding, cost burden, etc.). Of the renters, about 9% of them had a housing cost burden in excess of 30% and 17% of owners faced the same cost burden.

However, based upon the results of Sunnyvale's city-wide rent survey in December 2007, one person and four person households earning 80% of AMI or more can afford the median rents in Sunnyvale – without resorting to overcrowding. Therefore, because households earning 80% of AMI or more can afford median rents in Sunnyvale, the City's programs support renter-households that earn up to 70% of AMI through its: BMR rental assistance program; efforts to provide funding or other assistance to organizations that will build or preserve low-income rental units in Sunnyvale; and encouragement of the Santa Clara County Housing Authority to provide Section 8-rental housing vouchers and Section 8-project based housing vouchers to housing developments.

Although current HUD numbers are not available, considering the 2000 and 2006 Census estimates that median values for owner-occupied units in Sunnyvale have risen from $495,200 to $708,700[21] (more than a 140% increase) and median household incomes for Sunnyvale (according to the 2006 Census) have only risen from $74,409 to $79,926 (approximately a 7.4% increase), it is clear that the affordability gap for median and moderate-income households is drastically increasing. Moreover, owner-occupied homes with a mortgage had a median value of $744,500. Consequently, the City's programs support ownership-households earning 70% to 120% of AMI through its: BMR homeownership program; First Time Homebuyer program; Individual Development Account program; and Down Payment Assistance loans for public school district, City and child care employees.

5. Housing Needs for Households Earning 120% to 150% of AMI

In 2008, one person households earning 120% to 150% of Sunnyvale's area median income earn between $88,620 and $110,775, and four person households earn between $126,600 and $158,250. Roughly 10.4% of Sunnyvale's total households earn from 120% to 150% of AMI.

The affordability gap for ownership housing becomes more apparent when comparing the market rate home prices to 2008 HUD defined area median income levels. Recent median single-family home prices in Sunnyvale have been estimated to be between $830,000 and $860,000; and condominium median prices have been estimated at $605,000. Even when using the 2006 Census estimates for median values of owner-occupied units ($708,700), a household must earn an annual gross income in excess of $180,000 in order for minimal housing costs to be affordable (housing costs do not exceed 30% of gross income);[22] a family of four would need to earn more than 170% of the AMI in order for such a house to be affordable. In order to afford current market-rate housing prices, Sunnyvale households would need to earn at least $155,000

[21] These estimate median values represent the values of homes already owned by Sunnyvale residents at the time the Census calculations were made, and not necessarily the median housing prices for units for sale.

[22] This assumes the buyer has made a 20% down payment, the mortgage interest rate is 7% for a 30-year fixed loan, and only factors in the monthly housing expenses for mortgage, home insurance and real estate taxes; utilities, maintenance and home owners association dues are not included.

per year to afford a condominium and more than $211,000 per year to afford a single-family home - 147% of AMI and 200% of AMI, respectively, for a family of four.

Therefore, the City will need to consider new housing programs for household's earning 120% to 150% of AMI, because the City's current housing programs do not provide assistance to this income group. These new housing programs could include down payment assistance loans or community land trusts (which essentially remove the cost of the land from the purchase price of the home) to bridge the affordability gap for these households.

D. Sunnyvale's Resources for Affordable Housing Programs

There are several resources available to the City and its partner agencies for affordable housing projects; specific sources are typically sought and earmarked based on the opportunities and constraints of each project and program. Below is a list of resources that are available for the affordable housing projects addressed in this Housing Strategy. This summary is not intended to be all inclusive, but to summarize the most common funding sources and uses of funds for which Sunnyvale may utilize in the short and long-term housing programs discussed here.

This Housing Strategy recommends a general allocation of funds to each housing program based upon the various applicable funding sources available. As individual programs come before the City for funding, the first recommended source may be the first considered; however, it is likely that various funding sources will be combined or shifts made from the recommended source to another source, based upon the specific nature of the program and the balances available in each funding account.

1. City Resources

a. Sunnyvale Housing Mitigation Fund

Housing Mitigation funds are collected from industrial developments that exceed established floor area ratios (FAR) of 35%. It was established to mitigate the impact of commercial and industrial developments in Sunnyvale on the demand for affordable housing. The housing mitigation fee is imposed only on intense job-producing development because such intensive job creation also tends to increase the cost of existing housing through increased demand. Funds are available for acquisition, rehabilitation, new construction, preservation of at-risk-housing and predevelopment costs for affordable housing for households with incomes up to 120% AMI. The Mitigation Funds have also been used to fund the Santa Clara County Housing Trust Fund, City first time homebuyer programs (including education and down payment assistance loans and individual development accounts (IDAs)), and essential workers homeownership programs. Because the Housing Mitigation Fund is the most flexible funding source regularly available to the City, it is proposed to be allocated to those programs which would not normally be eligible for federal funds.

The fund has been used to preserve 315 low-income housing units, acquire a 24-unit and 20-unit rental complex, assist in development of a 30-unit family building, and provide 23 units for developmentally disabled individuals and their families. The estimated balance in the fund, beginning July 2008, will be approximately 10.2 million dollars.

b. Future Redevelopment Agency Low/Moderate Income Housing Fund

The Sunnyvale Redevelopment Agency (RDA) was created in 1975 to provide for redevelopment in the central core of the city. Redevelopment agencies derive their income from the property tax collected on the increased value of property in the redevelopment area (tax increment). State redevelopment law requires redevelopment agencies to set aside 20 percent of the tax increment collected by the agency to increase and improve housing for low and moderate-income households earning up to 120% of AMI. Because Sunnyvale's redevelopment agency was created prior to 1976, the RDA is permitted to defer payments into this fund as long as the agency's pre-1986 debt service payments exceed the tax increment collected by the agency. The RDA tracks the amounts that should have been paid into the fund each year and must repay the deficit in the fund when money becomes available.

It is estimated that the RDA Housing Fund, for the development of low and moderate income housing, will begin to receive funds in FY 2012/13, with an anticipated growth of 2% per year, thereafter, up through FY 2027/28 – when the RDA terminates. In the final fiscal years, 2028/29 2029/30, the payment into the RDA Housing Fund will reflect the balance due of $19,836,437. The total projected funding for the RDA Housing Fund, $64,797,728 includes projected assessed value growth resulting from the sale of the Mozart office buildings and assumes 100% build out of the Town Center and Town & Country properties.

Table 13 – Projected Redevelopment Agency Housing Set Aside Funds

Fiscal Year	**Housing Set Aside Funds (20% of Gross Tax Increment)**
2012/2013	$ 107,151
2013/2014	$ 648,927
2014/2015	$2,713,771
2015/2016	$2,771,860
2016/2017	$2,828,277
2017/2018	$2,888,071
2018/2019	$2,948,307
2019/2020	$3,010,003
2020/2021	$3,073,176
2021/2022	$3,136,906
2022/2023	$3,202,193
2023/2024	$3,388,262
2024/2025	$3,456,027
2025/2026	$3,525,147
2026/2027	$3,595,650
2027/2028	$3,667,563
2028/2029	$18,627,419*
2029/2030	$1,209,017*
Total	$64,797,728

*Amount reflects the final balance due of $19,836,437.

c. Revolving Loan Fund

The fund was created during FY 2001/02 and was established for the purpose of carrying out specific activities which, in turn, generate payments to the fund for use in carrying out the same activities; funding was originally generated by the repayments of loans made for the acquisition of affordable housing projects and rehabilitation loans. Over the last four years, the revolving loan fund generated $4.2 million in program income. Approximately $346,000 has been used to fund acquisition activities which included $219,339 towards the acquisition of a 24 unit rental complex and $126,669 towards the preservation of 100 units of senior rental housing; and $2 million has been used to fund rehabilitation activities. Annually, the City allocates approximately $500,000 towards rehabilitation activities and $500,000 towards acquisition activities. The projected beginning balance for FY 2008/2009 is $1,135,405.

d. Below Market Rate Program

Sunnyvale's Below Market Rate (BMR) Program is authorized under the Sunnyvale Municipal Code, Chapter 19.66. The BMR program requires that 12.5% of new, market rate residential construction, be designated as affordable housing for low and/or moderate-income owners (up to 120% of AMI); and density bonuses of 25% to 40% are also available to developers in order to encourage the development of senior housing and housing for moderate, low and extremely low-income households. The BMR requirement for rental development is at 15%. The period of affordability is 30 years for owner-occupied units and 55 years for rental units. Over the life of the BMR Program, 424 rental units have been created and 322 owner-occupied units have been created.

For developments of between nine and nineteen parcels or units, the Director of Community Development, upon request by the developer, may waive the requirements to provide BMR units in exchange for the payment of a BMR in-lieu fee. Over the course of the BMR Program, the BMR-in-lieu fees have been limited and have not been a source of revenue. The current balance of the BMR sub fund is approximately $2.2 million (which includes funds generated from processing fees, violation revenues, as well as in-lieu fees); and the BMR in-lieu-fees have been used to fund some of the operating costs of different housing programs.

2. County Resources

a. Housing Bond Trust Fund

The County's Housing Bond Trust Fund is funded from administrative fees from Mortgage Revenue Bond issues and applicant and lender fees paid to the Mortgage Credit Certificate Program. This fund can be used for the acquisition, rehabilitation and new construction of affordable housing. Although limited in its ability to support permanent financing, the Housing Bond Trust Fund has been available for interim and predevelopment financing of new, multi-family projects. Sunnyvale participated in the Trust Fund's Mortgage Credit Certificate Program; however, in recent years, no affordable housing programs have utilized this Fund.

3. Private/Nonprofit Funds

a. Housing Trust Fund of Santa Clara County (HTSCC*)*

HTSCC is a non-profit 501(c)(3) created through a cooperative effort of the private and public sectors, including the Housing Collaborative on Homelessness and Affordable Housing, the Silicon Valley Leadership Group, Santa Clara County, Community Foundation Silicon Valley, and a number of the county's cities. Since 2001, the City of Sunnyvale has committed $1,300,000 from the City's Housing Mitigation Fund to HTSCC. The purpose of the Trust is to increase the supply of affordable housing in Santa Clara County. The funds are earmarked for acquisition, rehabilitation, new construction, predevelopment costs and supportive housing services.

Funds contributed to the HTSCC have been earmarked for down payment assistance loans for Sunnyvale residents, totaling $860,975 for 133 loans funded; and two loans were also issued, totaling $1,000,000, to ensure that 167 affordable rental units in Sunnyvale remain affordable for the next 40 years.

4. Federal Resources

a. Home Investment Partnership Act (HOME)

The HOME program provides funds for construction, rehabilitation and acquisition of housing for low-income households. In 1999, HOME funds were committed to Charities Housing to fund a 23-unit special needs housing project. Over the last five years, funds totaling $3.6 million were used to: acquire a 24-unit rental complex, preserve 211 units of rental housing, construct 66 units of affordable family rental housing, acquire a group home for seniors, fund the acquisition of Plaza de las Flores, and preserve the affordability of a 100-unit senior housing project. Future funds are expected to be used for new affordable senior housing, family housing, acquisition, and rehabilitation projects. The Sunnyvale allocation for fiscal year 2008/2009 is approximately $679,000.

b. Community Development Block Grant (CDBG)

The CDBG program provides funding for housing and housing-related activities including acquisition, development, rehabilitation, removal of barriers, fair housing services, and other public services not directly related to housing. CDBG funds are intended to benefit primarily persons of low and moderate-income (less than 80% of median income). They can be used for various housing and neighborhood programs (e.g., acquisition of property, pre-development costs, rehabilitation, and interest subsidies) but they cannot be used for new construction. Because CDBG cannot be used for new construction, most of the available funds to support housing are proposed for land acquisition, single-family and multi-family housing rehabilitation, and housing improvement programs.

Sunnyvale receives a CDBG grant as an entitlement city, but the amount varies depending on how much is allocated to the program in the federal budget. Sunnyvale's allocation for the 2007-2008 fiscal year is approximately $1.2 million dollars. Additionally, the projected income from the repayment of CDBG loans that have been previously funded is expected to average $200,000 per year. Therefore, the total amount of CDBG funds available for the 2007-2008 fiscal year is approximately $1.4 million dollars.

5. Funding that Sunnyvale or a Non-Profit Developer can Apply for in order to Leverage the City's Funds

a. Proposition 1C Funding – The Housing & Emergency Shelter Trust Fund ACT of 2006:

In November 2006, California voters approved Proposition 1C, which authorized the issuance of bonds in the amount of $2.85 billion. Proceeds from the sale of the bonds will fund existing affordable-housing programs, including the Multifamily Housing Program, the Emergency Housing Assistance Program, the Farmworker Housing Grant Program and the Downpayment Assistance Program. In addition, Proposition 1C establishes funds totaling $1.15 billion to promote three new types of affordable housing projects: 1) infill housing development; 2) transit-oriented development (TOD); and 3) brownfield development. Proposition 1C authorized $850 million to be spent on the infill and brownfield programs, and an additional $300 million is authorized for the TOD program. The vision behind all three programs is that they will provide direct assistance to mixed-income, mixed-use developments with the greatest potential for catalyzing community growth and revitalization across the state. Funding under Proposition 1C is underway. For 2007/2008, a total of $240 million is available for the Infill Infrastructure Grant Program and a total of $95 million is available for the TOD program.

The 2007/08 per-project minimum/maximum grant amounts for Qualifying Infill Projects are $500,000/$20 million; and the 2007/08 per-project minimum/maximum grant amounts for Qualifying Infill Areas are $2 million/$30 million. The current infill grant funding being offered is available as gap funding of infrastructure improvements that are necessary to facilitate new infill housing development for specific residential or mixed use infill development projects and areas.

Eligible applicants for Qualifying Infill Project funding are limited to the nonprofit or for-profit developer, either by itself or as a joint applicant with the city, county, city and county, public housing authority or redevelopment agency. Eligible applicants for Qualifying Infill Area are limited to city, county, city and county, public housing authority, or redevelopment agency, or one of these entities together with a Business Improvement District (BID) as joint applicants. Activities that are eligible for funding are: new construction, rehabilitation, and acquisition of infrastructure required as a condition of or approved in connection with approval of Qualifying Infill Projects or Qualifying Infill Areas.

Program funds being offered through the Transit-Oriented Housing Program are available as permanent financing for the development and construction of mixed use and rental housing development projects, for homeownership mortgage assistance, and for grants for infrastructure necessary for the development of housing near transit stations, or to facilitate connections between housing and the transit station. The maximum award for a TOD is $17 million per eligible residential or mixed-use TOD project for both infrastructure and direct construction assistance.

b. Tax Credits (applied for through non-profit developer)

The California Tax Credit Allocation Committee ("Committee" or "TCAC") administers two low-income housing tax credit programs – a federal program and a state program. Both programs were authorized to stimulate construction of rental housing for households with income less than 60% of median income; and credits can be allocated to new construction projects or existing properties undergoing rehabilitation.

Under the federal program, the federal government allocates low income housing tax credits to each state. The State of California then allocates its share of tax credits to developers of affordable housing through a competitive application process. The developer normally obtains the subsidy for its housing project by selling these tax credits at a discount to a for-profit corporation, which can then deduct them at face value over time from their federal income tax. Most of the housing developers utilizing tax credits will also apply to the City for the "gap financing" necessary to make their projects affordable to households below 60% of median income. Unless Congress changes tax laws, tax credits can provide a stable, long-term source of financing for affordable rental housing.

The Committee gives the highest ranking to rental projects that have fewer than 150 units, all of which are affordable to households earning less than 50% of AMI (particularly families and large families). The most competitive projects would also offer service amenities (internet service, job training, etc.) and be located as close as possible to schools, hospitals, transit and parks.

Under the California state program, the state legislature authorized a state low income housing tax credit program to augment the federal tax credit program. The state credit is only available to a project which has previously received, or is concurrently receiving, an allocation of federal credits. Thus the state program does not stand alone, but instead, supplements the federal tax credit program.

c. Multifamily Housing Program (MHP)

The California Department of Housing and Community Development (HCD) provides funding through the California Multifamily Housing Program (MHP); and MHP is a streamlined, omnibus financing program that provides low-interest loans to developers of affordable multifamily housing developments. MHP funding may be used for multifamily rental and transitional housing projects involving new construction, rehabilitation, acquisition and rehabilitation, conversion of nonresidential structures, or preservation of permanent and transitional rental housing for lower income households. MHP provides funds to cover development (capital) costs only, and cannot be used for services or operating subsidies; and

MHP funding is typically leveraged with other resources, including local government funds, the federal Continuum of Care programs, and tax-exempt bond financing and private debt financing.

d. California Housing Finance Agency (CalHFA)

The California Housing Finance Agency was created in 1975 to meet the housing needs of low and moderate income Californians. CalFHA's Multifamily Finance Programs provide permanent financing for the acquisition; rehabilitation and preservation of existing rental housing, as well as the new construction of rental housing. CalHFA financed affordable units are targeted to low and moderate income families and individuals in California. CalHFA, among other programs, offers three programs for affordable multifamily rental units: the Acquisition Finance Program is designed to facilitate the acquisition of at-risk affordable housing developments and provide low cost funding to preserve the affordability status of existing government-assisted projects deemed at risk, including developments with project based Section 8, state or local government loans, or locally issued tax-exempt bonds; the Tax-Exempt Bridge Financing Program offers tax-exempt bridge loans for projects receiving 4% tax credits at an amount necessary to ensure the award of tax credits; and the Permanent Financing Program provides permanent loans for new multifamily construction, acquisition and rehabilitation of existing multifamily housing projects.

e. Section 8 Vouchers

The Section 8 voucher program assists very low-income, single, homeless individuals in obtaining decent, safe, and sanitary housing in privately owned, rehabilitated buildings. Under this program, HUD contracts with public housing agencies; and the public housing agencies make Section 8 rental assistance payments to participating landlords on behalf of homeless individuals who rent the units. The rental assistance payments generally cover the difference between 30 percent of the tenant's adjusted income and the unit's rent, which must be within the fair market limit established by HUD. HUD provides rental assistance for single room occupancy (SRO) units for a period of 10 years; and the rental assistance is attached to the unit so tenants cannot "take" the assistance with them if they move

f. Housing and Urban Development 202/811 Programs

The two primary housing loan programs administered by HUD are the Section 202 program for the elderly and Section 811 program for the disabled. These programs are available to qualified developers on a competitive application basis for the construction of new housing.

The Section 202 program provides assistance to expand the supply of affordable housing with supportive services for the elderly. Interest-free loans are made to eligible private, non-profit sponsors to finance the development of rental housing with supportive services for the elderly[23]. The loan does not have to be repaid so long as the housing remains available for very low-income elderly persons for at least 40 years. Project rental assistance covers the difference between the HUD-approved operating cost of the project and the tenants' contributions toward rent (usually 30 percent of monthly adjusted income).

The Section 811 program provides assistance to expand the supply of housing with the availability of supportive services for persons with disabilities. Loans are made to eligible nonprofit sponsors, which have a Section 501(c)(3) tax exemption ruling, to finance the development of rental housing with the availability of supportive services for persons with disabilities. The advance is interest free and does not have to be repaid so long as the housing remains available for very low-income persons with disabilities for at least 40 years. Project rental assistance covers the difference between the HUD-approved operating cost of the project and the tenants' contributions toward rent (usually 30 percent of monthly adjusted income). Annual appropriations acts usually provide for some portion of Section 811 funds to be used for tenant-based assistance.

g. Federal Home Loan Bank Board

Federal Home Loan Bank grants and low-interest loans are catalysts for the construction and revitalization of housing targeted to people with low and moderate-incomes. Affordable Housing Program (AHP) projects funded serve a wide range of neighborhood needs; many are designed for seniors, the disabled, homeless families, first-time home buyers and others with limited resources.

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[23] Supportive services for very low-income elderly can include activities such as cleaning, cooking, and transportation.

The AHP is a competitive program that provides grants twice a year through financial institutions for investment in low or moderate-income housing initiatives. Member banks partner with developers and community organizations to finance the purchase, construction, or rehabilitation of owner-occupied or rental housing. Grants can also be used to lower the interest rate on loans or cover down payment and closing costs. The program is flexible so that AHP funds can be used in combination with other programs and funding sources, ensuring a project's feasibility.

The Affordable Housing Program is one of the largest private sources of grant funds for affordable housing in the country; in 2006, a combined total of $295 million was made available for regional housing projects. The AHP grants can be used to fund housing for families or individuals with incomes at or below 80% of AMI. For AHP funded rental housing, 20% of the units must serve households with incomes at or below 50% of AMI. Funding is awarded only to financial institution members of the FHLBank Systme working in partnership with a community sponsor organization.

6. 20 Year - Long-term Revenue Projection and Proposed Uses

A strategy should project revenues and expenditures over a multiyear period. For federal and other funds, where the city is dependent on another entity for an allocation, the only way to make these projections is based on past experience and any information available on future funding for that program. Local revenues of repayments and interest earnings have been reviewed to determine when payments are due and how much interest is anticipated. For Redevelopment Housing Set-Aside Funds, projections have been made based on historical data, information regarding property value trends within the redevelopment area and projections of proposed developments planning to locate in the project area. An analysis of the future development of Moffett Park and the generation of Housing Mitigation funds has been developed and a projection of future revenues has been completed.

Attachment A contains a twenty-year financial plan that identifies the sources of housing funds and projected revenues, and all of the programmatic uses of current activities underway, newly proposed programs for future consideration as funding may become available. Because these projections are not a science, the strategy should be a living document. The strategy should be reviewed frequently to determine whether projection revisions and goal adjustments need to be made.

V. FULL SPECTRUM OF HOUSING ASSISTANCE PROVIDED BY THE CITY OF SUNNYVALE

A. Overview of Affordable Housing Programs

Sunnyvale has been a model for local governments in addressing affordability issues. Through the adoption of inclusionary zoning in 1980, creation of the housing mitigation fee in 1983, and establishing housing as a priority in the use of Community Development Block Grant and HOME funds, the City has created over 2,300 housing units with prices that are affordable to low and very low-income households.

The City of Sunnyvale has worked to meet the housing needs for very low-income to moderate-income households – families with incomes ranging from 30% of AMI to 120% of AMI. Attachment B illustrates the full spectrum of assistance provided by the City's current housing programs; and although no one program is a complete solution for today's housing issues, each program represents a part of the solution.

As shown in Attachment B, some of the City's housing programs directly assist homebuyers and renters with obtaining housing: the First Time Homebuyer (FTHB) and Housing Assistance for Public School District, City and Child Care Employees (HPCC) Down Payment Assistance programs help low to moderate-income households achieve affordable homeownership; and the BMR Rental and the HPCC Security Deposit programs assist very low to moderate-income households obtain affordable rental property. The City's home improvement programs help low-income households maintain and enhance the livability of their homes: single family rehabilitation loans and mobile home loans assist low-income homeowners with necessary repairs such as electrical, roofing, plumbing or heating repairs; the paint grant and loan program provides low-income homeowners with funds to paint the exterior of their homes; and home access grants provide funds to low-income, disabled homeowners to retrofit their homes for handicapped accessibility. As Attachment B illustrates, despite the City's many affordable housing programs, these programs do not target the housing needs of household's earning between 120% and 150% of AMI to achieve homeownership and wealth creation.

Most housing programs can be divided into two major approaches of housing assistance, long-term affordability of housing and creation of wealth, or equity creating through homeownership programs. The City of Sunnyvale has implemented a variety of affordable housing programs. Affordable housing programs typically set out to provide housing to very-low, low and moderate-income households by subsidizing rental or ownership housing units that have housing costs set at below market rates, and/or providing grant or loan assistance in order to make housing costs more affordable. Preserving the long-term affordability of the housing units is also a major criterion of affordable housing programs. Therefore, affordable housing programs use deed restrictions as a method to ensure housing units remain affordable for thirty or forty years, or longer; for example, deed restrictions contain specifications for rental costs, resale prices, and the required income limitations of future renters or homeowners for the housing unit.

Creation of wealth housing programs typically utilize homeownership as the primary mechanism for accumulating wealth in low to moderate-income households. Very low and extremely low-income families are best served with affordable rental opportunities. Many creation of wealth programs place fewer or no resale restrictions against the property, in exchange for the repayment of any city loans and a percentage of the home's appreciated value upon market-rate resale. Such programs, therefore, may help low to moderate-income households purchase homes that would be unaffordable without housing assistance, while also allowing them to build wealth through the ownership and market-rate resale of their home. Consequently, creation of wealth programs can be an opportunity to step up to purchasing market-rate housing through the sale of a subsidized unit. However, upon sale, the unit may no longer be affordable to a low-income or moderate-income household.

Despite the City's current programs, increasing housing costs in Sunnyvale continue to cause concern regarding low-income and moderate-income households' abilities to: obtain affordable housing; achieve and maintain homeownership in Sunnyvale; and to maintain safe and habitable homes. For example, first-time homebuyers, including teachers and public service employees, find it difficult to save adequate funds for down payments and escrow closing costs; and lower income families are particularly challenged to accumulate sufficient funds for a down payment, qualify for high loan amounts and afford mortgage payments and other homeownership costs.

In the current housing market, households earning up to 150% of AMI have difficulty keeping monthly market-rate housing costs within affordable thresholds (with monthly housing costs at 30% of gross monthly income); and the City's housing programs currently do not address the needs of households that earn in excess of 120% of AMI. As stated above, recent median single-family home prices in Sunnyvale have been estimated to be between $830,000 and $860,000; and condominiums median prices have been estimated at $605,000. Under conventional rules of home lending and affordability, it would require an annual income of approximately $155,000 to afford a condominium and more than $211,000 to afford a single-family home (147% of AMI and 200% of AMI, respectively, for a family of four) without a down payment significantly greater than 20%.

B. Sunnyvale's Underwriting Policies and Costs for Development of Affordable Housing

1. Underwriting Policies

The production of affordable housing requires the use of many resources. Thirty years ago, HUD provided project financing and ongoing rental subsidies. Today, in order to produce housing that provides long-term affordability - particularly affordability to very low income households - a project must utilize a strategy of combining multiple sources, create multiple loan documents, and in the long-term monitor multiple affordability restrictions.

Layering financing is a strategy of necessity to create affordable housing in Sunnyvale. Multiple financing sources add complexity to affordable housing finance and usually increase the overall cost of development. Despite the increased complexity, the simple reason for layering is leveraging, so that the City's resources go as far as possible to develop affordable housing.

Sunnyvale has had a long established policy of providing loans (not grants) to assist with the financing of affordable real estate projects. No single project will eliminate the affordable housing crisis in Sunnyvale, therefore all funding to assist in the acquisition, construction or rehabilitation of real property requires that funds are secured on the property and have a fixed repayment over time. This allows funds to recycle for use on future projects.

Priority has been given to projects that address affordability issues by offering below market rents to a predetermined high need group, as defined in prior City policy documents. Projects must provide long-term affordability restrictions. Projects that have or will obtain funding commitments from other sources are “ready to go” and will leverage a high percentage of other funds to City funds receive the highest consideration.

City loans are considered “gap financing”; therefore, the city loan amount for new construction /preservation project should reflect a unit cost under $30,000. Projects that target affordability to benefit very low or extremely low-income households may result in an increased cost per unit. City support is limited to rental units with rental rates that are, at minimum, 20% below existing median rental rates in Sunnyvale. However, due to ever changing rents, affordability is also measured by rents established at 30% of median income, especially for households with incomes ranging from 30%-50% of median income.

The loan to value ratio for all liens should not exceed 100% of the appraised value, the debt coverage ratio shall be a minimum of 1.1. All deferred interest shall accrue. Loan terms, generally, do not exceed thirty years, unless a primary lender requires loan term consistency. The city loan is due in full upon refinance of the primary loan. All loans have a fixed term and repayment schedule (above the line); residual receipt repayments have not been accepted**.**

2. Costs for Developing Affordable Housing

a. Cost of land

Land costs represent the most significant barrier to the construction of new affordable housing. In 2007 land costs in Sunnyvale for sites suitable for residential development were at $2.4 million per acre, resulting in unit costs of $80,000 with densities at 30 units per acre; and in 2008, land costs are estimated at $3 million per acre, resulting in unit costs of $100,000 with densities at 30 units per acre. Most available sites also required additional demolition and site remediation, in addition to acquisition and construction costs

b. Scarcity of Land

Sunnyvale is essentially a built out city. During the past eight years all major new development opportunities have occurred sporadically and as a result of the reuse and rezoning of individual sites. During the last six years, with new market rate residential development at an all time high, all sites were in great demand. Sales of sites were conducted as bidding wars between mid-sized and national developers outbid each other for the opportunity to develop market rate residential housing. Given that type of market demand, there was little opportunity for non-profit housing developers to compete for sites, nor to bear the financing of very high land costs.

In 2005 the City's average costs to support affordability housing were as follows;

- $28,600 per unit to support new construction (The per-unit cost appears artificially low because the major project excluded the cost of land; the land was already owned by the nonprofit that received the City's subsidy. With typical land costs, the average cost per unit for new construction would be between $80,000 and $100,000, depending on the size of the unit.)
- $62,000 per unit to support acquisition of existing properties
- $13,250 per unit to support the preservation of "at-risk" projects.

In the last three years construction costs have continued to rise and land costs have risen dramatically along with the increases in residential market rate housing values. As mentioned previously, it would now cost about $60,000-$80,000 per unit to fund the land acquisition costs of an affordable rental project. Support for the construction costs, and ongoing maintenance of the site must then be supported through the rental revenue generated by the project. Lower rents (of greatest benefit to very low income and elderly residents) can support less debt, necessitating increased funding and additional subsidy layering of funding resources

To analyze the subsidy level needed to support the development of affordable ownership, a comparison of the ability to support debt by an owner (at a specific income level) to current market rate housing values may be considered. Table 5 indicated the maximum affordable home price the income groups listed could afford; Table 14 includes the amount of subsidy needed at current market rates of housing:

Table 14 – Subsidy Needed at Current Market Rates of Housing in Sunnyvale

Income Group and Percent of AMI	Median Income for Four	Maximum Affordable Home Price	Subsidy Needed for Market Rate Townhome/ Condo Priced at 605K	Subsidy Needed for Market Rate Single Family Detached Home Priced at 830K
Extremely Low (30%)	$31,850	$108,500	$496,500	$721,500
Very Low (50%)	$53,050	$180,500	$424,500	$649,500
Very Low (70%)	$73,850	$251,500	$353,500	$578,500
Low (80%)	$84,900	$289,000	$316,000	$541,000
Moderate (120%)	$126,600	$430,000	$175,000	$400,000
Upper Moderate (150%)	$158,250	$540,000	$ 65,000	$290,000

It is likely that non-profit developers would be able to develop projects with lower profit margins; however, even if one assumes a 15% reduction of a town home price, Table 15 shows the subsidy that would be needed to support the development:

Table 15 - Subsidy Needed for Housing Priced at 15% Reduction

Income Group and Percent of AMI	Median Income for Four	Maximum Affordable Home Price	Market Rate Home Price 515K Shortfall
Extremely Low (30%)	$31,850	$108,500	$406,500
Very Low (50%)	$53,050	$180,500	$334,500
Very Low (70%)	$73,850	$251,500	$263,500
Low (80%)	$84,900	$289,000	$226,000
Moderate (120%)	$126,600	$430,000	$85,000
Upper Moderate (150%)	$158,250	$540,000	($25,000)

Moreover, under California law, ABAG prepares a regional housing allocation plan that assigns each city and county in the nine-county San Francisco Bay Area a fair share of the region's housing construction need. The current Regional Housing Needs Allocation (RHNA) covers the period of 2007 through 2014. ABAG released final allocations by June 20, 2008. It has determined that Sunnyvale's share of regional housing needs for 2007 to 2014 is 4,426 units; Table 16 illustrates Sunnyvale's share of housing needs as delineated by ABAG.

Table 16 - 2007 to 2014 ABAG Draft Regional Housing Needs Allocation for Sunnyvale

Income Levels and Percent of AMI	Number of Housing Units
Very Low (< 50%)	1,073
Low (< 80%)	708
Moderate (< 120%)	776
Above Moderate (> 120%)	1,869
Total Units	4,426

When comparing the ABAG fair share regional housing numbers included in Table 16 to current unit costs and how they relate to the projects needed, it can be determined what subsidy costs will be required from the City for projects and for residents in those income ranges. Households with incomes below 50% of AMI must realistically be limited to affordable rental unit housing. Households with incomes at or below 80% of median would either be housed in rental housing or may be assisted into BMR ownership housing. Households from 80% to 120% of median are not able to participate in rental housing projects with federal funding; therefore, a subsidy amount to assist with the purchase of ownership housing has been included.

Table 17 –Subsidies Required for Building the 2007 to 2014 ABAG Draft Regional Housing Needs Allocation for Sunnyvale

Income Levels and Percent of AMI	Number of Housing Units	Approximate Cost Per Unit	Funds Required
Very Low (< 50%)	1,073	$90,000*	$96,570,000
Low (< 80%)	708	$90,000*	$63,720,000
Moderate (< 120%)	776	$85,000**	$65,960,000
TOTALS	2,557		$190,630,000

*Calculated based upon a $80,000 to $100,000 cost per unit to fund the land acquisition of an affordable rental project.
**Calculated based upon the subsidy needed for a moderate income household to purchase a market rate home, reduced by 15%.

Although the ABAG numbers include units for households above 120% of AMI, there is no clear way to separate income groups that would need support to purchase ownership housing from those very high income groups that need no assistance to purchase market rate housing in Sunnyvale. Therefore, this group has not been included in Table 17.

C. Summary of Sunnyvale's Housing Needs Assessment and Gaps in Existing Affordable Housing Services

1. Housing Needs Assessment

The following identifies some of the most pressing housing needs and issues that the City of Sunnyvale faces in the short and long-term. The following needs assessment was determined based upon the examination of current and projected demographic and housing information, the City's Consolidated Plan, the Housing and Community Revitalization Sub-Element, the 2003 Community Development Strategy, City policies, staff input, projections made by the Association of Bay Area Governments (ABAG) relating to Sunnyvale and Santa Clara County, and other documents and information. The City's major short-term and long-term housing needs, which have been previously delineated in the City's Consolidated Plan, are identified as follows:

- Additional Section 8-rental housing vouchers and affordable rental housing units for lower-income households;*[24]
- Expanded affordable ownership housing opportunities for low and moderate-income households;*
- Preservation of assisted rental housing at risk of converting to market-rate housing; *
- Rehabilitation of older single-family and multi-family housing units, particularly in neighborhoods identified as high concentrated need (neighborhoods with concentrations of low and moderate-income households and concentrations of older, multi-family rental housing);**

[24] ***** Note: See Priorities identified in City of Sunnyvale 2005-2010 Consolidated Plan.
****** Note: See Priorities identified in City of Sunnyvale 2005-2010 Consolidated Plan and Community Development Strategy 2003.

- Expansion of accessible and affordable housing, particularly rental housing for the very low income groups; for special needs groups, seniors, disabled persons, female-headed households and persons with HIV/AIDS;* and
- Housing and supportive services for homeless and households at-risk of becoming homeless, particularly emergency rental assistance and down payment assistance.*
- Expanded assistance to moderate-income households to purchase ownership housing and maintain a balance of ownership and renter households.

The City coordinates efforts in expanding and preserving affordable housing opportunities for low and moderate-income households based upon the strategies and actions it delineates in its Consolidated Plan, Housing and Community Revitalization Sub-Element, the 2003 Community Development Strategy, City policies, and staff input.

2. Gaps in Existing Affordable Housing Services

Although the Consolidated Plan has identified various housing needs for the City, it targets the needs for households earning up to 80% AMI because it addresses issues for which the use of federal funds are eligible. Federal and State housing funds are typically required to address the needs of households earning no more than 80% AMI.

As will be further described below, the City has a number of affordable housing programs that provide grants, loans or below market housing to households earning up to 120% AMI for the purpose of renting, purchasing, maintaining, or rehabilitating homes and making homes more accessible. However, the City currently has no programs to address the growing affordability gap for households earning between 120% AMI and 150% AMI, including the need for the creation of wealth through homeownership for moderate-income households. Moreover, the housing programs assisting households with down payment assistance are targeted to 80% to 120% of AMI households that include Sunnyvale employees, school district employees or child-care providers; therefore, there are no housing assistance programs to assist the typical Sunnyvale household earning between 80% and 120% AMI.

Median housing prices continue to drastically outpace the limited increases in median household incomes in Sunnyvale; therefore, the affordability of ownership housing continues to be a major concern for residents of Sunnyvale. Available data indicates that a growing number of households in all income categories, including households earning in excess of 80% AMI, will have difficulty purchasing homes in the City – even considering the current downturn in the housing market.

The age of housing stock in Sunnyvale continues to be mostly older than 25 years – an indication that housing units will exhibit signs of major rehabilitation needs (roofing, foundation work, and plumbing). The 2006 Census estimates show that approximately 71.6% of Sunnyvale's housing stock was built before 1980 (a small decline from 75.6% of the housing stock according to the 2000 Census). Since older housing units represent a significant portion of the housing stock in the City, there will be a continuing need for additional rehabilitation financing to assist homeowners with the maintenance of their older housing units, and to maintain neighborhoods.

The most recent Census data estimates that the percentages of Sunnyvale's lower income households, earning less than 80% AMI, have increased from approximately 27% to an estimated 38% to 43%. Moreover, since the 2000 Census, when median rents in Sunnyvale were $1,270, median rents in Sunnyvale have also increased. The results of Sunnyvale's city-wide rent survey for December 2007 show that the median monthly rent for a one-bedroom apartment is $1,660; and the median rent for a two-bedroom apartment is $2,043 per month. Therefore, a growing number of households in the lower income levels are unable to afford Sunnyvale's median rents without experiencing at least one housing problem (overcrowding, cost burden, etc.).

In ABAG's draft report, it determined that Sunnyvale's share of regional housing needs for 2007 to 2014 is 4,426 units; Table 10, above, illustrates Sunnyvale's share of housing needs as delineated by ABAG. Therefore, Sunnyvale's fair share of the region's housing construction need is approximately 632 housing units per year. Of the total new construction need, ABAG has determined that 1,073 of the housing units, or 24% of the total units, are needed for households earning less than 50% of AMI. Sixteen percent of the housing needs, or 708 housing units, are for households earning less than 80% of AMI. Therefore, 254 low-income units per year will need to be constructed in order to meet the low-income housing needs delineated in ABAG's draft report. Therefore, additional affordable ownership and rental units will continue to be a pressing need for the City in the short-term and long-term.

D. Sunnyvale's Existing and Proposed Affordable Housing Programs

This section of the Housing Strategy describes the various programs available to the City to address the affordable housing needs of Sunnyvale. Most of these programs are currently active and some are new programs that are proposed to meet the growing needs of Sunnyvale's residents or to address identified gaps in service. Some existing programs are recommended to be modified to address the affordable housing needs identified in the Housing Strategy. The recommendations are in an effort to expand and improve existing programs, to address the on-going short and long-term needs of very-low to moderate-income households, and to continue working towards the goal of providing a full spectrum of services for very-low to moderate income families – as delineated by the City of Sunnyvale. For each program, existing funding sources are identified in Attachment A.

1. Ongoing Operational Programs that Enhance the Livability of Housing in the City of Sunnyvale – and Any Proposed Modifications

The goals of the City's housing programs are: to preserve and improve housing conditions; and to support the increased development of affordable housing by improving the physical conditions of the City's housing and increasing the supply of safe, habitable and affordable housing. According to the City's Housing and Community Revitalization Sub-Element and Community Development Strategy, approximately 8% of Sunnyvale's housing stock (4,300 units) may be in need of rehabilitation. Most substandard housing is concentrated in neighborhoods with concentrations of low and moderate-income households. One of the City's objectives, as set forth in the 2005-2010 Consolidated Plan, is to assist in the preservation of ownership and rental housing units, including the rehabilitation, emergency repairs, and painting of homes of low-income households. (See 2005-2010 Consolidated Plan, §4.32, Goal B, Priority B-2).

It is recommended that annually staff review the interest rates of all of the City's rehabilitation programs and adjust them to ensure that these rates remain competitive with other resources for borrowers. Specific rates are recommended for current program changes proposed in this document.

a. Single Family Rehabilitation Loans

Sunnyvale's home rehabilitation loan programs have been implemented since the 1980's; and the Single Family Rehabilitation Loan Program guidelines were established by City Council in 1998 as a loan program for low-income homeowners. This Program provides low interest loans to address code violations, deferred maintenance, general improvements, and livability of the structure. The purpose of the Rehabilitation Program is to ensure that the homeowners are living in safe and sanitary homes. All code violations are corrected and all deferred maintenance items are included in the repairs.

(1) *Current Terms and Criteria for the Single Family Rehabilitation Loans*

Under the Single Family Rehabilitation Loan Program, the maximum loan is $60,000; and the income of the borrower, per HUD regulations, cannot exceed 80% of AMI. Borrowers must own and occupy their home, hold title to the home, and it must be their primary residence. The loans can be used for the following necessary repairs: electrical, roofing, weatherization, kitchen remodel, plumbing, heating, bath remodel, structural reinforcement, all health and safety violations, and any conditions that do not meet the City's Housing Code. The City inspects the home and determines the scope of the rehabilitation and for needed repairs. The City also arranges for competitive bidding to take place by inviting eligible contractors to bid on the project. After all bids are received and compared, the Borrower selects the contractor.

The interest rates for the Single Family Rehabilitation Program range from 3% to 5% simple interest depending on the household income and the ability to repay. Loans to very-low income households (50% of AMI) are deferred payments for the life of the loan. Loans to households earning between 50% and 80% are not deferred; and the maximum term of all loans is 15 years. The loan advanced to the borrower is secured by a lien recorded against the home.

(2) *Recommended Changes to the Single Family Rehabilitation Loan Program*

Despite the Rehabilitation Program's successes, staff regularly evaluates the Program to ensure it continues to address the current needs of low-income households, while also maintaining the efficient management of the Program. After reviewing the current loan terms, the following modifications are recommended so that the loan terms are more affordable and equitable to applicants of all low-income households:

- **Modify the loan terms for the Rehabilitation Loan so that it has a fixed 3% interest rate, a longer loan term, and a possibility of deferral of payments for all applicants.** Currently, the interest rate on the Rehabilitation loan ranges between 3% and 5% depending on the homeowner's level of income. The recommendation is to set the interest rate at 3% for all low-income applicants, while also lengthening the term of the loan. If an applicant is 60 years of age or over, the term of the loan would be for all amounts to be due upon the sale or transfer of the home; and loan payments would be deferred until the loan was repaid. If an applicant is under the age of 60, then the maximum loan term would be 30 years. Loan payments would be deferred only if the household's monthly housing costs, including an amortized rehabilitation loan payment, were greater than 30% of the household's gross monthly income (the affordability threshold)[25]. With these modifications, the loan terms would be more consistent for each applicant, while also providing case-by-case evaluations to determine whether a low-income household could reasonably afford monthly loan payments.

- **The low-income borrower may be eligible for additional home improvement loans in connection with the Rehabilitation Loan.** As a point of clarification to the Program, borrowers may also be eligible for the following loans, in conjunction with and in addition to the Rehabilitation Loan: the Energy Efficiency Loan (maximum loan amount $25,000), the Emergency Repair Loan (maximum loan amount $5,000) and/or the Paint Loan (maximum loan amount $4,000). The purpose for this proposed clarification is to expressly state the intent and goal of the Single Family Home Rehabilitation Program – which is to provide low-income borrowers with the opportunity to qualify for a rehabilitation loan, along with additional loans, that would assist them in maintaining their homes in a safe and sanitary manner.

(3) *Funding Sources for the Single Family Rehabilitation Loan Program*

The Single Family Rehabilitation Loan Program is funded by the CDBG Revolving Loan Fund; and the City allocates funds for this program along with the Energy Efficiency Loan Program and the Mobile Home Rehabilitation Loan Program. For the 07/08 fiscal year, a total of $500,000 has been allocated for these three rehabilitation activities. The number of loans expected to be funded this fiscal year is a total of 20 for all programs.

b. <u>Energy Efficiency Loan Program</u>

The Energy Efficiency Loan Program was established by the City Council in June 2001. The Program addresses the needs of low-income homeowners by providing loans to increase the

[25] The applicant's monthly housing costs would be calculated only at the time of the application of the loan for purposes of a possible loan deferral.

energy efficiency of residences, including mobile homes. The Energy Efficiency Program funds repairs to replace inefficient and aging appliances, heating systems, windows, increase insulation, and other types of weatherization improvements.

(1) *Current Terms and Criteria for the Energy Efficiency Loan Program*

Under the Energy Efficiency Loan Program, the maximum loan is $25,000; and the income of the borrower, per HUD regulations, cannot exceed 80% of AMI. Borrowers must own and occupy their home, and it must be their primary residence. The loans can be used for the following repairs: replacement of inefficient appliances, heating systems, windows, increased insulation, and other types of weatherization/energy efficiency improvements. The City inspects the home and determines the scope and need for repairs. The City arranges for competitive bidding to take place by inviting eligible contractors to bid on the project. After all bids are received and reviewed, the Borrower selects the most responsible bidder.

The interest rates for this Program range from 3% to 5% simple interest depending on the household income and the ability to repay. Loans to very-low income households (50% of AMI) are deferred payments for the life of the loan. Loans to households earning between 50% and 80% are not deferred; and the maximum term of all loans is 15 years. The loan advanced to the borrower is secured by a lien recorded against the home.

(2) *Recommended Changes to the Energy Efficiency Loan Program*

When this Program was established, it was determined that the same loan terms used in other existing housing programs would apply. After reviewing the current loan terms, the following modifications are proposed so that the loan terms are more affordable and equitable to applicants of all low-income households. It is also proposed that this loan program specifically include funding for roof repairs, in order to reflect the full intent of the program – which is to provide low-income home owners with the ability to improve the energy efficiency of their homes.

- **Modify the loan terms for the Energy Efficiency Loan so that it has a fixed 3% interest rate, a longer loan term, and a possibility of deferral of payments for all applicants.** Currently, the interest rate on the Energy Efficiency loan ranges between 3% and 5% depending on the homeowner's level of income. It is recommended that the interest rate be set at 3% for all low-income applicants, while also lengthening the term of the loan. If an applicant is 60 years of age or over, the loan would be due upon the sale or transfer of the home; and the loan payments would be deferred until the sale or transfer. If an applicant is under the age of 60, then the maximum loan term would be 30 years. Loan payments would be deferred only if the household's monthly housing costs, including the Energy Efficiency loan payment, were greater than 30% of the household's gross monthly income (the affordability threshold)[26]. With these modifications, the loan terms would

[26] The applicant's monthly housing costs would be calculated only at the time of the application of the loan for purposes of a possible loan deferral.

be more consistent for each applicant, while also providing case-by-case evaluations to determine whether a low-income household could reasonably afford monthly loan payments.

- **The Energy Efficiency Loan can be used for repairing or replacing roofs**. The purpose of this proposed additional term is to expressly state the intent of the program – which is to provide low-income homeowners with the ability to increase the energy efficiency of their homes. Funding loans for roofing repairs, under this program, would provide low-income homeowners with the ability to further improve the energy efficiency of their homes.

(3) *Funding Sources for Energy Efficiency Loan Program*

The Energy Efficiency Loan Program is funded by the CDBG Revolving Loan Fund; and the City allocates funds for this program along with the Single Family Rehabilitation Loan Program and the Mobile Home Rehabilitation Loan Program. For the 07/08 fiscal year, a total of $500,000 has been allocated for these three rehabilitation activities. The number of loans expected to be funded this fiscal year is a total of 20 loans for all programs – of which three loans are estimated for the Energy Efficiency Loan Program.

c. <u>Mobile Home Rehabilitation Loans</u>

The City of Sunnyvale offers low interest home repair loans to Sunnyvale mobile home residents with low to moderate incomes at or below 80% of AMI. The Program provides low interest loans to address deferred maintenance, health and safety issues, and updates to mobile homes.

(1) *Terms and Criteria for the Mobile Home Rehabilitation Loans*

Under the Mobile Home Rehabilitation Loan Program the maximum loan is $15,000; and the income of the borrower, per HUD regulations, cannot exceed 80% of AMI. Borrowers must own and occupy the mobile home, and it must be their primary residence. The loans can be used for the following necessary repairs: electrical, plumbing, heating, roofing and weatherization. The City inspects the home and determines the scope of the rehabilitation and for needed repairs. The City also arranges for competitive bidding to take place by inviting eligible contractors to bid on the project. After all bids are received and reviewed, the Borrower selects the most responsible bidder.

The interest rates for the Mobile Home Rehabilitation Program range from 0% to 5% simple interest depending on the household income and the ability to repay. Loans to very-low income households (50% of AMI) are 0% and are deferred. Loans to households earning between 50% and 80% are 4% to 5%; and the maximum term of all loans is 10 years. The loan advanced to the borrower is secured by a lien recorded against the mobile home.

(2) *Recommended Changes to Mobile Home Rehabilitation Loans*

After reviewing the current loan terms, the following modifications are recommended so that the loan terms are more affordable and equitable to applicants of all low-income households.

- **Modify the loan terms for the Mobile Home Rehabilitation Loan so that it has a fixed 3% interest rate, a longer loan term, and a possibility of deferral of payments for all applicants.** Currently, the interest rate on the Rehabilitation loan ranges between 0% and 5% depending on the homeowner's level of income and ability to repay the loan. The recommendation is to set the interest rate at 3% for all low-income applicants, while also lengthening the term of the loan. If an applicant is 60 years of age or over, the term of the loan would be for all amounts to be due upon the sale or transfer of the home; and loan payments would be deferred until the loan was repaid. If an applicant is under the age of 60, then the maximum loan term would be 30 years. Loan payments would be deferred only if the household's monthly housing costs, including an amortized rehabilitation loan payment, were greater than 30% of the household's gross monthly income (the affordability threshold). With these modifications, the loan terms would be more consistent for each applicant, while also providing case-by-case evaluations to determine whether a low-income household could reasonably afford monthly loan payments.

(3) *Funding Sources for Mobile Home Rehabilitation Loans*

The Sunnyvale Mobile Home Rehabilitation Loan Program is funded by the CDBG Revolving Loan Fund; and the City allocates funds for this program along with the Single Family Rehabilitation Loan Program and the Energy Efficiency Loan Program. For the 07/08 fiscal year, a total of $500,000 has been allocated for these three rehabilitation activities. The number of loans expected to be funded this fiscal year is a total of 20 loans for all programs.

d. Paint Loans and Grants Programs

The Paint Program guidelines were established by City Council in 1998 as a program providing a $1,500 grant to low-income individuals over the age of 60, and disabled individuals. Due to higher project costs resulting from HUD lead-paint mandates, in October 2002, City Council approved guidelines that modified the Paint Program and created the Paint Loan Program and the Paint Grant Program.

The Paint Loan Program provides low interest loans to low-income, single-family homeowners to paint the exterior of their homes. This program provides loans up to $4000 to 60 year old, or older, homeowners to have a licensed painting contractor, following HUD lead-safe work practices, paint the home. Paint Grants of up to $1000 are provided to low-income homeowners less than 60 years of age for reimbursement of paint material and testing costs for the painting of the exterior of their home.

(1) *Current Terms and Criteria for the Paint Loan Program*

Under the Paint Loan Program, the maximum loan is $4000; and the income of the borrower, per HUD regulations, cannot exceed 80% of AMI. Borrowers must own and occupy their home, hold title to the home, and it must be their primary residence. The borrower must be either disabled or over the age of 60; and the loan funds must be used to pay for materials and labor to paint the exterior of the home. One of the approved painting contractors on the City's list must be selected and used by the borrower; and the borrower must obtain a minimum of two estimates for the work to be completed. A borrower cannot complete the work himself or herself.

The loan terms for the Paint Loan Program are: an interest rate of 3%, simple interest; payments of principal and interest are deferred until the transfer or sale of the property; the loan advanced to the borrower is secured by a lien recorded against the home. Applicants may only apply for **one** of the paint programs.

(2) *Current Terms and Criteria for the Paint Grant (Reimbursement) Program*

Under the Paint Grant Program, the maximum grant is $1000; and the income of the recipient cannot exceed 80% of AMI. Recipients of the grant must own and occupy their home, must hold title to the home, and it must be their primary residence. Recipients must be under the age of 60. The Paint Grant Program only reimburses recipients for paint and painting materials/supplies and the cost for the lead-based paint risk assessment and testing. All receipts must be saved for reimbursement purposes. Applicants may only apply for **one** of the paint programs.

(3) *Recommended Changes to Both Paint Programs*

Because of the age restrictions included in the guidelines for the Paint Loan and Grant Programs, applicants to the Paint Programs cannot choose the Paint Program for which they may apply. Consequently, applicants to the Paint Programs have questioned the age restrictions and have expressed reservations given their lack of choices – as many individuals over the age of 60 prefer to apply for a grant and paint their homes, and individuals under the age of 60 prefer to obtain a loan and hire a licensed contractor to paint their homes. The age restrictions were originally implemented in an effort to provide seniors with more money in order to hire paint contractors. However, given the expressed reservations of applicants and in an effort to improve and streamline the Paint Programs, the proposed changes are recommended:

- **Eliminate the age restrictions for the Paint Loan and Paint Grant Programs.** By removing the age restrictions for the Paint Programs, the Programs become more inclusive; they allow members of each age group (above and below the age of 60) the choice to complete work on their homes or to hire a City-approved, licensed contractor; and allow members of each age group the choice of applying for a loan or grant.

(4) *Funding Sources for Paint Grants and Loans*

The Paint Loan and Paint Grant Programs are federally funded through HUD's CDBG Program; and the City allocates funds for these two programs together with the Home Access Grant and Emergency Loan Programs. Therefore, a total of $100,000 has been allocated for the 07/08 fiscal year for the Paint Loan, Paint Grant, Home Access Grant and Emergency Loan Programs; and it is expected that a total of 30 projects will be funded for these four programs for the 07/08 fiscal year.

e. Home Access Grants

The Home Access Grant Program has been in effect since 1980 and serves approximately 20 residents per year. The Homes Access Grant is a grant which provides funds to retrofit homes by eliminating physical barriers which inhibit the use of the dwellings occupied by low-income disabled persons. Much of the activities are focused on the accessibility of mobile homes by the installation of hydraulic lifts for wheelchair accessibility.

(1) *Current Terms and Criteria for the Home Access Grant Program*

The Home Access Grant Program provides grants of up to $6,500. The grant recipient must be disabled and their income may not exceed 80% of AMI. Typical projects funded through the Home Access Grant Program range from bathroom modifications which include: grab bars, bath benches, and hand-held shower heads; to modular ramps, door widening and the installation of hydraulic lifts. Average costs range from $2,950 to install recycled lifts to $6,500 for new lift installations. When the City's inventories of available lifts are all in use, new lifts are purchased to accommodate applicant requests.

(2) *Recommended Changes to the Home Access Grant Program*

There are no changes recommended at this time.

(3) *Funding Sources for Home Access Grant Program*

The Home Access Grant Program is federally funded through HUD's CDBG Program; and the City allocates funds for this program together with the Paint Grant, Paint Loan and Emergency Loan Programs. Therefore, a total of $100,000 has been allocated for the 07/08 fiscal year for the Paint Loan, Paint Grant, Home Access Grant and Emergency Loan Programs; and it is expected that a total of 30 projects will be funded for these four programs for the 07/08 fiscal year.

f. Emergency Loan Program

The Emergency Loan Program provides emergency repair grants to fund critical health and safety repairs for low-income home owners. This program provides low interest loans to low-income families – and the loan is for up to a maximum of $5,000.

(1) *Current Terms and Criteria for the Emergency Loan Program*

Under the Emergency Loan Program, the maximum loan is $5,000; and the income of the borrower, per HUD regulations, cannot exceed 80% of AMI. Borrowers must own and occupy their home, and it must be their primary residence. The loans can be used for the following necessary repairs: burst pipes; water heater repairs; heating repairs; sewer line repair or replacement; or any other repair that affects the immediate health and safety of the household. The work must be completed by one of the approved contractors on the City's list; and the borrower must obtain a minimum of two estimates for the work to be completed. A borrower cannot be compensated for completing the work.

The interest rate for the Emergency Loan Program is 3% simple interest and payments of principal and interest are deferred until the transfer or sale of the property; the loan advanced to the borrower is secured by a lien recorded against the home.

(2) *Funding Sources for the Emergency Loan Program*

The Emergency Loan Program is federally funded through HUD's CDBG Program; and the City allocates funds for this program together with the Paint Grant, Paint Loan and Home Access Grant Programs. Therefore, a total of $100,000 has been allocated for the 07/08 fiscal year for the Paint Loan, Paint Grant, Home Access Grant and Emergency Loan Programs; and it is expected that a total of 30 projects will be funded for these four programs for the 07/08 fiscal year.

g. <u>Multi-Family Rental Property Rehabilitation Loan Program</u>

This Program provides low interest loans to address code violations and general improvement and updates to multi-family rental housing structures. Low-interest loans are available to help owners of housing which is rented primarily to households of low and very low-income to repair and modernize their property. Property owners, in turn, must agree to maintain affordable rents following rehabilitation of the property.

(1) *Current Terms and Criteria for the Multi-Family Rental Property Rehabilitation Loans*

Under the Multi-Family Rental Property Rehabilitation Loan Program, the maximum loan amounts are: (a) $60,000 for one single-family unit; (b) $120,000 for duplexes; and (c) $25,000 per unit with three or more units. The City's loan plus all other indebtedness secured by the property cannot exceed 85% of the value of the property.

Owners of rental property must verify that at least 51% of the occupants residing in the units have gross annual household incomes that do not exceed 80% AMI. Qualifying properties must be located in the City of Sunnyvale. After rehabilitation, the unit rents will be affordable for lower income tenants according to current Fair Market Rents as established by HUD and/or rent increases are limited for a period of 5-10 years.

The loans can be used for the following necessary repairs: electrical, roofing, weatherization, kitchen remodel, plumbing, heating, bath remodel, structural reinforcement, all health and safety violations, and any conditions that may require updating. The City inspects the home and determines the scope of the rehabilitation and needed repairs. The City also arranges for competitive bidding to take place by inviting eligible contractors to bid on the project. After bids are received and reviewed, the Borrower selects the most responsible bidder.

The loan terms are: a fixed interest rate ranging between 3% and 6%. Interest rates are negotiable and based on the ability of the property to service the debt. The maximum loan term is 25 years, although shorter repayment schedules may be chosen by the borrower. The loan advanced to the borrower is secured by a lien recorded against the property, and a rent regulatory agreement is recorded to ensure long-term rental rate affordability.

(2) *Recommended Changes to the Multi-Family Rental Property Rehabilitation Loan Program*

Staff has noted that since the inception of this program in 1986, multi-family rental property owners have shown a lack of interest in the rehabilitation loan program. In fact, only 8 loans have been funded since the program began, despite the fact that the City identified nearly 4,500 multi-family housing units, or 17% of all multi-family housing units, were in need of substantial reinvestment. [27] Most of the units in need of substantial rehabilitation were in smaller complexes, housing two to ten units.

The Community Development Strategy of 2003 further found it was highly improbable that the private market would achieve a noticeable improvement in multi-family housing conditions without public stimulation of some form. Therefore, pro-active code enforcement was recommended, along with rehabilitation loans. Because multi-family rental property owners have not utilized the Multi-Family Rental Property Rehabilitation Loan Program, the following changes to the program are recommended - along with noting that it may be equally effective for the City to continue its pro-active code enforcement in order to encourage property owners to undertake necessary improvements and repairs to multi-family rental property in Sunnyvale.

- **Modify the loan terms for the Multi-Family Rental Property Rehabilitation Loan Program so that it has a fixed 3% interest rate and a possibility of deferral of payments based upon the property's ability to service the debt.** Currently, interest rates on the Multi-Family Rental Property Rehabilitation Loans range between 3% and 6%. The recommendation is to set the interest rate at 3% - consistent with the proposed interest rate for all other housing programs that enhance the livability of homes occupied by low-income households. Loan payments may be deferred if the borrower demonstrates the property's inability to make amortized payments; and the possible deferral of payments would be evaluated on a case-by-case basis. With these modifications, the loan terms would be more consistent with all other housing programs, while also providing further incentive for multi-family rental property owners to apply for the rehabilitation loan.

[27] See Community Development Strategy, 2003, pp. 13, 22-23.

- **Create pilot program that identifies target areas within Sunnyvale to provide greater incentives for the Multi-Family Rental Property Rehabilitation Loan Program.** According to the windshield survey conducted of each property in the City at the end of 2001, there were 4,465 multi-family units (or 17% of all multi-family units) in the City that were in need of substantial rehabilitation.[28] Most of the units in need of substantial rehabilitation were in smaller complexes, housing two to ten units; and these units were concentrated in a few target neighborhoods[29] which were identified in Sunnyvale's 2005-2010 Consolidated Plan and 2003 Community Development Strategy as "neighborhood action areas."[30]

  Therefore, consistent with these neighborhood action areas, it is proposed those owners of multi-family rental property in: Ahwanee; San Juan; and the Eastern part of Homeowners Association of "Low Landers" (HOLA) are provided additional incentive to apply for the Multi-Family Rental Property Rehabilitation Loan. Specifically, a pilot program is proposed for the next 3 to 5 years where multi-family rental properties located in the identified neighborhood action areas can apply for the multi-family rehabilitation loan at zero percent interest for the first five years of the loan – and all other program loan terms would remain the same. Should Council wish to consider different affordability terms for the pilot program than is required with CDBG funding, other funding sources will need to be explored – such as Housing Mitigation Funds or RDA Housing Set-Aside Funds because those funds lack some of the restrictions HUD imposes with CDBG funding.[31]

(3) *Funding Sources for the Multi-Family Rental Property Rehabilitation Loans*

The Sunnyvale Multi-Family Rental Property Rehabilitation Loans are federally funded through HUD's CDBG Program; and no funding has been allocated for the 07/08 fiscal year – due to owners' lack of interest in the program.

2. Existing Sunnyvale Programs Targeting First Time Homebuyers and Renters – and Proposed Modifications

a. First Time Homebuyer Program - Down Payment Assistance Loan

[28] See City of Sunnyvale Community Development Strategy 2003, pp. 13-14, 39-45. Multi-family housing that requires substantial rehabilitation: have unit sizes that are substandard, lack routine maintenance, lack the completion of major repairs, and have severe deterioration.
[29] See: City of Sunnyvale 2005-2010 Consolidated Plan, p.4-16.
[30] Neighborhood action areas are areas identified in the City of Sunnyvale 2005-2010 Consolidated Plan (p.4-17, 4-18) and City of Sunnyvale Community Development Strategy 2003 (pp.14, 23, 25, 39-45) that require a more concerted approach to service delivery; and the level of service in action areas will likely be higher than is provided city-wide. These areas require a proactive approach to community development.
[31] At the time of the initial loan (using CDBG funds), HUD requires that at least 51% of the multi-family units be occupied by households earning 80% of AMI or below; and as vacancies occur, the units must be rented to households earning up to 80% of AMI, as well.

The First Time Homebuyer Down Payment Assistance Loan Program (FTHB Program) began in the spring of 2005. Although the FTHB program is a relatively new program, since its inception, twenty-eight (28) loans have been funded for low-income households to purchase Below Market Rate (BMR) units. This program has provided low-income households with the opportunity to purchase homes with affordable monthly housing costs. Funding for the FTHB Program has been provided through the BMR-in-Lieu-Reserve fund.

(1) *Current Terms and Criteria for the FTHB Program*

Under the FTHB Program, the income of the borrower cannot exceed 80% of area median income and the maximum loan amount is $50,000. Currently, the borrower must be on the BMR Ownership waiting list in order to participate. All of the requirements of the BMR Program apply to the applicants. The loan terms for the FTHB Program are: an interest rate of 3%, simple interest; amortized over 30 years; payments are deferred for the first five years; and the balance of the loan, if any, is due in full at the end of the initial 30-year period, upon sale or legal transfer, upon refinancing of the property, or if the property is no longer the principal residence of the borrower – whichever occurs sooner.

(2) *Recommended Changes for the FTHB Program*

At present, there are 491 applicants on the active BMR Homeownership Wait List – with 441 additional applicants below the line on the Wait List. Forty-six BMR units are projected to become available in FY 07/08 and an additional 161 ownership units are projected to become available between FY 2008/09 and 2010/11. Table 18 shows the estimated BMR ownership units that will become available between 2008/09 and 2010/11.

Table 18 - Estimated BMR Ownership to be Available Between FYs 08/09 and 10/11

Development	**Number of BMR Ownership Units**
637 E. Taylor Ave	5
960 Duane Ave	30
Sunnyvale Mall	37
1044 E. Duane	38
1250 Lakeside	30
1170 Morse	6
805 Fremont	5
1050 Helen	4
394 E. Evelyn	6
Total	**161**

Moreover, all FTHB loans have been funded at the maximum amount of $50,000 because all of the low-income applicants assisted required that much assistance to reduce the conventional loans so that they would qualify for financing, to avoid private mortgage insurance costs (“PMI Insurance”) and to achieve affordable housing costs that did not exceed 30% of the household's gross monthly income. At least one-third of the low-income applicants under this program require greater down payment assistance in order to make their purchases affordable (where monthly housing costs do not exceed 30% of the household's gross monthly income); and that number may increase over the next three years.

The proposed changes to the FTHB Program address the needs of the growing number of households on the wait-list for BMR homeownership units, and the expanding affordability gap for low-income households – where the income earned versus the income needed for daily living expenses and purchasing and maintaining a home in Sunnyvale continues to grow. In order to address the increased housing costs associated with homeownership (rising interest rates, PMI costs, home insurance and homeowner's association dues), increased living expenses (fuel, utilities, food, medical costs, etc.) and successfully assist more low-income households to achieve the long-term goal of affordable homeownership, below are the changes and goals for the FTHB Program:

- **Increase the loan maximum from $50,000 to up to $75,000 for households with incomes at or below 120% AMI** in order to reach housing affordability levels for low and moderate-income households purchasing their first home.

- **Provide funding for the FTHB Program from the Housing Mitigation Fund**: The goals of the Housing Mitigation Fund are to support homeownership in Sunnyvale and to create housing opportunities for employees of Sunnyvale companies so that they can live closer to their employment. Funding of $1.2 million per year, over the next three years, will support approximately 16 loans per year under this program.

- **Alternative Modifications to this Program (not recommended at this time):** Some additional modifications that may be considered for this Program, based upon the loan programs of other jurisdictions, include: modifying the loan interest rate to 0% for the life of the loan; modify the loan interest rate to 0% for the first five years and defer the loan for first five years; defer the loan until it is due (up to 30 years, or upon sale or transfer); or forgive the loan if the borrower remains in the residence for the life of the loan. These modifications may be considered, at this time these are not recommended.

Included in Attachment C are descriptions of down payment assistance programs of other jurisdictions in the area. Many cities with similar programs, in neighboring jurisdictions, have increased their loan amounts to first-time home buyers to $75,000 or greater. Oakland, the City of Menlo Park, the City of Santa Clara and Foster City all provide down payment assistance in loan amounts up to $75,000. San Jose provides down payment assistance in amounts ranging from $30,000 to $162,000. The recent predatory lending crisis has dramatically shown how critical long-term affordability is for first time homebuyers, so that not only can they purchase, but continue to afford and live in their homes.

(3) *Example of BMR Property Purchase with FTHB Down Payment Assistance*

If a household of four were purchasing a new Sunnyvale BMR unit containing three bedrooms, the following example illustrates how a down payment loan of $75,000 would enable a family at 70% of AMI purchase a BMR housing unit.

Table 19 -Effect on Affordability With or Without Down Payment Assistance (DPA) Loan for a Four-Person Household Purchasing a Three-Bedroom BMR Unit

	Model 1 Without DPA	**Model 2 (current) With $50,000 DPA**	**Model 3 (proposed) With $75,000 DPA**
Sales Price for BMR Unit	$249,821	$249,821	$249,821
Approximate Closing Costs*	$ 7,405	$ 7,405	$ 7,405
Max. City DPA Loan	$ 0	- $ 50,000	- $75,000
Buyer Down Payment (Minimum 3%)	- $ 7,405	- $ 7,405	- $ 7,405
Amount to be Financed	$242,416	$192,416	$167,416
Amortized Monthly Pmt of 30 Year Loan @ 7.0%	$ 1,612	$ 1,280	$ 1,114
Monthly Private Mortgage Insurance (PMI)**	$ 178	$ 0	$ 0
Inc. @ 70% of AMI (4 Person household)	$ 73,850	$ 73,850	$ 73,850
Max. Annual housing expense @ 30% of income	**$ 22,155**	**$ 22,155**	**$ 22,155**
Annual Loan Payments***	$ 19,344	$ 15,360	$ 13,368
Annual Housing Costs****	$ 6,000	$ 6,000	$ 6,000
Annual PMI	$ 2,136	$ 0	$ 0
Prop. Taxes*****	$ 3,085	$ 3,085	$ 3,085
Total Annual Housing Expense	**$ 30,565 (41% of inc.)**	**$ 24,445 (33% of inc.)**	**$ 22,453 (30% of inc.)**

*Estimated at 3% of the purchase price and not financed
**Calculated at .88% of loan amount
*** Deferral of the DPA loan payments for the first five years would result in no loan payments for the first five years; however, interest would continue to accrue during the deferral period and loan payments would then be calculated as amortized payments over the balance of the loan term (25 years).
****Housing Costs include: homeowner's insurance; homeowner association dues; and maintenance costs
*****Based on 1.25% of Sale Price

Model One, without down payment assistance, results in housing expenses that exceed the affordability threshold of 30% of median income. **Model Two** includes the current, $50,000 down payment assistance loan; however, housing expenses still exceed the housing affordability threshold for low-income households. **Model Three** includes the proposed maximum $75,000 down payment assistance loan; and it results in creating affordability to households at 70% AMI.

(4) *Funding Sources for the FTHB Program*

The FTHB Program is currently funded by the BMR-in-Lieu Reserve Fund; and $540,000 was allocated to the program for fiscal year 07/08. The proposed funding source is the Housing Mitigation Fund, which is a substantially larger source of revenue, with projected revenues of $26.554 million over the next twenty years. The Housing Mitigation Funds would be utilized for loans to new home buyers, while the BMR-in-Lieu Reserve Fund would be used for program support, homebuyer education and audit costs associated with BMR rental property management. Funding of $1.2 million per year from the Housing Mitigation Fund, over the next three years, will support approximately 16 loans per year under this program.

b. <u>FTHB Education Program</u>

The City implemented the FTHB Education Program in 2003. This program operates in tandem with the FTHB Down Payment Assistance Program and the BMR Homeownership Program. Homebuyer educational programs assist qualified renters with household incomes at or below 80% of AMI; and it also provides educational opportunities to existing BMR renters on the BMR ownership wait list.

(1) *Criteria for the FTHB Education Program*

All BMR applicants awaiting an offer to purchase must attend a series of prepurchase education program, which provides training on the restrictions of the program, individual credit counseling, homebuyer education and assistance with the programs application process. At completion, applicants receive a certificate. The certificate is provided as proof of participation in the program.

(2) *Funding Sources for the FTHB Education Program*

The FTHB Education Program is currently funded by the BMR-in-Lieu Reserve Fund; and $10,000 was allocated for the 07/08 fiscal year, with an additional $35,000 requested to modify the budget. It is projected that 250 applicants will attend the FTHB Education Program during the 07/08 fiscal year.

c. <u>Housing for Public School Employees, City Employees and Child Care Teachers Program ("HPCC")</u>

Implementation of the HPCC Program began in May 2002. The Program was created to provide: down payment assistance loans; homebuyer education; and security deposit loans to employees of the four school districts that serve Sunnyvale residents, City of Sunnyvale employees and licensed child care teachers in Sunnyvale who were purchasing or renting market rate homes. The purpose of the HPCC Program was to assist low to moderate-income school district employees and city employees to live closer to their employment and as a recruitment and retention tool. In an extensive Report to Council (RTC 01-220), data showed that the escalating housing and rental prices in the region caused concern about employees' ability to live in the area; and failure to be able to live near work created issues of morale, reduced productivity, reduced involvement in the community and added regional traffic congestion. Since the program's inception, eight (8) down payment assistance loans have been funded and 33 security deposit loans have been funded.

(1) *Current Terms and Criteria for the HPCC Down Payment Assistance Loan Program*

Under the HPCC Down Payment Assistance Program, the borrower must be either: i) employed by a school district serving Sunnyvale and assigned to a school where the majority of students are residents of Sunnyvale; or ii) a full time (permanent) public employee of the City of Sunnyvale; or iii) a qualified, licensed, childcare provider working at a childcare center located within Sunnyvale.

The borrower's income cannot exceed 120% of AMI and the maximum loan amount is $50,000. Borrowers may not have owned a primary residence in Santa Clara County during the last three years. Borrowers may purchase a home located in contiguous surrounding Cities to Sunnyvale; and the homes must be owner-occupied and be the borrower's primary residence. There is no maximum purchase price for the home. The borrower must be able to contribute 5% of the purchase price for the down payment and all closing costs.

The loan terms for the HPCC Down Payment Assistance Program are: an interest rate of 5.5%, fully amortized but with deferred payments until after the fifth year of the loan; the total loan term is not to exceed 30 years, and the balance is due in full at the end of the initial 30-year period, upon sale or legal transfer, or upon refinancing of the property – whichever occurs sooner; there is an equity share provision for the first ten years of ownership - which is based upon the ratio of the City loan to the purchase price, and a multiplier that decreases to 100% in year ten zeroes out in year eleven. The loan must be repaid in full within six months of the employee leaving his or her employment.

(2) *Recommended Changes to the HPCC Down Payment Assistance Program*

Although the original goal for the HPCC Down Payment Assistance Program was to fund twelve loans over the last three fiscal years, the City has only funded a total of eight loans. During FY 06/07, no applications were submitted under this Program. Potential applicants for the loan have expressed reservations to the program as a result of some of the terms associated with the loan. Consequently, modifications to the HPCC Down Payment Assistance Program are proposed so that work force applicants may consider the down payment assistance loan as an opportunity to help them purchase their first home. The goal is to fund approximately 5 loans per year, over the next three years. Therefore, the following changes to the HPCC Down Payment Assistance Program are proposed:

- **Change the interest rate from 5.5% to the 11th District Monthly Weighted Average Cost of Funds Index Rate (COFI):** COFI is one of many indices used by mortgage lenders to adjust the interest rate on adjustable rate mortgages. The COFI is not an interest rate; it reflects the weighted average of the cost of funds for a given month by the Arizona, California, and Nevada savings institution members of the Federal Home Loan Bank of San Francisco. The current index rate is 4.072% - announced on January 31, 2008. Therefore, a loan under the HPCC Down Payment Assistance Loan Program would have an interest rate that equals the COFI index rate – and the rate would be determined each time a loan commitment is issued; the COFI index rate is the rate currently used by the City to determine the interest rate for loans funded for Directors to obtain purchase money financing.

- **Modify the shared equity provision of the loan:** Another deterrent for HPCC Down Payment Assistance Loan Program applicants has been the shared equity provision. The provision requires a payment to the City based upon the ratio of the City's loan to the original purchase price - multiplied by 200% to 100%, depending on how many years the borrower owns the home before he or she substantially defaults on the loan, for example: if the borrower resells the home (200% if the home is resold within the first five years, decreasing to 100% in the 10th year). The equity share provision zeroes out in year eleven. Sunnyvale created its shared equity provision in this manner to guard against windfall profits to the homeowner by selling their home in a short period of time, and to encourage borrowers to stay in their employment and community. The following is an example of the existing equity share formula:

  Original Purchase Price = $450,000; City Loan = $50,000; then the City has an 11% equity share.

Table 20- Current Shared Equity Provision For HPCC DPA Loan

Years held before resale	% Equity Share *	Gross Proceeds	Due City (in addition to loan)
One to Five Years	11%* x 200= 22%	$40,000	$8,800
Sixth Year	11%* x 180= 19.8%	$40,000	$7,920
Seventh Year	11%* x 160= 17.6%	$40,000	$7,040
Eighth Year	11%* x 140= 15.4%	$40,000	$6,160
Ninth Year	11%* x 120= 13.2%	$40,000	$5,280
Tenth Year	11%* x 100= 11%	$40,000	$4,400

*Note: Assuming the City has an 11% equity share based upon the ratio of the City's loan to the original purchase price.

However, the staff's research of surrounding FTHB Programs (see Attachment C) and work force/public service employee housing programs (see Attachment D) indicates that surrounding jurisdictions, when requiring a shared equity payment, utilize the ratio of the City's loan to the original purchase price; and no additional multiplier is used.

Therefore, in an effort to make the HPCC Down Payment Assistance program more attractive to potential applicants, while also guarding against the possibility of a borrower's windfall profits, it is proposed that the shared equity provision require a payment to the City based upon the ratio of the City's loan to the original purchase price - multiplied by 200% if the borrower repays the loan within the first three years of the loan (including the resale of the home). After the first three years, the borrower will pay Sunnyvale an equity share equal to the City's proportionate share until the eleventh year – when the equity share provision zeroes out.

The following is an example of the recommended equity share formula:

> Original Purchase Price = $450,000; City Loan = $50,000; then the City has an 11% equity share.

Table 21- Recommended Shared Equity Provision For HPCC DPA Loan

Years held before resale	**% Equity Share ***	**Gross Proceeds**	**Due City (in addition to loan)**
One to Three Years	11%* x 200= 22%	$40,000	$8,800
Four Years to Ten Years	11%* x 1= 11%	$40,000	$4,400

*Note: Assuming the City has an 11% equity share based upon the ratio of the City's loan to the original purchase price.

- **Eliminate the requirement that the City's loan must be repaid within six months of voluntarily leaving employment:** A primary hindrance for applicants to the HPCC Down Payment Assistance (DPA) Program is the requirement to repay the City's loan within six months of voluntarily leaving their employment – along with the relevant equity share amount. Most applicants are concerned with the ability of being able to obtain refinancing for the loan and the ability to pay the additional costs associated with refinancing. Therefore, it is recommended that the six month requirement be eliminated and that the applicant repay the loan at the end of the loan term, upon sale, refinancing or transfer of the home (whichever occurs first) along with paying the relevant equity share multiplier that would have been due at the time the applicant voluntarily left his or her employment.

  Although this loan term was originally included in the HPCC Down Payment Assistance Loan Program because it was believed this Program was comparable to the City Director home loan program, it has proven to be a deterrent to potential applicants who earn no more than 120% of AMI. Additionally, this loan term is inconsistent with other work-force and FTHB housing programs in surrounding jurisdictions that target moderate income employees. Attachment D sets forth a summary of the work force/public employee housing programs in the surrounding jurisdictions of: the City of San Jose, the City of San Carlos, the City of South San Francisco, the City of Oakland and the City of Emeryville. These programs do not require a repayment of the City's loan upon termination of employment. The surrounding work force/public employee programs are more comparable to the HPCC Program than to the Sunnyvale's Director home loan program, which provides funds up to 100% of the purchase of a home.

- **Alternatively, allow applicants up to three years to repay the City's loan upon voluntarily leaving employment**: Although the recommendation is the elimination of the repayment requirement, an alternative loan term would be to require applicants to repay the City's loan within three years after voluntarily leaving their employment. The three year term within which to repay the City's loan could provide applicants with sufficient time to refinance or sell their homes, and would eliminate the urgency required of the current six-month requirement.

- **Alternatively, for applicants who have been employed more than ten years, provide an option between repaying the City loan upon voluntarily terminating their employment or choosing a permanent equity share equal to the equity share due in the 10th year:** Although the recommendation is the elimination of the repayment requirement, an alternative loan term would be to offer applicants who have been employed more than ten years the option to have a permanent equity share provision – that is equal to the equity share of the 10th year. The applicant would pay the City the relevant equity share amount upon the sale, transfer, refinance or at the end of loan term (whichever occurs first).

- **Increase the income limit to 150% AMI:** Since the HPCC Down Payment Assistance Loan Program guidelines were approved by the City Council in 2002, the income levels of many employees of the City of Sunnyvale have increased. Also, when considering that increases in the cost of market-rate housing in Sunnyvale, and the region, have outpaced the increases in salaries, a growing number of work force employees are unable to purchase market-rate homes without assistance. Therefore, in an effort to increase the success of the HPCC Down Payment Assistance Program and effectively utilize the program as a recruitment and employment retention tool, the recommendation is to increase the income levels for the Program from 120% AMI to up to 150% AMI.

- **Alternatively- keep the income limit at 120% AMI**, rather than 150% AMI. Although there is a need for housing above 120% AMI, the regional Fair Share goals are established for moderate income only up to 120% AMI, and units created for those above 120% AMI are not counted as affordable units. Also, limited funding sources target income levels at 120% AMI or below and it may be difficult to leverage other resources if programs do not serve 120% AMI or below.

- **Alternative Modifications to this Program (not recommended at this time):** Some additional modifications that may be considered for this Program, based upon the work force loan programs of other jurisdictions, include: modifying the loan interest rate to 0% or 3% for the life of the loan; defer the loan payments during the life of the loan (up to 30 years, or upon sale or transfer); provide for a shared equity payment that does not include a penalty provision for the first three years; or eliminate the shared equity payment if the home is resold to another qualified buyer under the program. Although these modifications may be considered, at this time they are not recommended.

(3) *Criteria for the HPCC Homebuyer Education Program*

The HPCC Homebuyer Education Program includes a series of specialized classes and individual counseling. The eligibility criteria for attending the HPCC Education Program are as follows: all City of Sunnyvale employees and employees of the four school districts that serve Sunnyvale, including spouses and significant others may attend; qualified child care providers, including spouses or significant others; and there is no income limitation because the program is relatively low in cost.

(4) *Recommended Changes to the HPCC Homebuyer Education Program*

No changes are recommended at this time.

(5) *Current Terms and Criteria for the HPCC Security Deposit Loan Program*

Under the HPCC Security Deposit Loan Program, the borrower must be either: i) employed by a school district serving Sunnyvale and assigned to a school where the majority of students are residents of Sunnyvale; or ii) a full time (permanent) public employee of the City of Sunnyvale; or iii) a qualified childcare provider working at childcare center located within Sunnyvale.

The borrower's income cannot exceed 120% of AMI and the maximum loan amount is $5,000. The loan must be used to cover the first month's rent, last month's rent, cleaning deposit or any other deposit necessary to obtain rental housing. Borrowers may rent housing within Sunnyvale or contiguous surrounding Cities. The loan terms are: the loan is for up to one year; at 0% interest.

(6) *Recommended Clarification for the HPCC Security Deposit Loan Program*

The HPCC Security Deposit Loan Program has been a successful program for work force employees; therefore, the only modification proposed to the Program is a point of clarification:

- **The HPCC Security Deposit Loan is available one (1) time to each borrower and his or her household**. The purpose of this proposed additional term is to expressly state the intent of the program – which was to provide the Security Deposit Loan assistance once to each household.

(7) *Funding Sources for the HPCC Program*

The three HPCC Programs are currently funded by the Housing Mitigation Fund; and in fiscal year 2007/2008, a total of $200,393 was allocated for the Down Payment Assistance Loan Program and the Security Deposit Loan Program. No funding has been allocated for the Homebuyer Education Program for fiscal year 07/08; however, the homebuyer education program has been attended by 1,321 people since the inception of the program. Sufficient funding has been allocated for approximately 3 down payment assistance loans.

d. Individual Development Accounts (IDAs)

Individual Development Accounts (IDAs) is a program designed to assist low-income Sunnyvale residents to save funds toward the purchase of a home in Sunnyvale. IDA is a strategy to assist families to progress economically through saving and investing. IDA participants learn the skills of saving and managing their finances to achieve their goal of saving money to build assets, by owning a home. They improve and learn how to maintain their creditworthiness and how to become "mortgage-ready" to purchase a home.

There are currently 20 active participants in the IDA program; one participant has completed the program and purchased a BMR property. Two more applicants have completed the IDA program and are ready to begin the process of purchasing a home. The initial budget for the IDA program was $330,000 – of which $250,000 has already been allocated to the current program. The continued support from Council for the IDA program is important in order to ensure that low-income households in Sunnyvale have the ability to save funds towards the purchase of a home.

(1) *Current Terms and Criteria for IDAs*

The City matches the IDA Saver's deposits on a 2:1 ratio up to a maximum match of City funds of $10,000 to the Saver's $5,000. The Saver's household is limited to 80% AMI. The funds may only be used for down payment and closing costs for purchasing a home that will be owner-occupied in Sunnyvale. Prospective savers attend financial education programs and meet with IDA counseling staff. The savings goals must be completed within 36 months; a minimum time frame of 18 months for reaching the savings goal is required to help the Saver develop the habits of monthly saving. If the funds are withdrawn prior to reaching the savings goal of purchasing a home, no City match funds are provided. The Saver is eligible to participate in the City's other assistance programs.

(2) *Funding Sources for IDAs*

The IDA Program is currently funded by the BMR In-Lieu Sub-fund; and $110,000 is allocated for the 07/08 fiscal year. The number of IDAs expected to be funded for the 07/08 fiscal year is six. It is also estimated that the remaining $80,000 from the initial funding, along with an additional $220,000 in funding – for a total of $300,000 for fiscal year 08/09 - will continue to meet the overall goals of the IDA and BMR programs. Approval of $300,000 in funding for the IDA program will serve an additional 27 new IDA participants in fiscal year 08/09.

e. Below Market Rate (BMR) Housing Programs – Homeownership and Rental Housing

As described above, the BMR Program currently requires all residential developments consisting of nine or more ownership units to designate 12.5% of its units to affordable housing for low and/or moderate-income homeowners. The BMR requirement for rental developments consisting of nine or more units is at 15%. For ownership and rental developments of between nine and nineteen parcels or units, the Director of Community Development, upon request by the developer, may waive the requirements to provide BMR units in exchange for the payment of a BMR in-lieu fee. The period of affordability is 30 years for owner-occupied units and 55 years for rental units. There is no BMR requirement for developments of less than nine parcels or units.

Sunnyvale's BMR Home Ownership program provides homeownership opportunities to households at 70% to 120% of AMI. The BMR Rental Housing Program requires that owners of multi-family housing complexes rent designated units in their complexes at rents lower than market rate. BMR rental units are eligible to households with incomes at or below 70% of AMI.

Sunnyvale currently has 294 BMR Home Ownership units and 235 BMR Rental units. An additional 161 ownership units are estimated for FY 08/09 through FY 10/11; and an additional 137 rental units are estimated for FY 08/09 through FY 10/11. Table 22 illustrates the estimated units to be developed in the next few years.

Table 22 - Estimated BMR Units to be Developed During FY08/09 to FY10/11

Development	**Number of BMR Rental Units**	**Number of BMR Ownership Units**
637 E. Taylor Ave		5
960 Duane Ave		30
Town and Country	51	
Sunnyvale Mall		37
1044 E. Duane		38
1250 Lakeside		30
1170 Morse		6
1287 Lawrence Station	42	
805 Fremont		5
615 Tasman	44	
1050 Helen		4
394 E. Evelyn		6
Total	**137**	**161**

Below are some suggested amendments, modifications, adjustments or clarifications to the BMR Ordinance and BMR Program:

- Allow an option for meeting BMR requirements through off-site affordable housing (e.g. rehabilitation, new construction, and contribution to a proposed affordable housing project).
- Create a lower threshold for projects, of five units or more, that are subject to the BMR Program.
- Amend the BMR requirements for ownership developments so that they are consistent with RDA requirements: 15% inclusionary units and 45-year

affordable terms for ownership housing (at minimum, these requirements should be implemented for housing projects in the RDA project area).

- Consider the City's goals when acquiring BMR ownership units from a forced sale, and implement standard procedures reflecting: whether the City's goal is to improve and preserve the affordable BMR housing stock, while generating additional loan funds for the down payment assistance pool; or whether the City's goal is to maintain the lowest affordable price, so that when the City acquires a forced sale unit it deducts the cost of deferred maintenance from the purchase price. [32]
- Clarify the fractional unit requirement.
- Explore equity share provisions to allow 100% CPI increase to go toward borrower equity.
- Revise, modify or clarify the BMR Ordinance and BMR Administrative Procedures as necessary to incorporate Council actions as well as administrative updates for program efficiencies, for example:
    - Revise BMR Ordinance 19.66 Affordable Housing and Single Room Occupancies to include recent Council Action, such as:
        - Allow property owners/managers to assume responsibility for implementation of the priority preference point system used to determine each applicant's initial eligibility for the program and ranking on the Wait List.
        - Allow property owners/managers the flexibility to rent a BMR unit to a non-eligible applicant **only** if there are no Sunnyvale residents or employees on the Wait List.
        - Accurately reflect that the BMR requirement for rental developments is now 15%.
        - Specifically require that BMR units be disbursed throughout the project and reflect the variety of plans offered in the project on a pro-rata share by plan type.
        - Change the priority processing to accurately reflect the current BMR requirements.
        - Incorporate State density bonus laws.

[32] Under the BMR program procedures, in a normal resale of a BMR unit, a seller may sell the unit to an eligible buyer at a restricted price indexed to the CPI increase. Based upon a City inspection of the unit, the seller is responsible for either repairing deferred maintenance or providing money in escrow to cover repairs to ensure the unit is sold in good condition. In a forced sale situation, where an owner has violated the terms of the City's BMR deed restriction, the City's practice has been to acquire the unit for the indexed sales price, less the cost of repairing deferred maintenance. The City has then improved the unit to current market standards and resold the unit for the current affordable sales price for that unit size. The City then recovers the cost of the improvements from the sales proceeds. This practice was established to improve and preserve the affordable BMR housing stock, while generating additional loan funds to add to Housing's downpayment assistance loan pool. Forced sales historically account for less than 5% of BMR resales. City Council may desire to consider an alternative to the current practice of forced sale rehabilitation. If the goal is to maintain the lowest affordable price, the City may acquire a unit and deduct the cost of deferred maintenance from the purchase price. This would allow the unit to be resold at the CPI index price, rather than the current new unit affordable price; thereby providing a greater depth of affordability.

- Update Administrative Procedures for the BMR Rental Program to incorporate the above-stated changes to the ordinance, as well as the following:
    - Revise the live/work definition to include continuous living/working in Sunnyvale for a minimum of 6 months prior to applying for the BMR Rental Wait List.
    - Allow property owners/managers to offer a 12-month lease, but allow the tenants to choose a shorter term lease provided that rent increases are permitted only one time in every 12-month period of occupancy.
    - Allow employees of the property manager/owner to occupy a BMR unit if they are eligible for the program but limit the number of employees allowed to occupy units to 25% of the total number of BMR rental units in the complex. Further, City staff will still collect a $100 fee to review applications for employees of the property manager/owner wishing to occupy a BMR unit.
    - Require any new members of a BMR household to be added to the lease and require that all occupants endorse an addendum to the lease to acknowledge that they understand that they must vacate the unit upon termination of occupancy by the primary lessees. In addition, another evaluation of the households' income will be performed to ensure program eligibility requirements are still met.
- Update Administrative Procedures for the Home Ownership Program to incorporate the following:
    - Revise the live/work definition to include continuous living/working in Sunnyvale for a minimum of 6 months prior to applying for the BMR Homeownership Wait List.
    - Revise asset limitations to reflect the following:
      a maximum of $100,000 for applicant(s) up to age 54 (excluding retirement accounts)
      a maximum of $225,000 for applicant(s) age 55 and older (excluding retirement accounts)
    - Require applicants to secure a fixed-rate mortgage from a City approved lender.
    - Require both spouses to be on title and on loan documents when purchasing a BMR property.
- Define the methodology to determine penalties for noncompliant BMR property owners/management firms to ensure rigorous compliance to the Sunnyvale Municipal Code and Administrative Procedures. Revising the BMR Ordinance to incorporate fines and penalties will provide staff with the ability to enforce the compliance requirements set forth in the Administrative Procedures manual.

f. Acquisition, Construction and Preservation of Affordable Housing

Sunnyvale has provided funding to non-profit agencies to acquire land for new construction of affordable housing, for the acquisition of existing rental properties in order to preserve affordability, and for the construction of new affordable rental housing

Under State law, the City is required to identify and work to preserve at risk units; however, despite the State law requirements, ABAG does not recognize the City's preservation of at risk units as an activity because "new" affordable housing units are not created. It is the City's policy to give preservation of at-risk units a higher priority over developing new affordable housing units because: preservation requires fewer funds per housing unit than developing new units; it takes less time to preserve at-risk units than to develop new units; preservation immediately addresses the housing needs of residents in at-risk units; preservation minimizes or eliminates the displacement of residents of at-risk units because there is no waiting for the development of new units; and it is more productive to preserve at-risk units because there is no need to locate a new site for development in Sunnyvale – where land is costly and not readily available for housing developments.

By funding the preservation and replacement of at-risk units, the City has worked to minimize or eliminate the loss of affordable units. As an example of City action in preserving affordable housing units, the City loaned more than $2.8 million of federal CDBG and HOME funds to the Mid-Peninsula Housing Coalition to help finance the purchase of Homestead Park, a 222-unit apartment complex on Tenaka Way. This purchase ensured that the rental rates at Homestead Park apartments would remain affordable to low- and moderate-income families for the next 55 years. The City is assisting in the preservation of 100 units of affordable senior housing at Plaza de Los Flores, and 35 units at Morse Court have also been preserved.[33]

(1) *Funding Sources for Acquisition, Construction and Preservation of Affordable Housing*

Funding for the acquisition and construction of affordable housing is generally made from the following sources: CDBG, HOME and Housing Mitigation funds. The amounts made available on an annual basis vary depending on the requests made by nonprofit organizations or development sites that become available. For fiscal year 07/08, $1,250,000 was budgeted for the acquisition and construction of affordable housing.

3. Proposed New Affordable Housing Programs

As a result of the faster growth in home prices than in family incomes in Sunnyvale, and throughout the region, market-rate homes have become unaffordable for median-income households. First-time homebuyers will need nearly twice the area's median income to afford a median-priced home – or approximately 180% of area median income. Increases in home prices, interest rates, medical costs, fuel costs, utilities and other daily expenses, have contributed to the need to enhance and expand the scope of housing programs that the City has to offer.

The City's housing programs do not address the needs of families earning in excess of 120% of AMI. As the examples in this Strategy illustrate, households earning up to 150% of

[33] See City of Sunnyvale 2005-2010 Consolidated Plan §3.3.5, p.3-73.

AMI have great difficulty purchasing a median priced home in Santa Clara County, and median home prices in Sunnyvale are higher than Santa Clara County median costs - with single-family home prices at approximately $851,000 for a detached home and $565,000 for a town home.

Two new housing programs that target the unmet needs of households earning 100% to 150% of AMI were identified: the Creation of Wealth Down Payment Assistance Program and a Community Land Trust. Both of these programs provide wealth creation, or asset building. These programs would provide an opportunity for the City to target assistance to bridge the affordability gap for homeowners.

Asset building housing programs typically utilize homeownership as the primary mechanism for accumulating wealth in low to moderate-income households. By providing home purchasing assistance to these households, the City can help them establish the single most important source of wealth creation – home equity. By helping households purchase otherwise unaffordable homes, the programs allow them to build wealth through the ownership and market-rate resale of their home. Accordingly, creation of wealth programs can be an opportunity to help these households step up to better housing.

Staff reviewed other housing programs that could be created by the City of Sunnyvale, including land banking programs, programs to assist in the rehabilitation of multifamily rental properties, and expand the development of affordable housing units. In the short term, staff proposes a multifamily rental property educational program in order to address the health, safety, and property rehabilitation concerns that were raised during the City's windshield survey in.

In the long term, land banking can be an important strategy for preserving sites for affordable housing and other community needs where price inflation for land is likely. Examples include areas starting to gentrify and areas where significant government or private investment is planned. Securing significant parcels of land before prices rise makes affordability possible with fewer subsidy dollars. In addition, the strategic selection of parcels to land bank can help shape the character of the community – ensuring, for instance, that affordable housing will be well distributed within the community.

In the future the use of redevelopment agency funds to increase, improve and preserve the supply of affordable housing will provide another resource for funding housing activities. The funds could be used to: acquire and bank land and buildings; finance the construction of affordable housing to meet Housing Production Plans and Housing Element requirements; provide supplemental funding for existing multi-family and single-family rehabilitation loans and grants; and fund the City's First Time Homebuyer Down Payment Assistance Loan Program.

However, funds from the Redevelopment Agency of the City of Sunnyvale will not begin to be available for housing programs until approximately the fiscal year of 2012/2013, with an anticipated growth of 2% per year, thereafter, up through FY 2027/2028 – when the Redevelopment Agency ends. Assuming all approved redevelopment agency projects go as planned, annual funding for low and moderate-income housing programs is projected, for most years, to be approximately $2.7 million to $3.6 million up to 2028. In the final fiscal years, 2028/2029, the payment into the RDA Housing Fund will reflect the balance due of $19,836,437.

The total projected funding for the RDA Housing Fund, $64,797,728, includes projected assessed value growth resulting from the sale of the Mozart office buildings and assumes 100% build out of the Town Center and Town & Country properties. Therefore, land banking programs and City construction of affordable housing units will be more viable as redevelopment funds are generated and become available; consequently, such programs could be considered in the long-term as affordable housing programs.

4. New Affordable Housing Programs Proposed in the Long Term.

a. Creation of Wealth – Down Payment Assistance Loan Program (for Moderate Income Families - 100% AMI to 150% AMI)

A Creation of Wealth – Down Payment Assistance Loan Program, targeting households earning from 100% AMI up to 150% AMI, will expand the spectrum of housing assistance Sunnyvale provides to an income group that is not currently serviced by existing programs. The purpose of this program is to enhance the City's housing assistance by increasing the number of moderate-income households that are able to purchase market-rate homes; and those homes are then resold at market-rate prices and increase the homebuyer's wealth via the growing equity in the homes.

Few moderate-income households are able to afford homeownership. The Creation of Wealth Program addresses the growing affordability gap between the income earned by moderate-income households versus the income needed for purchasing and affording a market-rate home in Sunnyvale. With this Loan Program, households up to 120% AMI will be able to eliminate private mortgage insurance payments; and in many instances, the proposed $100,000 loan may allow the borrower to apply for a conventional loan, rather than a jumbo loan, which would result in a lower interest rate – thereby reducing the monthly housing costs for borrowers significantly.

The proposed program includes a shared-equity provision as part of the loan terms. The borrower(s) will be able to recoup their investment when they resell their homes, along with a substantial portion of the growth in the value of the home. The goals of the program are to assist moderate-income families in purchasing homes, to increase their personal assets, and provide them with an opportunity to step up to market-rate housing.

(1) *Conceptual Terms and Goals for the Creation of Wealth –Down Payment Assistance Loan Program*

Under the Creation of Wealth Program, the borrower's income must be between 100% and 150% of AMI and the maximum loan amount is $100,000. Borrowers may not have owned a primary residence, within various surrounding county regions, in the three years prior to their application. The home must be located within the City of Sunnyvale, it must be owner-occupied and it must be the borrower's primary residence. Buyers must contribute 10% of the purchase price for the down payment, in addition to closing costs.

The proposed loan terms for the Creation of Wealth Program include: an interest rate determined by the 11th District Monthly Weighted Average Cost of Funds Index Rate (COFI) with amortized payments over 30 years, and deferred for the first five years; the balance of the loan is due in full at the end of the initial 30-year period, upon sale or legal transfer, upon refinancing of the property, or if the property is no longer the principal residence of the borrower – whichever occurs sooner.

The program includes a shared equity provision that requires a payment to the City based upon the ratio of the City's loan to the original purchase price - multiplied by 200% if the borrower substantially defaults on the loan within the first three years of the loan (including the resale of the home). After the first three years, the borrower will pay Sunnyvale an equity share equal to the City's proportionate share. The following is an example of the recommended equity share formula:

> Original Purchase Price = $605,000; City Loan = $100,000; then the City has a 16.5% equity share.

Table 23 - Recommended Shared Equity Provision
For Creation of Wealth - Down Payment Assistance Loan

Years held before resale	**% Equity Share ***	**Gross Proceeds**	**Due City (in addition to loan)**
One to Three Years	16.5%* x 200 = 33%	$121,000	$39,930
Four Years and thereafter	16.5%* x 1 = 16.5%	$121,000	$19,965

*Note: Assuming the City has a 16.5% equity share based upon the ratio of the City's loan to the original purchase price.

If Council determines the concept for this proposed Program is valuable, staff will provide greater program details to Council at a later date.

(2) *Example of Creation of Wealth Down Payment Assistance for Market Rate Property Purchase*

Table 24 - Analysis of the Affordability of a Condominium for a Four-Person Household Purchasing a Market-Rate Home With or Without a Down Payment Assistance (DPA) Loan

	Model 1 Household Income @120%, No DPA	**Model 2 Household Income @120%, With DPA of $100,000**	**Model 3 Household Income @150%. No DPA**	**Model 4 Household Income @150%, With DPA of $100,000**
Sales Price (median price as of February 2008)	$605,000	$605,000	$605,000	$605,000
Approximate Closing Costs*	$ 18,150	$ 18,150	$ 18,150	$ 18,150
Max. City DPA Loan	$ 0	- $100,000	$ 0	- $100,000
Buyer Down Payment (15%)	- $ 90,750	- $ 90,750	-$ 90,750	- $ 90,750
Amount to be Financed	$514,250	$414,250	$514,250	$414,250
Amortized Monthly Pmt of 30 Year Loan at @ 7.0% (jumbo loan)	$ 3,421	______________	$ 3,421	____________
Amortized Monthly Pmt of 30 Year Loan at 5.75% w/DPA (conventional loan)	_____________	$ 2,417	____________	$ 2,417
Monthly Private Mortgage Insurance (PMI)**	$ 377	$ 0	$ 377	$ 0
Annual income (4 person household)	$126,600	$126,600	$158,250	$158,250
Max. Annual housing expense @ 30% of income	**$ 37,980**	**$ 37,980**	**$ 47,475**	**$ 47,475**
Annual Loan Payments @ 7.0%***	$ 41,052	_______________	$ 41,052	_____________
Annual Loan Payments @ 5.75%***	______________	$ 29,004	_______________	$ 29,004
Annual Housing Costs, including Ins., HOA, Maint.	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Annual PMI	$ 4,524	$ 0	$ 4,524	$ 0
Prop. Taxes ****	$ 7,563	$ 7,563	$ 7,563	$ 7,563
Total Annual Housing Expense	**$ 59,139 (47% of inc.)**	**$ 42,567 (34% of inc.)**	**$ 59,139 (37% of inc.)**	**$ 42,567 (27% of inc.)**

*Approximate closing costs are estimated at 3%, and are not financed
**Calculated at .88% of loan amount
***Interest rates current as of March 20, 2008
****Based on 1.25% of Sale Price

Table 24 reflects the estimated costs associated with the purchase of a market rate, median-priced condominium in Sunnyvale, and illustrates the affordability of a market rate condominium to a four person household earning 120% of AMI and 150% of AMI. **Models One and Three,** without down payment assistance to households earning 120% of AMI and 150% of AMI, respectively, result in housing expenses that exceed the typical affordability threshold of 30% of gross household income; housing costs in Model One also exceeds the affordability threshold of 40% used by many lenders in market rate purchases. **Models Two and**

Four include the proposed maximum $100,000 down payment assistance loan. Model Two provides greater affordability to households earning 120% of AMI by bringing housing costs closer to the 30% affordability threshold and households earning 150% of AMI are within the affordability threshold with housing costs equaling 27% of gross household income.

Table 25 - Analysis of the Affordability of a Detached, Single Family Home With or Without a Down Payment Assistance (DPA) Loan for a Four-Person Household Purchasing a Market-Rate Home

	Model 1 Household Income @120%, No DPA	**Model 2 Household Income @120%, With DPA of $100,000**	**Model 3 Household Income @150%. No DPA**	**Model 4 Household Income @150%, With DPA of $100,000**
Sales Price (median as of February 2008)	$ 830,000	$830,000	$830,000	$830,000
Approximate Closing Costs*	$ 24,900	$ 24,900	$ 24,900	$ 24,900
Max. City DPA Loan	$ 0	- $100,000	$ 0	- $100,000
Buyer Down Payment (15%)	- $124,500	- $124,500	- $124,500	- $124,500
Amount to be Financed	$705,500	$605,500	$705,500	$605,500
Amortized Monthly Pmt of 30 Year Loan at @ 7.0% (jumbo loan)	$ 4,694	$ 4,028	$ 4,694	$ 4,028
Monthly Private Mortgage Insurance (PMI)**	$ 517	$ 0	$ 517	$ 0
Annual income (4 person household)	$126,600	$126,600	$158,250	$158,250
Max. Annual housing expense @ 30% of income	**$ 37,980**	**$ 37,980**	**$ 47,475**	**$ 47,475**
Annual Loan Payments @ 7.0%***	$ 56,328	$ 48,336	$ 56,328	$ 48,336
Annual Housing Costs, including Ins., HOA, Maint.	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Annual PMI	$ 6,204	$ 0	$ 6,204	$ 0
Prop. Taxes ****	$ 10,375	$ 10,375	$ 10,375	$ 10,375
Total Annual Housing Expense	**$ 78,907 (62% of inc.)**	**$ 64,711 (51% of inc.)**	**$ 78,907 (50% of inc.)**	**$ 64,711 (41% of inc.)**

*Approximate closing costs are estimated at 3%, and are not financed
**Calculated at .88% of loan amount
***Interest rates current as of March 20, 2008
****Based on 1.25% of Sale Price

Table 25 illustrates the estimated costs associated with the purchase of a market rate, single-family, detached home in Sunnyvale, and demonstrates the affordability of a market rate detached home to a four person household earning 120% of AMI and 150% of AMI. **Models One and Three**, without down payment assistance, result in housing expenses that are approximately 50% to 62% of the household's gross income – up to double the affordability threshold of 30% of gross income set by HUD and significantly higher than the affordability threshold of 40% used by many lenders in market rate purchases. **Models Two and Four** include the proposed maximum $100,000 down payment assistance loan. Model Two significantly reduces the household's annual housing costs; however, without a larger down payment and/or lower interest rate, a median priced single-family, detached home, would not be affordable to a household earning 120% of AMI. Model Four demonstrates that a single-family, detached home would be affordable to a household earning 150% of AMI, with the $100,000 DPA Loan; and greater affordability would be achieved by the household if a larger down payment were made.

(3) *Funding Sources for the Creation of Wealth Down Payment Assistance for Market Rate Property Purchase*

The proposed program would be funded by the Housing Mitigation Fund, with a goal of 8-10 loans per fiscal year over the next three years. The repayments of the loans would create a revolving fund for loans.

b. Community Land Trust (CLT)

From the point of view wealth creation, or asset building, most housing programs have tended to be all or nothing. Either an individual rents and receives none of the asset building benefit, or one owns and receives all of the benefit. Community Land Trusts are subsidy retention housing programs that provide a middle ground where both the individual families and the community shares in the long-term wealth creation that results from investment of public money in privately owned housing. (*Creating Permanently Affordable Homeownership through Community Land Trust* by Rick Jacobus and Amy Cohen.)

The CLT is a type of shared equity home ownership. Typically an independent, nonprofit, corporation is formed to preserve the affordability of homeownership units over the long term. CLTs do this by selling homes to qualified families, retaining ownership to the land under these individual homes and holds it “in trust” for future generations – in perpetuity. Buyers of land trust homes, in turn, agree that when they move they will sell their home to another qualified buyer at a price that is determined by an agreed upon resale formula. The resale formula allows for more appreciation than most affordable housing programs. The equity and appreciation in the CLT home allows CLT homeowners to create personal wealth, and provides them with a stepping stone towards purchasing a market rate home.

The title to the land is retained by the CLT, in perpetuity, and the CLT conveys the exclusive, possessory use of the land by leasing out separate parcels to individual homebuyers via long-term ground leases. Buildings located on a CLT’s land are owned by the individual homeowners, and they also hold the long-term leases for exclusive use of the land; therefore, the CLT homebuyers enjoy almost all of the rights and responsibilities of other homeowners.

By removing the cost of land from the purchase price of a home, the home is made much more affordable – while also assuring long-term stability and security for the CLT homeowner. Consequently, CLTs can help create and preserve diverse housing choices in communities where land and housing prices are increasing beyond the means of many people.

Typically, a CLT retains the option to repurchase the buildings on its land (pursuant to the terms of the ground lease) should their owners ever choose to sell. The resale price is determined by a formula contained in the ground lease. This formula, which usually yields a resale price that is lower than the building's market value, is designed to give the seller a fair return for his/her investment, while giving future buyers fair access to a home at an affordable price. By intent and design, the CLT is committed to preserving the affordability of housing – one owner after another, in perpetuity; and by providing a fair resale price, the CLT allows the homebuyer to increase his or her personal assets.

CLTs achieve long-term affordability through subsidy retention and not subsidy recapture. CLT families do not repay the public subsidy when they sell their home. Instead, the initial subsidy (the value of the land) stays in place in a specific housing unit when one family moves out and another family moves in. Therefore, the CLT subsidizes the unit, not the family, and maintains the affordability of that particular home/unit indefinitely. There is no need to provide additional public subsidy each time a CLT home is sold because the home sale will always remain affordable due to the resale formula.

The CLT model is an opportunity for the City of Sunnyvale to create homeownership opportunities for various workforce groups, including the employees of the 129th Air National Guard. When surveyed, these employees indicated they needed affordable home ownership opportunities in Sunnyvale. Despite previously owning homes in other communities, the Air National Guard employees could not afford to purchase market-rate homes in Sunnyvale due to high housing costs. The proposed CLT housing program should be considered and further investigated if Council determines it is a valuable concept. Upon conceptual approval of this model, staff will prepare a detailed report describing all aspects of the program for additional Council consideration.

(1) *Basic elements of the "Classic CLT"*

Although an innovative program, there are over 120 CLTs already in existence or under development throughout the United States, including:

- Irvine Community Land Trust located in the City of Irvine
- Housing Land Trust of Sonoma County (with units completed in the City of Petaluma, and developments projected in Santa Rosa and Cloverdale)
- Northern California Land Trust based in Berkley
- Una Nueva Esperanza Land Trust in Salinas
- Community Housing Land Trust of Santa Cruz

Although there are many variations in the organization, goals and governance of CLTs in the U.S., there are some key features that are found in most CLTs, which are called "classic" CLTs; these include the following characteristics of the CLT:

- *CLT is organized as nonprofit, tax-exempt corporation*
- *Dual ownership*: CLT owns the land, individual homeowner owns the building
- *Leased land*: CLT owns the land and provides exclusive use of its land to the owner of the building, via a long-term lease

- *Perpetual affordability*: CLT retains an option to repurchase the buildings on its land pursuant to the ground lease; and the resale price is determined by a pre-set formula set forth in the ground lease
- *Perpetual responsibility*: the CLT continues to exist once all units/homes are sold because it is the owner of the land; and it has a continuing interest in the buildings and occupants as owner of the land
- *Community base*: the CLT operates within the physical boundaries of a targeted locality or region – its "community"
- *Resident/community control*: some portion of the board of directors are typically nominated by, elected by, and composed of people who live on CLT land or people who reside within the CLT targeted "community"
- *Tripartite governance*: typically the board of directors of the CLT are made up of three parts, each containing an equal number of seats: 1) one-third represents the leaseholders of the CLT land; 2) one-third represents the interests of residents from the surrounding CLT "community;" 3) and one-third is made up of public officials, local funders or other nonprofit providers of housing or social services

(2) *Proposed CLT Structure, Location and Eligibility Criteria to be considered and further analyzed*:

After considering the basic elements of a "classic" CLT, staff has identified the following structure and criteria that may suit the specific needs and goals for the City of Sunnyvale – creating an affordable housing program that also can create wealth for CLT homeowners so that they can enter into market rate housing.

The CLT would be an independent, non-profit, corporation that would be initiated and/or created and funded by the City of Sunnyvale; funds would be used for start-up costs, operating costs and the development of land the City may donate to the CLT. The income for eligible homeowners would be limited to 100% to 150% of AMI. A potential site for the first CLT development in Sunnyvale could be the City-owned land located at the junction of 237 and Fair Oaks Avenue. An initial project design determined that between 14 and 18 home could be constructed at the site.

Eligible purchasers must have lived or worked in Sunnyvale six months prior to their application; and they may not have owned a primary residence during the last three years in various surrounding counties. The home must be owner-occupied and remain the homeowner's primary residence. The resale price would be restricted, according to the formula and terms of the ground lease for the home; however, this formula would allow for more appreciation than other affordable housing programs in an effort to assist CLT homeowners to create personal wealth. The CLT homeowner could resell to a qualified, eligible homebuyer; and the CLT would retain the right of first refusal to purchase the CLT home if it were sold. Should Council determine the concept for this proposed Program is valuable, staff will further explore this option and provide greater program details for implementation in a report.

(3) *Funding for the CLT*

Start up funding and project loans for the development of a CLT would be provided from the Housing Mitigation Fund.

c. Landlord/Property Manager Educational Program

(1) *Basic Elements of the Program*

Staff proposes implementing a Landlord/Property Manager Educational Program that provides landlords and property managers, in targeted neighborhoods, with information relative to their responsibilities to maintain rental units that are in compliance with the City's health and safety codes. This program could work in tandem with the Multifamily Rental Property Rehabilitation Loan Program in order to encourage owners of targeted multifamily properties to apply for rehabilitation loans to make necessary repairs and improvements to their rental units – in exchange for the required affordable rental units. It is also proposed that this program be implemented with the input and involvement of the Department of Public Safety in order to address criminal activities in and near multi-family rental properties and promote crime-free rental units.

The City could create an informational website, training manuals and present workshops regarding various topics of interest and assistance for multifamily rental property owners and mangers. Educational information to be provided to landlords and property managers would cover topics such as: the consequences of failing to address necessary repairs and rehabilitation to their properties; how to effectively manage their properties; what City resources are available to multi-family property owners; how to maintain and increase their properties' value and rental income; how to reduce maintenance and repair costs; legal updates on fair housing laws and landlord/tenant issues; how to improve tenant and landlord communication; workshops with presentations by City housing staff, Public Safety staff, and other housing providers; and how to enhance the quality of life in our neighborhoods by improving the safety of their rental units by addressing issues such as crime, drug and gang activities, litter, over-grown landscaping, abandoned vehicles and graffiti.

Should Council determine the concept for this proposed Program is valuable, staff will further explore this option and provide greater program details for implementation in a report.

(2) *Funding Sources for the Landlord/Property Manager Educational Program*

Funding for the Landlord/Property Manager Educational Program would be provided from the Housing Mitigation Fund, CDBG funds or a combination of both funding sources.

5. Proposals for New Housing Programs and Funding Resources to Increase Affordable Housing Units and Enhance the Livability of Housing for Consideration in the Long Term

a. Land Banking

Land banking entails public (or publicly authorized) entities acquiring land in advance of imminent need and holding it for future productive use. Primarily vacant, abandoned, or dilapidated parcels are acquired and then either held and subsequently improved by the public entity or the land is sold or leased to an outside entity that will undertake the improvement. A goal of land banking may be to stabilize declining areas by repairing, removing, or redeveloping blighted property in ways that best benefit the community, but in Sunnyvale it could make an important contribution for expanded production of affordable housing.

Once a property is acquired into a land bank it is generally, held, managed, and then developed. The land bank can develop the property itself over time or may elect to recoup at least part of the cost of attaining and holding the property by reselling the acquired land. If the land bank chooses to hold the land it is ‘banking’ on the increased value of the property in the future. In the alternative, land banking can bundle and join parcels into developable sites with possible restrictions that developments benefit the long-term interest of the city or community.

It is unlikely that Sunnyvale will be able to begin a program for land banking in the short-term given the high cost of property in Sunnyvale and the limited funding sources available to the City. However, land banking may be a possible program for the City in the long-term as more funding resources become available from future RDA Affordable Housing Set-Aside Funds or the Housing Mitigation Fund. As funds become available, and if the City undertakes a land banking program, it would later issue requests for proposal (RFP) to: select a non-profit developer to develop the site according to a prescribed program; provide incentive funds; provide pre-development assistance; or provide land acquisition funds for a developer to find a suitable site in the City for affordable or workforce housing.

An alternative to land banking of privately held land could be assembling vacant and underutilized land owned by the City to support new housing production. A recent study of publicly owned sites, completed in conjunction with the Onizuka Base Reuse Plan, identified a few possible sites for the development of housing projects ranging up to sixty units – including the Armory site. One specific site, at Fair Oaks and 237, could accommodate 12-18 townhouse units suitable for a first time homeowners.

b. Bond Financing for Future Land banking and Construction of Affordable Housing

The Housing Set-Aside Funds to be obtained through the redevelopment agency may, in the future, be used to directly fund the acquisition of land and buildings, and to finance the construction and rehabilitation of housing throughout the city. Benefits must target households at or below 120% of area median income.

Bond financing of affordable housing projects is another method of financing in which tax exempt and taxable mortgage revenue bonds are utilized to fund permanent mortgages for affordable housing projects. The City of Sunnyvale may act as the designated issuer of tax exempt housing revenue bonds. A bond of $50,000,000 or more could be utilized as a way to leverage projected redevelopment revenues to create a large pool of funds to pursue projects. A bond of a smaller amount could also be issued, but the bond amount must be sizeable enough to off set the high costs of issuing bonds. Bond financing requires both complex regulatory approvals as well as outside credit enhancement. The benefit of bond financing, for an affordable housing project, is the lower cost of capital versus conventional financing methods.

In general, states and cities participate in bond financing programs by leveraging secure future revenues. They are able to obligate those future revenues to support repayment and create a funding resource. For example, Austin, Texas has developed the Austin Housing Finance Corporation to initiate a host of creative and innovation techniques to expand and support the creation of affordable housing. Bond financing has allowed them to create the large fund to support housing activities.

Sunnyvale could consider the creation of a bond financing program for land banking, affordable multifamily projects or other types of targeted housing activities by dedicating the housing set-aside revenues to be generated through Sunnyvale's Redevelopment Agency activities. The program could be designed to provide a method for financing medium to large scale affordable housing projects. However, there are some risks associated with issuing a housing bond, such as: depending on the type of bond issued, there may be a time limit to expending the bond proceeds; additional costs to the City for bond interest payments; and the risk that the City would not be able to cover future debt service due to the volatility in economic conditions.

Creation of a financial corporation, mindfulness of the use of redevelopment funds, preparation of an application and completion of an underwriting process, and obtaining a credit enhancer are part of the efforts and costs of issuance to obtain bond financing. Additional costs and actions include: bond counsel review, redevelopment counsel review, tax counsel review, and bond rating and statement preparation. Preparation of the Preliminary Official Statement, bond and Regulatory Agreements, real estate documents and Letters of Credit are done prior to the marketing and closing of the bonds and the obtaining of funds.

Borrowing is one way to increase the resources available to meet current needs now rather than later. The downside of borrowing is that once you have pledged the annual housing funds projected through redevelopment, any additional housing activities are dependent on increases in tax increment or funding from other sources. If Sunnyvale wishes to address its affordable housing needs sooner rather than later, bonding may prove desirable. However, bond funds need to be used carefully to meet legal requirements - and issuance costs may be relatively expensive for bond issuances.

Table 26 – Possible Parameters to be Considered for a Bond Financing Program

Loan Amounts:	$5,000,000 - $15,000,000
Credit Enhancement:	Minimum long term rating of credit enhancer must be AA/Aa even for floating rate transactions. Form of credit enhancement may be bond or FHA insurance, MBS or Letter of Credit. Credit enhancement must cover the full amount of the bonds for the life of the bonds. Mandatory put in the event of non-renewal.
Loan Term:	All loans (fixed and floating) must be fully amortizing. A 25-30 year length maximum.
Prepayment:	Pursuant to the bond documents. Yield maintenance on issuer and trustee fees for first 10 years.
Recourse:	Non-recourse, except for standard lender and issuer carve-outs.
Borrower:	All properties must be owned by single asset or single purpose entity. No cross collateralization from properties not part of original financing.
Debt Service Coverage:	Minimum of 108:100 on new construction; 115:100 on acquisition rehabilitation.
Reserves:	Tax and insurance escrows are required as are repair and replacement reserves.
Financing Fees:	Typically, 2-3% of total bond amount, with maximum of 2% payable from tax-exempt bond proceeds.
Developer Profits & overhead:	Limited to 15% maximum. No more than 10% of total taken on a % of completion of improvements; 10% more allowed at permanent loan conversion; balance allowed from cash flows after senior debt service & funded reserves; interest rate on deferred note limited to amount needed to maintain present value on unpaid developer fee.
Contractor Profit & overhead:	Limited to 14% maximum on improvements taken on a % of completion basis.
Regulatory Agreement:	Per IRS Code for bonds not less than 20% @ 50%AMI or 40% @ 60% AMI; 4% tax credits are a separate regulatory obligation and add onto the tax exempt bond minimums. NOTE: The City may require higher set aside levels in addition to federal minimums.
Energy Savings Requirement	City requires several energy efficiency standards be achieved in bond financed projects.

c. Moderate Income Single Family Rehabilitation Loans (up to 120% AMI)

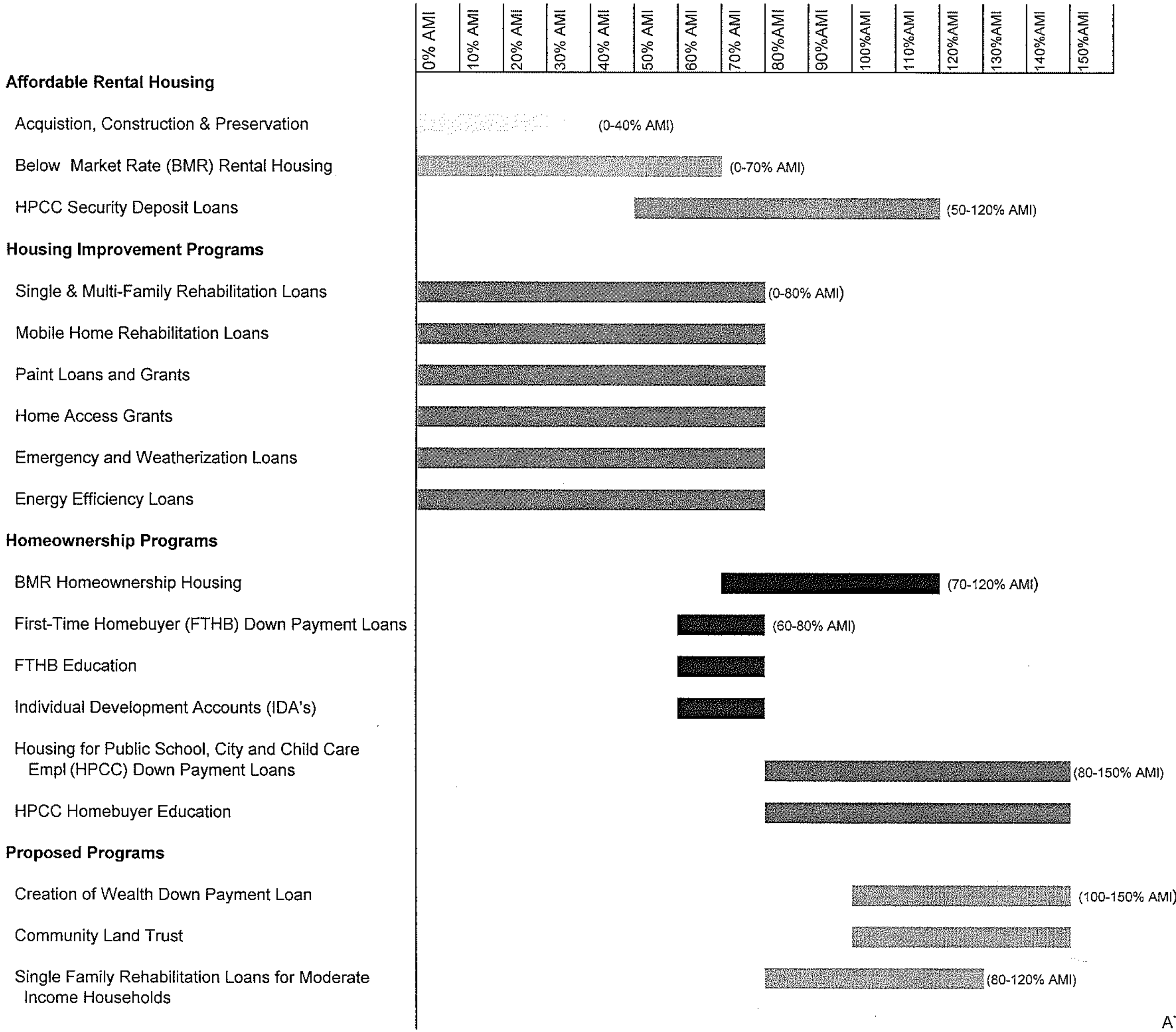
As previously described, Sunnyvale currently operates a Single Family Rehabilitation Loan Program for households earning up to 80% of AMI; and the program is funded by the CDBG Revolving Loan Fund. Because the Single Family Rehabilitation Loan Program is funded by CDBG, the borrower's household income cannot exceed 80% of AMI in order to comply with federal regulations. Consequently, although the housing affordability gap impacts households that earn more than 80% of AMI, the City's current program cannot provide rehabilitation assistance to those households due its current funding source.

Therefore, it is proposed that projected RDA Housing Set-Aside funds should be considered for funding a Moderate-Income Single Family Rehabilitation Loan Program for households earning between 80% and 120% of AMI. Unlike CDBG funds, RDA Housing Set-Aside funds can be used to improve housing for moderate-income households earning up to 120% of AMI. Should Council determine the concept for this proposed Program is valuable, staff will further explore this option and provide greater program details for implementation in a report.

Summary of Housing Funds

	PLAN 2008/2009	PLAN 2009/2010	PLAN 2010/2011	PLAN 2011/2012	PLAN 2012/2013	PLAN 2013/2014	PLAN 2014/2015	PLAN 2015/1016	PLAN 2016/2017	PLAN 2017/2018
	1	2	3	4	5	6	7	8	9	10
Funds Available										
Housing Mitigation	12,092,089	6,046,414	2,680,198	2,467,220	9,654,122	5,629,485	6,099,044	8,625,575	7,062,866	6,075,121
BMR In Lieu	2,353,996	95,822	126,069	397,173	141,049	142,198	153,615	404,810	147,779	149,022
Redev-Setaside	0	0	0	0	107,151	648,927	2,713,771	2,771,860	2,828,277	2,888,071
CDBG-HOME ACQ	3,238,234	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828
Total Resources	17,684,319	8,245,064	4,909,095	4,967,221	12,005,150	8,523,438	11,069,258	13,905,073	12,141,750	11,215,042

PLAN 2018/2019 11	**PLAN** 2019/2020 12	**PLAN** 2020/2021 13	**PLAN** 2021/2022 14	**PLAN** 2022/2023 15	**PLAN** 2023/2024 16	**PLAN** 2024/2025 17	**PLAN** 2025/2026 18	**PLAN** 2026/2027 19	**PLAN** 2027/2028 20
9,586,589	6,832,931	7,280,590	7,750,631	5,906,875	7,643,831	3,680,035	3,970,049	5,276,263	2,529,689
37,210	337,210	27,850	27,850	40,740	340,740	30,210	30,210	44,160	425,000
2,948,307	3,010,003	3,073,176	3,136,906	3,202,193	3,388,262	3,456,027	3,525,147	3,595,650	3,667,563
2,102,828	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828	2,102,828
14,674,934	12,282,972	12,484,444	13,018,215	11,252,636	13,475,661	9,269,100	9,628,234	11,018,901	8,725,080



ATTACHMENT B

Attachment C

First Time Homebuyer Down Payment Assistance Loan Programs in Surrounding Jurisdictions

Jurisdiction	Loan Amount	Eligibility	Interest/Repayment
City of Emeryville	1.5 times the buyer's downpmt, up to a maximum of 15% of purchase price	Up to 120% AMI; purchase price limits enforced based upon size of home	Deferred payments for the life of the loan, so long as the buyer lives in the home; loan due upon sale, transfer or conversion into rental property. At sale or transfer, borrower repays the principal of loan plus either a low interest rate or a share of appreciation, whichever is greater. The interest rate is simple interest at 75% of the rate on the first mortgage, not to exceed 5%. Shared appreciation is paid based upon the appreciation gained on the value of the property in direct proportion to the dollars loaned by City at time of purchase. Loan forgiven after 30 years.
**City of Menlo Park (administered by County of San Mateo)	The lesser of 20% of purchase price or $75,000	Up to 110% AMI; assets cannot exceed the lesser of 50% of the sales price or $100,000; borrowers must live or work in City for min. 1 year before applying for loan	35 year loan; first 5 years of loan at 0%, with no payments required; the following 30 years are fully amortized at 5% interest
City of Oakland	$75,000	Up to 80% AMI; and purchase price cannot exceed $503,500	3% simple interest; payments deferred until due in 30 years, or upon sale or transfer
**City of San Carlos	$55,000	Up to 120% AMI; borrowers must live or work in City for min. 1 year before applying for loan	30 year loan at 3% interest; payments are deferred for the first 5 years, but interest accrues during the deferral period

**Note: The FTHB Programs for the Cities of Menlo Park, San Carlos, Santa Clara and South San Francisco all require applicants to be residents or employees of the City from which they are borrowing funds; and, therefore, are included in Attachment D.

Attachment C

City of San Jose	Varies depending upon location of unit purchased; $30,000 to $162,000	Up to 120% AMI;	BEGIN loan: 3% simple interest; payments deferred until due in 30 years or upon transfer; Equity-Share loan: subjects home to 45 year resale restriction - no equity share if sold to eligible buyer; but if resell at market rate, repay loan and pay equity share equal to City's proportionate share
**City of Santa Clara	$75,000	Up to 120% AMI; borrowers who live or work in City are given priority	20 year loan issued by Neighborhood Housing Services; the 1st 5 years, the City's loan will be 0% interests with no payments; starting the 6th year through the 20th year, the City loan converts to the interest rate of the primary loan and monthly amortized payments of principal and interest are paid
**City of South San Francisco	$100,000	Up to 120% AMI; purchase price cannot exceed $525,000; borrowers must live or work in City	30 year loan; payments deferred for the first 5 years; 0% interest during the deferral period; 4% interest during the 25 year repayment period; proportionate share of home's appreciation gain paid to the City according to the percentage of the purchase price the City contributed
Foster City (administered by County of San Mateo)	The lesser of 25% of purchase price or $75,000	Assets cannot exceed the lesser of 50% of the sales price or $100,000	30 year loan at 3% interest; no interest or payments for the first 5 years; shared appreciation equal to the percentage of the City's loan

**Note: The FTHB Programs for the Cities of Menlo Park, San Carlos, Santa Clara and South San Francisco all require applicants to be residents or employees of the City from which they are borrowing funds; and, therefore, are included in Attachment D.

Attachment D

Work Force Down Payment Assistance Loan Programs in Surrounding Jurisdictions

Jurisdiction	Loan Amount	Eligibility	Interest/Repayment
City of Cupertino	$66,000	Teachers must be employed in the Cupertino Union School District, Fremont Union High School District or the Foothill-DeAnza College District; and the homes must be purchased within the city of Cupertino limits.	Zero percent loan deferred for 30 years or until transfer of property title; resale restriction recorded against the property – and term of resale restriction is 45 years; borrower can resell within the period covered by the resale restriction to a qualifying teacher or resell the unit at market value and pay the City an equity share (TBD).
City of Emeryville	1.5 times the buyer's downpmt, up to a max of 15% of purchase price; if 0% downpmt, then loans up to 20% of purchase price	Up to 120% AMI; purchase price limits enforced based upon size of home; must be City employees or teachers in the Emery Unified School District; do not need to be first time homebuyers; may have 0% down payment	Deferred payments for life of loan, so long as buyer lives in home; loan due on sale, transfer or conversion into rental property. At sale or transfer, borrower repays principal of loan plus either a low interest rate or a share of appreciation, whichever is greater. Interest rate is simple interest at 75% of the rate on first mortgage, not to exceed 5%. Shared appreciation paid to City in direct proportion to dollars loaned by City at time of purchase. Loan forgiven after 30 years.
City of Menlo Park (administered by County of San Mateo)	The lesser of 20% of purchase price or $75,000	Up to 110% AMI; assets cannot exceed the lesser of 50% of the sales price or $100,000; borrowers must live or work in City for min. 1 year before applying for loan	35 year loan; first 5 years of loan at 0%, with no payments required; the following 30 years are fully amortized at 5% interest
City of Oakland	$20,000; application taken by participating lender	Up to 120% AMI; first-time homebuyer; must be Oakland Police and Fire Services Sworn Employee or current full-time Oakland public school teacher	6% loan; due in 10 years or upon sale/transfer; deferred payments for first 60 months (5 yrs.); monthly payments of principal and interest begin in 61st month
City of San Carlos	$55,000	Up to 120% AMI; borrowers must live or work in City for min. 1 year before applying for loan	30 year loan at 3% interest; payments are deferred for the first 5 years, but interest accrues during the deferral period

Attachment D

City of San Jose	90 – 120% AMI, loan amount $40,000; less than 90% AMI, loan amount $65,000; teachers may be eligible for other 1st time home-buyer loans along with this loan	Up to 120% AMI; must be full-time San Jose K-12 public school teacher; max purchase price for home is $732,000	0% interest; deferred repayment until sale or transfer of home; 45 year resale restriction applies; no equity share if sold to eligible buyer; but if resell at market rate, repay loan and pay equity share equal to City's proportionate share.
City of Santa Clara	$75,000	Up to 120% AMI; borrowers who live or work in City are given priority	20 year loan issued by Neighborhood Housing Services; the 1st 5 years, the City's loan will be 0% interests with no payments; starting the 6th year through the 20th year, the City loan converts to the interest rate of the primary loan and monthly amortized payments of principal and interest are paid
City of South San Francisco	$100,000	Up to 120% AMI; purchase price cannot exceed $525,000; borrowers must live or work in City	30 year loan; payments deferred for the first 5 years; 0% interest during the deferral period; 4% interest during the 25 year repayment period; proportionate share of home's appreciation gain paid to the City according to the percentage of the purchase price the City contributed

Attachment E

Summary of Sunnyvale's Housing Programs – as Proposed in 20 Year Housing Strategy

Housing Program	Program Description	Resources	Purpose of Program	Income limits
Existing Programs*				
Single Family Rehabilitation Loan Program	Low interest loans (up to $60,000) that fund repairs for code violations, deferred maintenance and general improvements in low-income homes	CDBG Revolving Loan Fund	Home Improvement	Up to 80% AMI
Energy Efficiency Loan Program	Low interest loans (up to $25,000) to increase energy efficiency of low-income residences, including the repair or replacement of inefficient and aging appliances, heating systems, windows, and other types of weatherization improvements	CDBG Revolving Loan Fund	Home Improvement	Up to 80% AMI
Mobile Home Rehabilitation Loan Program	Low interest loans (up to $15,000) that fund repairs that address health and safety issues, deferred maintenance, and updates to mobile homes	CDBG Revolving Loan Fund	Home Improvement	Up to 80% AMI
Paint Loan and Grant Program	Grants (up to $1,000) and low interest loans (up to $4,000) to low-income, single-family homeowners, to paint the exterior of their homes	CDBG Program Fund	Home Improvement	Up to 80% AMI
Home Access Grant	Grants (up to $6,500) to retrofit homes by eliminating barriers that inhibit the use of dwellings occupied by low-income disabled persons, such as installation of hydraulic lifts to allow for wheelchair accessibility in mobile homes	CDBG Program Fund	Home Improvement	Up to 80% AMI
Emergency Loan Program	Emergency grants (up $5,000) to fund critical health and safety repairs for low-income home owners, such as: burst pipes, water heater repairs; heating repairs and sewer line repairs	CDBG Program Fund	Emergency Home Improvement	Up to 80% AMI
Multifamily Rental Property Rehabilitation Loan Program	Low interest loans to address code violations and general improvements and updates to multifamily rental housing structures; qualifying properties must verify that at least 51% of occupants earn no more than 80% of AMI and must agree to maintain affordable rents following the rehabilitation of the property	CDBG Program Fund	Home Improvement	Up to 80% AMI

Housing Program	Program Description	Resources	Purpose of Program	Income Limits
First Time Homebuyer (FTHB) – Down Payment Assistance (DPA)	Down payment assistance in the form of low interest loans (up to $75,000) to first time homebuyers to purchase BMR ownership units	Housing Mitigation Fund	Home Ownership	60% to 80% AMI
FTHB Education	Homebuyer educational programs to assist qualified renters; topics covered include: restrictions on the FTHB DPA Program, individual credit counseling, and assistance with the program's application process.	BMR-in-Lieu Reserve Fund	Home Buyer Education/ Home Ownership	60% to 80% AMI
Individual Development Accounts (IDAs)	Program assists low-income residents to save funds toward the purchase of a home in Sunnyvale; the City matches the participant's deposits on a 2:1 ratio up to a maximum match of City funds of $10,000 to the participant's funds of $5,000; participants attend financial education programs	BMR-in-Lieu Sub Fund	Home Ownership	60% to 80% AMI
Housing for Public School Employees, City Employees and Child Care Teachers Program (HPCC)	Program provides: down payment assistance in the form of low interest loans (up to $50,000); homebuyer education; and security deposit loans (up to $5,000) to employees of the four school districts that serve Sunnyvale residents, City of Sunnyvale employees and licensed child care teachers in Sunnyvale; assists low to moderate-income qualified employees to live closer to their employment	Housing Mitigation Fund	Home Buyer Education/ Home Ownership	80% to 150% AMI for DPA loans; 50% to 120% AMI for security deposit loans
BMR Homeownership Units	Provides homeownership opportunities to low and moderate-income households; the BMR program requires 12.5% of new, market rate residential ownership construction be designated as affordable housing for low and/or moderate-income households	BMR Ordinance (Municipal Code, Chapter 19.66)	Home Ownership	70% to 120% of AMI
BMR Rental Units	Provides rental opportunities to low-income households; the BMR program requires 15% of new, market rate residential rental construction be designated as affordable housing for low-income households	BMR Ordinance (Municipal Code, Chapter 19.66)	Affordable Rental Housing	Up to 70% AMI

Attachment E

Housing Program	Program Description	Resources	Purpose of Program	Income Limits
Acquisition, Construction and Preservation of Affordable Housing	Sunnyvale provides funding to non-profit agencies to acquire land for new construction of affordable housing, for the acquisition of existing rental properties in order to preserve affordability, and for the construction of new affordable rental housing	CDBG, HOME and Housing Mitigation Funds	Affordable Rental Housing	Up to 40% AMI (rents are set at 30% of gross income for households earning up to 40% of AMI)
<u>Proposed Programs</u>*				
Creation of Wealth DPA	Program expands the spectrum of housing assistance Sunnyvale provides by offering low interest loans (up to $100,000) to moderate and above-moderate-income first-time homebuyers to purchase market rate homes	Housing Mitigation Fund	Home Ownership	100% to 150% AMI
Community Land Trust (CLT)	A CLT is a type of shared equity home ownership, where an independent non-profit corporation is formed and the CLT sells homes to buyers, while retaining ownership to the land; by removing the cost of land from the purchase price, the home is made much more affordable; homeowners have a long-term ground lease for exclusive use of the land	Housing Mitigation Fund	Home Ownership	100% to 150% AMI
Landlord/ Property Manager Educational Program	Program provides landlords and property managers, in targeted neighborhoods, with information on how to maintain rental units that are in compliance with the City's health and safety codes; it works in tandem with the Multifamily Rental Property Rehabilitation Loan Program in order to encourage owners of targeted multifamily properties to apply for rehabilitation loans to make necessary repairs and improvements to their rental units – in exchange for the required affordable rental units	Housing Mitigation Fund and/or CDBG Program Fund	Affordable Rental Housing	N/A
Moderate Income Single Family Rehabilitation Loans	Low interest loans that fund repairs for code violations, deferred maintenance and general improvements in moderate-income homes	RDA Housing Set-Aside funds	Home Improvement	80% to 120% AMI

Attachment E

Housing Program	Program Description	Resources	Purpose of Program	Income Limits
Land Banking	Land Banking is the acquisition of land in advance of imminent need and holding it for future use. Primarily vacant, abandoned, or dilapidated parcels are acquired and then either held and subsequently improved by the City or sold or leased to an outside entity. In the long-term, land banking could make an important contribution for expanded production of affordable housing in Sunnyvale	Redevelopment Agency Affordable Housing Set-Aside Fund; Housing Mitigation Fund	Affordable Rental and Ownership Housing	Up to 40% AMI (rents are set at 30% of gross income for households earning up to 40% of AMI)
Bond Financing	Bond financing of affordable housing projects is another method of financing in which tax exempt and taxable mortgage revenue bonds are utilized to fund permanent mortgages for affordable housing projects; and Sunnyvale may act as the designated issuer of tax exempt housing revenue bonds in order to leverage future revenues and create a large fund to support affordable housing activities	N/A	Affordable Rental and Ownership Housing	Up to 60% AMI (rents are set at 30% of gross income for households earning up to 60% of AMI)

*Programs are summarized as proposed in the 20 Year Housing Strategy; consequently, existing programs listed above are described with proposed modifications and proposed new programs are included in the list.