



Council Meeting: February 10, 2009

SUBJECT: INFORMATIONAL REPORT – VACANCY AND RENT SURVEY

REPORT IN BRIEF

The purpose of this report is to provide City Council with the findings of the Sunnyvale Vacancy and Rent Survey, conducted in December 2008.

BACKGROUND

The City obtains a vacancy and rent survey of Sunnyvale rental properties every December from Realfacts. The results of the survey are used to adjust the maximum rent limits for the Sunnyvale Below Market Rate (BMR) Rental Housing Program, and to make several other determinations, as explained below.

EXISTING POLICY

The Sunnyvale Municipal Code (SMC) requires that the annual Vacancy and Rent Survey be used: (1) to adjust the maximum rent limits for existing BMR rental units, (2) to establish the initial rents for BMR units in new developments, and (3) as a factor in determining whether or not some rental properties may be converted to condominium ownership.

DISCUSSION

The December 2008 survey of approximately 14,000 rental apartments in Sunnyvale found an overall vacancy rate of 4.7%, compared to the vacancy rate of 2.7% a year earlier. While the rate of apartment vacancies nearly doubled during this 12 month period, the average rents charged at these properties have not yet shown a decline, although that may occur during 2009 if the current vacancy rates persist or increase.

According to the survey, the average rent charged for a market-rate apartment in Sunnyvale was \$1,638 in December 2008, equal to an increase of 2.8% over the average rent charged in December 2007. This rate of increase is used to adjust the BMR maximum rent limits for 2009, as explained below.

Purpose 1 – To adjust rental rates on existing BMR rental units.

In accordance with SMC Section 19.66.040(d), the maximum rent limits for BMR rental units shall be increased annually by the lesser of: a) five percent,

or b) the actual percentage increase in average market-rate rent, as determined by the survey. The 2.8% rate of increase in average market rate rents, explained above, when applied to the 2008 BMR rent limits, produces the 2009 maximum BMR rents, as shown below:

Unit Size	2008 BMR Rent Limits	2009 BMR Rent Limits
Studio	\$1,166	\$1,199
1- Bedroom	\$1,332	\$1,369
2- Bedroom	\$1,499	\$1,541
3- Bedroom	\$1,799	\$1,849

The 2009 BMR rent limits will take effect in March 2009, and will apply to any existing BMR rental units that may be leased to new tenants during the remainder of 2009. Landlords may implement a rent increase of up to 2.8% on their current BMR tenants who may renew leases on BMR units during this period.

Purpose 2 – To establish the initial rents for BMR units in new rental developments.

There are no proposed rental developments anticipated to require an initial rent determination during 2009. At such time when any new developments require this determination, the initial rents will be determined in accordance with Chapter 19.66.

Purpose 3 – Determine whether or not rental properties may be converted to condominium ownership.

SMC Section 19.70 limits the number of rental units that may be converted to condominiums to a maximum of 175 in any given 12-month period. However, Section 19.70 provides an exception to this limit if the permitting body (Planning Commission or Council) makes a finding that the proposed conversion of additional rental units will not adversely impact the city's ability to provide housing for all economic segments of the community, after considering the annual rental vacancy rate, which was 4.7% in December 2008. Between December 2007 and December 2008, two rental units were approved for conversion to condominiums.

PUBLIC CONTACT

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

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Attachments