



September 18, 2012

Miriam Chion, Interim Director of Planning and Research  
Association of Bay Area Governments  
PO Box 2050  
Oakland, CA 94604-2050

RE: Draft Regional Housing Needs Allocation (RHNA 2014-2022) Request for Adjustment

Dear Ms. Chion:

Thank you for the opportunity to comment on the draft RHNA numbers. The City of Sunnyvale has reviewed the numbers and believes that the growth assumptions for Sunnyvale 2040 have been overstated by ABAG and that an adjustment is required prior to adoption in order to influence a more realistic 8-year RHNA program.

As you are aware, Sunnyvale has been consistently recognized as a leader in meeting its housing needs for all income levels. We are confident that both our current and draft general plans provide adequate sites to accommodate the units in Sunnyvale's RHNA totals including focusing growth in the City's PDAs; however, market forces will play a major role in dictating how quickly those units get built and how affordable they will be. For example, in 1993, Sunnyvale rezoned a significant amount of land to transition from industrial to residential use; however, it took ten years before the market caught up to that decision and homes were actually developed on these sites.

It appears that ABAG may have utilized Sunnyvale's draft Land Use and Transportation Element (Horizon 2035) as a starting point for its 2040 projections. First, it is important to bear in mind that this document is a draft and is still subject to CEQA review and City Council action. Second, even if the City Council adopts the land uses in Sunnyvale's Draft Horizon 2035 plan it should be noted that a buildout scenario is well beyond 2035. Sunnyvale does not expect buildout to occur by 2035 but anticipates a growth rate in line with historical patterns, which is much less.

We also believe that Sunnyvale's affordable unit completions in the 1999-2006 Housing Element cycle, one of the key factors in the complex formula ABAG used to develop the current Draft RHNA, appear to have been undercounted. City staff contacted ABAG staff, Justin Fried and Sailaja Kurella several weeks ago with the correct data for this factor. They responded that they would investigate our concern and respond to our request for correction shortly. We would like to reiterate our request that the necessary corrections be made, particularly as we understand these numbers influence the RHNA numbers and will also impact our competitiveness in future OBAG and VTA funding applications.

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We understand that there are several sets of projections associated with Sunnyvale that may make it unclear where to start on a realistic 2040 projection: 1) Current Sunnyvale General Plan; 2) Draft General Plan (Horizon 2035); and 3) Current General Plan with proposed PDAs at Lawrence Station and East Sunnyvale. The following demonstrates the differences between the projections and ABAG 2040:

**BUILDOUT PROJECTIONS**

	<b>Existing 2010</b>	<b>Current GP</b>	<b>Horizon 2035</b>	<b>Current GP + Proposed PDAs</b>	<b>ABAG 2040 Projections</b>
<b>PDAs</b>	16,021	22,443	28,989	24,211	31,751
<b>Non-PDAs</b>	39,379	44,127	43,177	44,127	42,358
<b>TOTAL</b>	<b>55,400</b>	<b>66,570</b>	<b>72,166</b>	<b>68,338</b>	<b>74,109</b>

We understand that the allocation of housing units is driven by the Sustainable Community Strategies process, and based on an assumption that 70% of the units region-wide would be developed within PDAs. Again, in comparing the various projections for Sunnyvale, the split for PDAs varies significantly and is inflated in the ABAG 2040 projection with 84% of net new growth occurring in Sunnyvale PDAs.

**SUNNYVALE NET NEW GROWTH FROM 2010**

	<b>Existing 2010</b>	<b>Current GP</b>	<b>Horizon 2035</b>	<b>Current GP + Proposed PDAs</b>	<b>ABAG 2040 Projections</b>
<b>PDAs</b>	-	7,406 61%	12,968 77%	8,190 63%	15,730 84%
<b>Non-PDAs</b>	-	4,748 39%	3,798 23%	4,748 37%	2,979 16%
<b>TOTAL</b>		<b>12,154</b>	<b>16,766</b>	<b>12,938</b>	<b>18,709</b>

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The ABAG 2040 projections above demonstrate that the assumed rate of development is aggressive and has resulted in a RHNA allocation that is unrealistically high. ABAG has also significantly overstated the projected housing numbers in two of Sunnyvale's PDAs - El Camino Real corridor (planned PDA) and Lawrence Station (proposed PDA). ABAG's 8-year projection to build approximately six thousand (5,978) units at a rate of 747 annual units a years is significantly more aggressive than historic development in Sunnyvale. Historic averages indicate an actual 14-year average of 300 net new dwelling units built per year even considering periods of high entitlement demand.

Sunnyvale also disputes the percent allocation between very low, low, moderate and above moderate housing units for the RHNA, and considers the draft allocation to be significantly skewed based on historic trends. Due to the state's decision to dissolve redevelopment agencies, reductions in federal and state funding programs for housing, and the Palmer court decision declaring inclusionary housing requirements for rental housing unlawful, it is increasingly difficult for cities to assist in the development of affordable housing in order to meet the "quantified objectives" requirement of the housing element. The vast majority of funding sources noted in HCD's 2009 "Building Blocks for Effective Housing Elements" (e.g. Redevelopment, housing set-aside funds, federal stimulus [ARRA] funds, Propositions 1C and prior state bond funds, and various types of HUD funding) have all either been fully expended or significantly reduced.

Our financial estimates indicate that the local funding sources we anticipate to be available during the coming cycle amounts to just 1-2% of the total subsidy that would be required to produce the number of very low, low and moderate income units Sunnyvale has been allocated in the Draft RHNA, which we have estimated at nearly \$700 million dollars, assuming an average density of 40-50 units per acre. The City already has adequate sites at the "default densities" to meet the adequate sites requirement, however we are concerned about meeting the "quantified objectives" requirement at the end of the cycle. We understand the tremendous strain that ABAG is under to develop the RHNA, however we are concerned that the affordability levels are not achievable in the current and projected funding environment for housing agencies. We recommend that at least the very low income category be significantly reduced to realistically recognize the very high subsidy amount required for each very low income unit. We would like to further discuss with ABAG staff a reasonable percentage split for Sunnyvale's very low, low, moderate, and above moderate units.

Sunnyvale has been proactively involved with both the SCS and RHNA process. Although we understand the concepts and theories behind the methodology ABAG used to allocate the units to local jurisdictions, we do dispute that Sunnyvale should have such a high allocation of affordable units when larger cities have had their allocations reduced (and given to only the next five largest cities). In addition to accommodating market rate units we are concerned about the practical difficulties and very high cost of building out the affordable units we have been assigned for eight years especially considering the current limitations of outside funding. The proposed eight-year RHNA rate sets Sunnyvale up to fail at providing required housing although our adopted and proposed land use plans clearly show a commitment to meet the City's responsibility.

Based on our own analysis as well as the City's commitment to providing its fair share of affordable units, Sunnyvale staff recommends a reduced 8-year projection of 4,339 total net new units that requires 542 units per year and a 75/25 percent growth split between Sunnyvale

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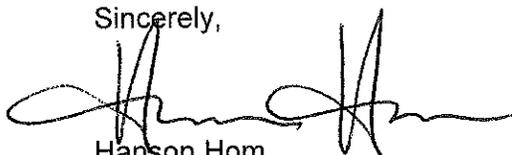
PDAs and the remainder of the City as well as a mix of affordable and moderate units closer to historic percentages.

**Sunnyvale Recommended Housing Units for 2014-2022 RHNA**

			Recommended 8 yr increment (32% of BO) HU
		Type	
<b>El Camino</b>	Planned	Mixed Use Corridor	912
<b>Downtown</b>	Planned	Transit Town Center	480
<b>Lawrence Station</b>	<i>Proposed</i>	Transit Neighborhood	502
<b>E. Sunnyvale</b>	<i>Proposed</i>	Urban Neighborhood	810
<b>Tasman Crossing</b>	Planned	Mixed Use Corridor	448
<b>Moffett Park</b>	Planned	Employment Center	-
<b>Rearwood</b>	<i>Proposed</i>	Employment Center	108
<b>Peery Park</b>	<i>Proposed</i>	Employment Center	-
<b>PDAs Total</b>			<b>3,260 75%</b>
<b>ITR Not in PDAs (6a and 4a)</b>			- 352
<b>ITR 5 (see Northrop Grumman tab)</b>			(288)
<b>Village Centers (Six of Seven )</b>			136
<b>Total Other Citywide HU</b>			879
<b>Non PDAs Total</b>			<b>1,079 25%</b>
<b>TOTAL CITYWIDE</b>			<b>4,339</b>

Due to the timeframe for adoption of the RHNA we are concerned that Sunnyvale will be burdened with an unusually high requirement for housing. At this time we are requesting an adjustment to Sunnyvale's RHNA allocation and respectfully petition for the ability to meet with you as soon as possible to discuss Sunnyvale staff's recommended changes.

Sincerely,



Hanson Hom  
 Director of Community Development

cc: City of Sunnyvale: Honorable Mayor Spitaleri and City Councilmembers  
 Gary Luebbbers, City Manager