



HOUSING DIVISION

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HOUSING COMMISSION STAFF REPORT

May 28, 2026

Subject

Study session for strategies to meet affordable housing Regional Housing Needs Allocation (RHNA) goals of the 2023-2031 Housing Element.

Recommended Action

Receive presentation on the status of the City's progress on meeting RHNA goals and suggest strategies for producing additional affordable housing.

Background

Since 1969, the State of California has required all cities and counties to create long-range plans to anticipate and meet future affordable housing needs through land-use, funding, programs, and policies. This document must be adopted into each municipality's General Plan, and is known as the Housing Element. Housing Elements are periodically updated when the State Department of Housing and Community Development (HCD) assigns each jurisdiction its fair share of housing to produce at varying income levels to ensure equitable and commensurate affordable housing is created to meet population and economic growth. This allocation is known as the Regional Housing Needs Allocation (RHNA). Each City's RHNA share is divided into four categories for housing affordability: very low-income (below 50% Area Median Income (AMI)), low-income (50-80% AMI), moderate income (80-120% AMI) and above moderate income (above 120% AMI). To have a certified Housing Element, each local government must have enough land zoned to meet their assigned share of housing in each of the four categories. The City of Cupertino's 2023-2031 Housing Element was certified by HCD on September 4, 2024.

Government Code 65863 requires local governments to maintain adequate capacity to meet their RHNA obligations throughout the entire planning period. The total RHNA for Cupertino's existing and future housing need is 4,588 housing units, at varying levels of affordability. Cupertino's 2023-2031 Housing Element is expected to accommodate 1,193 very low-income units, 687 low-income units, 755 moderate-income units, and 1,953 above moderate-income units. Each Housing Element is required to compile an inventory of existing and potential housing sites (i.e., priority housing sites) based on General Plan land-use designation densities and zoning to assess if they can meet their RHNA. If projects on priority housing sites are developed at densities which do not result in the number of units anticipated

on the site by income category, the City is required to identify and make available new sites for replacement units within 180 days of approval.

As of May 2026, the City of Cupertino has approved several housing projects both on sites not designated as Priority Housing Sites in the 6th Cycle Housing Element and on Priority Housing Sites in the 2023-2031 Housing Element. Despite approving zoning which allowed for higher density rental projects, developers have locked in lower density standards in place prior to HCD's certification of the 6th Cycle Housing Element utilizing the SB330 provisions of state law for some of the Priority Housing Sites. The City's Below Market Rate (BMR) Housing Program requires that rental projects provide 15% of their proposed units be made available to very low and low-income households and that ownership projects provide 20% of their proposed units to median and moderate-income households. Since several projects proposed townhome ownership units on some Priority Housing Sites where higher density rental development was anticipated, fewer overall units with different affordability levels have been approved. Additionally, an existing pipeline project with a large number of affordable units, the Vallco (Rise) SB35 project, resubmitted its planning application in December 2025 under new affordability standards permitted by SB 423. SB 423 modified Govt. Code Section 65913.4 (the state laws utilized by the Vallco project) by reducing the affordability requirements for the project to 20 percent (356 units).

Discussion

To ensure continued compliance with state law, the City is re-evaluating assumptions for the Housing Element Sites Inventory and updating the pipeline sites and Priority Housing Sites list to ensure adequate capacity to accommodate its RHNA. Staff will be evaluating whether density assumptions on existing Priority Housing Sites need to be revisited and whether some/all of the sites would benefit from additional upzoning to add capacity. After such evaluation, the next step would be considering adding additional Priority Housing Sites to the existing inventory. In addition to the HCD identified criteria for site selection, the following site selection strategy for additional Priority Housing Sites were presented to the Council in March 2026:

Owner/Developer Interest Sites

Since adoption of the 6th Cycle Housing Element, property owners and developers have approached the City with proposals for additional sites to be included for housing projects. Sites that have property-owner or developer interest are considered as having the highest feasibility of redevelopment by HCD and are generally the first priority for inclusion in the Sites Inventory for the selection process.

Major Corridors

The major corridors in a City are more suited for affordable development due to their access to infrastructure, transit accessibility and proximity to community resources. Increasing density in these areas aligns with state, regional, and local mandates to reduce greenhouse gas (GHG) emissions by integrating housing with transportation. Furthermore, new state laws now permit higher-density residential development along commercial corridors, regardless of whether the underlying land use designation or zoning allows residential development. Aligning the City's

land use and zoning with these policies will further GHG and sustainability goals. To support these sustainability goals, staff focused on parcels along Stevens Creek Blvd, De Anza Blvd, Homestead Rd, and N. Wolfe Rd during the 6th Cycle Housing Element site selection, and will continue to prioritize sites along major corridors.

Underperforming Commercial Sites

Thus far in the 6th cycle, all housing proposals (on Priority Housing Sites or otherwise) have been on underperforming commercial sites. Examples include the Summerhill Homes I project (former Fontana's, Staples and Pizza Hut), Harvest Properties/Stevens Creek Office Center (between Whole Foods and Target) and Dividend Homes (20045 – 20080 Stevens Creek Blvd). Common characteristic of these sites include building stock older than 20 years, single-story height, with an expansive at grade parking lot.

Other Strategies:

Minimum Density

The City allows residential development on all sites except sites zoned for quasi-public uses. However, aside from the 6th Cycle Priority Housing Sites, none of the other sites that allow residential uses have a minimum density standard. As a result, developers have been proposing projects that are below the maximum density standards which produce 1) fewer overall units, including fewer affordable units and 2) housing types which are generally geared more toward for-sale single family sized units. Additionally, the City does not have enough land to upzone to continue to develop townhome style development at 20 du/acre. In order to accommodate the City's lower income RHNA at this density, the City would need to upzone upwards of 1,000 acres. To advance affordable housing options, it may be advantageous to establish minimum density requirements, for all residential development along the major corridors. Adopting minimum density standards may guide proposals towards projects with smaller living areas, with units that would be affordable by design/rent relative to Area Median Income for Santa Clara County and potentially add units to the City's BMR program at the lower income levels.

Fiscal Impact

None.

California Environmental Quality Act

This is a study session and is not a project subject to CEQA.

Sustainability Impact

No sustainability impact by this recommendation. Sustainability impacts will be further reviewed prior to any rezoning and/or annexations are approved by City Council.

Next Steps

The Planning Commission will evaluate potential Priority Housing sites and land use regulations necessary to implement Housing Element strategies at an upcoming meeting. Final adoption of the updated Housing Element will take place at a future meeting of the City Council within the next year.

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Attachments:

A – 2023-2031 Housing Element Approved Zoning Maps