



December 10, 2018

Mr. Jake Mackenzie, Chairperson
Metropolitan Transportation Commission
1536 Gladstone Way
Rohnert Park, CA 94928

Subject: Vote No on the CASA Compact

The City of Sunnyvale appreciates MTC and ABAG's dedication in seeking solutions to increase the supply of affordable housing. However, there are fundamental concerns with the recently released CASA Compact ("Compact") that should be corrected. While Sunnyvale believes there are some worthwhile proposals within the draft Compact, it is unacceptable in its current form. The proposed funding mechanisms and changes to land use authority are a direct assault on cities.

Sunnyvale does not believe that a 'one size fits all' policy is appropriate for meeting the housing demands in the Bay Area region. In addition, Sunnyvale considers itself a regional leader in addressing housing needs, however, not all approaches are appropriate for all communities. There are physical geography differences, local challenges, infrastructure constraints, and fundamental community values that shape the way regulations are formulated in each community.

Funding Proposal

We have several concerns with the funding strategies proposal. To fund the CASA Compact at a rate of \$1.5 billion per year for 15 years, the Compact identifies using a variety of sources. Six of the ten funding mechanisms identified in the Compact rely on new voter approved taxes. Only one of these, the commercial linkage fee, recognizes that these fees are already in place in many cities. We believe that without the support of cities on new voter approved taxes, the chances of these passing are very limited. The end result would be no progress on housing issues.

In 2016, Santa Clara County voters passed Measure A. This was a new parcel tax that is devoted specifically to affordable housing. The Sunnyvale City Council voted to endorse the measure and it passed with 67.8% support countywide. After Santa Clara

Glenn Hendricks
Mayor

Larry Klein
Vice Mayor

Jim Griffith
Councilmember

Gustav Larsson
Councilmember

Nancy Smith
Councilmember

Russ Melton
Councilmember

Michael S. Goldman
Councilmember

County voters already voted to raise property taxes on themselves to support affordable housing, it would be difficult to support an additional regional measure that raises property taxes again and applies equally to all counties. CASA proposes two measures that would raise property taxes, a \$48 per year parcel tax, and general obligation bonds. According to the Secretary of State website, as of October 2018, Santa Clara County has the most registered voters of the nine Bay Area Counties with 22% of the total. CASA's one size fits all proposals to increase property taxes will not be successful without local support from cities and counties.

Most concerning is CASA's funding proposal for a "Revenue Sharing Contribution," which would divert 20% of property tax growth across the region. The Compact is not specific about whether this applies to cities, counties and school districts. In Sunnyvale, property taxes are the largest (46%) and most stable source of funding for our General Fund. This funding is needed to pay for core services such as police, fire, libraries, and street maintenance. Our expenses for these core services and others increase every year and we count on revenue growth (especially property taxes) to balance our budget. CASA's Revenue Sharing proposal would result in significant cuts to core services in every Bay Area city. If CASA's proposal also applies to school districts, the chances are remote that it will be supported by Sunnyvale voters who value quality education.

The draft Compact also proposes that of the funds collected, 75% would be spent in the county of origin. As proposed, Sunnyvale residents and businesses would pay millions in new taxes each year, face reduced services, and have no guarantee that a single affordable housing unit be produced in Sunnyvale. Furthermore, the Compact contains few if any details about how funding decisions would be made. Based on adopted fiscal management policies, the City of Sunnyvale will strongly oppose funding mechanisms that would result in reduced local services.

Consideration for Local Housing Programs and Accomplishments

Sunnyvale has worked hard to develop numerous tools and programs to finance and support the development of affordable housing. In the early 1980s the City embarked on a series of planning and housing programs to increase the housing supply, increase the availability of affordable housing and decrease the number of potential jobs. These efforts included:

- Rezoning industrial and commercial properties to allow for additional housing three phases over 13 years;
- Implementing controls on the intensity of industrially zoned developments and require payment of a housing mitigation fee for developments approved by Use Permit to exceed 35% floor area ratio (FAR);
- Allowing higher density housing in transit rich areas such as Downtown and Lawrence Station;
- Allowing the development of accessory living units on single-family and duplex properties of minimum size;
- Allowing housing in all zoning districts;
- Preserving the mobile home parks by creating a Mobile Home Park General Plan designation (previously, most mobile home parks had an underlying industrial general plan designation);
- Requiring inclusionary affordable dwelling units (Below Market Rate);
- Requiring housing mitigation fees for net new non-residential development regardless of zoning district;
- In compliance with State requirements, removing barriers to obtaining approvals for new residential development;

Sunnyvale's very successful Below Market Rate (BMR) housing programs have resulted in the development of over 1,300 BMR units (rental and ownership). The City of Sunnyvale has awarded millions of dollars to leverage affordable housing units built by non-profit housing partners. For example, in November 2018, Sunnyvale approved a development agreement for 90 all affordable units on City-owned land with at least 25% of units dedicated to the developmentally disabled. Local achievements like this are ignored by the CASA Compact. The local creativity it takes to deliver a complex project like this would be lost with a one size fits all regional housing program.

The City of Sunnyvale is a community of about 59,000 housing units with a General Plan land use build out of 72,460 units. There are currently over 4,000 units in the development pipeline (under construction, approved and pending) and the City is studying the addition of over 6,000 dwelling units to area land-use plans. The CASA Compact, as proposed, fails to recognize cities like Sunnyvale who have worked aggressively to meet affordable housing goals.

The City of Sunnyvale is mindful that the need is great and that all cities and counties must continuously find new solutions that contribute to addressing our region's housing needs. Please do not support the proposed CASA Compact that diverts or strips local revenues and penalizes cities who are diligently and successfully addressing housing production and affordability. We urge you to engage with cities in the region to develop a housing proposal that most in the region could support.

In summary, the City of Sunnyvale does not support the proposed CASA Compact and I urge you to vote no to support this proposal. If you wish to discuss further, please do not hesitate to contact me.

Sincerely,



Glenn Hendricks
Mayor, City of Sunnyvale

cc: Honorable Jerry Hill, State Senate
Honorable Mark Berman, State Assembly
Honorable Jeanie Bruins, Metropolitan Transportation Commission
Honorable Dave Cortese, Santa Clara County Board of Supervisors
Honorable Joseph Simitian, Santa Clara County Board of Supervisors
Honorable Cindy Chavez, Santa Clara County Board of Supervisors
Honorable Susan Ellenberg, Supervisor-elect, Santa Clara County Board of Supervisors
Sunnyvale City Council
Kent Steffens, City Manager
Cities Association of Santa Clara County