



COMMUNITY DEVELOPMENT DEPARTMENT

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CITY COUNCIL STAFF REPORT

April 21, 2026

Subject

Fiscal Year (FY) 2026-27 Community Development Block Grant (CDBG) Program and Below Market Rate Affordable Housing Fund (BMR AHF) funding allocations; authorization to execute funding agreements; and approval of a BMR AHF \$75,000 public service funding cap.

Recommended Action

1. Authorize the City Manager to execute the FY 2026-27 CDBG and BMR AHF funding agreements.
2. Approve Resolution No. 26-XXX (Attachment A) to approve an annual \$75,000 public service funding cap for the BMR AHF fund.

Executive Summary

City of Cupertino low-income housing and public service programs are funded through federal, state, and local sources, such as the CDBG program and BMR AHF fund. For the upcoming program year (FY 26-27), funding for capital housing projects were considered. Public services programs are awarded on a two-year cycle, and will receive extensions on their current contracts with funding generally equivalent to their April 15, 2025 City Council awards. Housing programs are awarded through a Notice of Funding Available (NOFA) released each year in November and closed in February. After Housing Commissioners review and score the applications, they meet in March to vote on a funding recommendation to City Council. This recommendation is brought to City Council historically on the Consent Calendar to approve and to authorize the City Manager to execute associated agreements.

Reasons for Recommendation

The Housing Commission held a public hearing on March 26, 2026, to consider funding applications for the CDBG and BMR AHF programs. The Commission recommended approval of the staff proposed FY 2026-27 funding allocations with an amendment to increase funding to Project Sentinel in the amount of \$54,174 for monthly educational outreach events on new housing laws. However, staff calculations show that the total funding allocation to Project Sentinel should be \$58,974 to fully accommodate this request; and is recommended for approval as shown in the tables below.

Background

An annual Notice of Funding Availability (NOFA) and Request for Proposals (RFP) (Attachment B) were issued on November 3, 2025, inviting applicants to apply for eligible capital housing projects for the upcoming FY 26-27. Public service programs are awarded on a two-year funding cycle -- last awarded on April 15, 2025 -- during a public hearing at the City Council (Attachment C). This award will continue to cover public services for FY 26-27 pursuant to contract extensions for an additional year of service generally equivalent to the previous year of funding received, with adjustments made based on exact allocations received for each program. The NOFA/RFP deadline ended on February 3, 2026. The Housing Commission reviewed CDBG and BMR AHF applications and made funding recommendations to the City Council. BMR AHF funding amounts for FY 26-27 are subject to City Council approval. CDBG funding amounts will be reduced or increased proportionately for FY 26-27 based on final HUD allocations. On May 11, 2017, the Housing Commission adopted Resolution No. 17-02 (CDBG Contingency Plan, Attachment D), in the event that the City receives more or less CDBG funding than anticipated from the United States Department of Housing and Urban Development (HUD). Public service funding cycles (2-year cycle) have been determined by the timeframe in the City's 2025-2030 Consolidated Plan, but will be adjusted in accordance with the CDBG Contingency Plan. Pursuant to the 2017 Housing Commission resolution, the City received less funding than expected for FY 26-27 awards and thus the City is awarding public service contracts with a slight decrease in public service funding for the second year of the two-year cycle.

The Below Market Rate Affordable Housing Fund (BMR AHF) is a local funding source dedicated to increasing housing affordability within the City of Cupertino. The ten eligible activity uses for the fund are as follows: BMR Program Administration, Land Acquisition, New Construction, Acquisition and/or rehabilitation of buildings for permanent affordability, Preserving "at-risk" BMR Units, Substantial Rehabilitation, Rental Operating Subsidies, Down Payment Assistance, Direct gap financing, and Fair Housing. When awarding funds for the construction of new affordable housing, two activities typically budgeted for are BMR Administration and Fair Housing enforcement by a consultant. FY 25-26 will be the final year of a four-year contract the City has contracted for BMR administration with RISE Housing. The costs of the final year of the contract are approximately \$300,000. In accordance with City Council Resolution No. 18-035 (Attachment E), public service funding from the BMR AHF is limited at \$50,000 per year, which has been utilized for Fair Housing investigation, education, and dispute resolution. Per City Council direction, the execution of the next BMR administration contract will be budgeted from the General Fund. In order to fulfill the City's commitment to the remainder of the administration contract, and to budget enough reserve funds to cover the costs associated with enacting new fair housing, and other professional contracts for the current year and for FY 26-27, a minimum of \$408,974 would need to be maintained as a reserve.

Discussion

CDBG Funding

HUD annually allocates CDBG funding to local jurisdictions for community development activities. Cupertino is one of nine entitlement jurisdictions within Santa Clara County. Jurisdictions typically must have a population of 50,000 or more to qualify as an “entitlement jurisdiction” that receives grant funding directly from HUD rather than through the County. Entitlement grants are largely allocated on a formula basis, based on several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing, and extent of population growth lag in relationship to other metropolitan areas. This is Cupertino’s 22nd year as an entitlement jurisdiction receiving a CDBG grant directly from HUD.

The City anticipates that it will receive approximately \$322,534 in FY 26-27 CDBG entitlement funding. Program income in the amount of \$7,944 will also be received and allocated from existing CDBG loan payoffs. HUD regulations implement maximum percentages that may be allocated to CDBG administration and public services. Of the total estimated funding, a maximum of 20% may be used for administrative costs to cover salary and benefits of staff who operate the CDBG program, a maximum of 15% may be used for public services, and the remaining 65% may be used for capital housing projects. As noted earlier, CDBG funding amounts will be reduced or increased proportionately for FY 26-27 based on final HUD allocations and City Council approval.

FY 26-27 CDBG Budget (est.)	
Entitlement Amount (EN)	\$322,534.00
Program Income (FY 26-27)	\$7,944.00
Unexpended Funds	~\$50,000.00
Total Revenues	\$380,478.00
Program Administration (20% EN)	\$64,500.00
Public Service (15% EN)	\$48,300.00
Capital/Housing Projects (65% EN + Unexpended Funds)	~\$267,678.00
Total Expenses	\$380,478.00

HUD regulations require that eligible activities selected for funding must benefit very low and low-income households, or eliminate a blighted area, or address an urgent (emergency) community need, and must also meet a national objective. In addition, only certain types of eligible activities qualify under the CDBG regulations. Examples of eligible activities are:

- Acquisition of Land
- Public improvements
- Public service activities
- Affordable housing developments
- Property acquisition for affordable housing

- Rehabilitation of affordable units

2026-27 CDBG Program Administration Funds

An estimated total of \$64,500 will be used for CDBG program administration. The City will use these funds for administrative costs to cover the salary and benefits of staff who operate the CDBG program.

2026-27 CDBG Capital Housing Project Funds (One-Year Funding Cycle)

An estimated total of \$267,678 is available to be used for eligible CDBG capital housing projects. This consists of FY 26-27 funding and unexpended funding from prior years. City staff conducted extensive outreach and the NOFA/RFP was sent to over 250 contacts in the affordable housing community. The City received two applications in this category totaling \$267,500.00. The first application received was for \$107,500 from Rebuilding Together Silicon Valley. The second is for \$160,000 from West Valley Community Services for rehabilitation of the Vista Village apartments. The City recommends fully awarding both projects and maintaining the remainder as reserve to be awarded to either project as a contingency via minor amendment. The Vista Village consists of 24 units of very low and low-income housing. The award is specifically to renovate kitchens and bathrooms in 3 of these units. To satisfy the City’s requirement to spend down funds in accordance with HUD CDBG timeliness guidelines, if at any point in time, the City finds it necessary to reallocate the funds, either for an immediate drawdown or because the Vista Village project is unable to acquire building permits, the City will reserve the right to complete a Substantial Amendment to the FY 26-27 Annual Action Plan and will award the funds to the City Public Works Department for an applicable project. Funding recommendations are listed in the table below.

1 CDBG Capital Housing Projects					
	FY 26-27 Application Summary	Funds Available	Funding Requests	Funding Award	FY 25-26 Funding Allocations
a	Rebuilding Together Silicon Valley- Homeowner Repair and Rehabilitation Program		\$107,500.00	\$107,500.00	\$107,500.00
b	West Valley Community Services – Vista Village Rehabilitation		\$160,000.00	\$160,000.00	\$0
Sub-Total		\$267,678.00	\$267,500.00	\$267,500.00	\$107,500.00

2026-27 CDBG Public Service Funds (Two-Year Funding Cycle)

As previously stated, awards of public services are given on a two-year funding cycle. This covers current recipients of CDBG, Human Services Grant (HSG), and County Inventory Grant funding who will receive extensions on their current contracts for an additional year of service, with adjustments made based on exact allocations received for each program. In FY 26-27, the CDBG allocation will be lower than the estimated amount,

and thus the public service cap is subsequently lowered to \$48,300. As a result, the CDBG public service contracts will have a slight reduction compared to the previous year.

2 CDBG Public Services					
	FY 26-27 Application Summary	Funds Available	Funding Requests	Funding Award	FY 25-26 Funding Allocations
a	Live Oak Adult Day Services		\$22,000.00	\$15,000.00	\$16,800.00
b	West Valley Community Services (WVCS) – Community Access to Resources and Education Program (CARE)		\$87,494.00	\$33,300.00	\$37,200.00
Sub-Total		\$54,000.00	\$109,494.00	\$48,300.00	\$54,000.00

2026-27 HSG Public Service Funds (Two-Year Funding Cycle)

Similarly to the CDBG Public Services, in FY 26-27, the HSG allocation will be lower than the amount in previous years. While HSG programs were awarded \$129,000 in FY 25-26, to maintain the annual average of \$125,000 awarded per year, the second year of the two-year HSG allocation cycle will be \$121,000. As a result, the HSG public service contracts will have a slight reduction compared to the previous year.

3 General Fund HSG Public Services					
	FY 26-27 Application Summary	Funds Available	Funding Requests	Funding Award	FY 25-26 Funding Allocations
a	Catholic Charities of Santa Clara County – Long Term Care Ombudsman Program		\$12,000.00	\$10,400.00	\$11,000.00
b	Senior Adults Legal Assistance (SALA) – Legal Assistance to Cupertino Elders		\$19,500.00	\$16,900.00	\$18,000.00
c	West Valley Community Services – Haven to Home		\$129,880.00	\$93,700.00	\$100,000.00
Sub-Total		\$121,000.00	\$161,380.00	\$121,000.00	\$129,000.00

2026-27 BMR AHF Public Services (Two-Year Funding Cycle)

The BMR AHF receives its revenue from the payment of housing mitigation fees from non-residential (commercial, retail, hotel, research and development (R&D) and industrial) and residential development. Formal agreements and monitoring are required for this program, but the requirements are less stringent than federal funding. FY26-27 is the second year in the two year cycle for eligible BMR AHF public services. An additional application was not strictly necessary at this time, however, the City received one application in this category totaling \$52,574.00. The Housing Commission recommended increasing funding to Project Sentinel in the amount of \$54,174 for monthly educational

outreach events on new housing laws. However, to fully accommodate this request, calculations show that the total funding allocation to Project Sentinel should be \$58,974. Current regulations cap BMR AHF public services funding to \$50,000 per year. Since \$50,000 has already been awarded in the first year of the two-year public service funding cycle, in order to accommodate this request, approval of the draft resolution to raise the public service funding cap is required. Funding recommendations are listed in the table below.

4 BMR AHF Public Services					
	FY 26-27 Application Summary	Funds Available	Funding Requests	Funding Award	FY 25-26 Funding Allocations
a	Project Sentinel – Fair Housing Activities		\$52,574.00	\$58,974.00	\$50,000.00
Sub-Total		\$50,000.00	\$52,574.00	\$58,974.00	\$50,000.00

2026-27 BMR AHF Capital Housing Project Funds (One-Year Funding Cycle)

The City estimated up to \$1,100,000 will be available to fund eligible BMR AHF projects for FY 26-27 at the time of the release of the NOFA prior to accounting for administrative and other expenses. As previously stated, staff recommends that a minimum of \$408,974 be reserved to budget for these other expenses to cover the remainder of FY25-26 as well as to budget for upcoming expenses in FY 26-27. Therefore, the City in practice has \$691,026 to award for affordable housing projects. The City received one application for FY 26-27 BMR AHF Capital Housing Projects. The application, Eden Housing – Wolfe Rd, proposes 249 units built across two phases. The first phase will contain 101 units of mixed-income housing for school district employees, will contain approximately 34 low income units and 67 moderate income units. The second phase will contain 148 units, with 60 very low-income units, 86 low-income units, and two manager units.

Staff recommendations are based on numerous criteria that include but are not limited to the following: number of affordable units provided, level of affordability reached, special needs populations served, consistency with long range housing goals, availability of other funding, project readiness, community feedback, financial viability, and project feasibility. Regardless of award, staff will continue to support affordable housing projects through technical assistance to the developers and supporting applications for additional funding from state and federal sources such as Project Homekey+, Affordable Housing Sustainable Communities (AHSC), Local Housing Trust Fund (LHTF), Section 8 Project Based Vouchers (PBV), and other opportunities as they become available.

If the project is unable to acquire planning entitlement, or the City receives additional BMR funds previously unaccounted for, the City will reserve the right to either uncommit funds committed to the project to be returned to the BMR fund balance, or to recommend awarding additional funds at a future Housing Commission meeting. Previously at the

April 15, 2025 City Council meeting, the Wolfe Road project was awarded \$1,083,200 from the BMR AHF fund. An additional award of \$666,880 would bring the City to a grand total of \$1,750,000 committed to the project. Staff recommends that BMR funds below be committed at the following amounts, with award contingent on the developer’s attaining planning entitlements.

4 BMR AHF Capital Housing Projects					
	FY 26-27 Application Summary	Funds Available	Funding Requests	Funding Commitment	FY 25-26 Funding Allocations
a	Eden Housing, Inc. – Wolfe Rd		\$1,100,000	\$666,880.00	\$1,083,200.00
Sub-Total		\$691,026	\$1,100,000	\$666,880.00	\$1,083,200.00

Sustainability Impact

No sustainability impact.

Fiscal Impact

CDBG programs and projects are funded by HUD (Federal) grant funds. BMR AHF public services and projects are funded by City housing mitigation fees collected from residential and non-residential development projects. HSG programs are allocated from the General Fund. Budget allocations for approved funding allocations will be included for City Council’s approval as part of the proposed and final budget.

City Work Program (CWP) Item/Description

Yes, FY 25-26

Preserve existing and develop new BMR/ELI Housing: Explore opportunities to preserve existing expiring BMR housing. Develop ELI (Extremely Low Income) and BMR housing units for Developmentally disabled individuals (IDD) on City-Owned property as well as the County-owned sites.

Council Goal:

Housing

California Environmental Quality Act

No California Environmental Quality Act impact.

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Reviewed by: Benjamin Fu, Director of Community Development

Floy Andrews, Interim City Attorney

Approved for Submission by: Tina Kapoor, City Manager

Attachments:

A - Draft Resolution

B - FY 2026-27 NOFA/RFP

C - City Council April 15, 2025 Meeting Minutes

D - Housing Commission Resolution No. 17-02 (CDBG Contingency Plan)

E - Resolution No. 18-035

F - FY 2026-27 CDBG and BMR AHF Funding Application Summary