



**CITY MANAGER'S OFFICE**

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August 12, 2019

Zachary Olmstead, Deputy Director  
Department of Housing and Community Development  
Division of Housing Policy Development  
2020 W. El Camino Avenue, Suite 500  
Sacramento, CA 95833

**Re: Implementation of 2015 – 2023 Housing Element of the General Plan**

Dear Mr. Olmstead,

Thank you for your letter, dated August 2, 2019. I was encouraged to read that you concluded the City of Cupertino is currently compliant with State housing laws. I can assure you that the City will do all that is necessary to remain in compliance if the City's approval of the Vallco SB 35 project is overturned by the court.

Cupertino's Regional Housing Need Allocation (RHNA) for the current planning period is 1,064. The City's Housing Element identifies sites to accommodate 1,400 units to ensure a reasonable buffer. As your letter notes, the City already approved more units for lower income households than were allocated under its RHNA, and the City has approved enough units to exceed its total RHNA nearly three times over. This includes the Vallco SB 35 project, as well as other projects entitled during the planning period. The City agrees that with approval of the Vallco project, the City met its remaining RHNA obligation for the Vallco site as put forth by Strategy 1. Should that approval be overturned, the City will ensure that adequate zoning is in place to accommodate its remaining RHNA by income level in compliance with State law. In the meantime, the City is actively processing and issuing permits for the approved Vallco SB 35 project.

It should be noted that Cupertino has had a compliant Housing Element for at least the past three Housing Element cycles with adequate sites to accommodate its RHNA. In the last two decades, Cupertino has had a 100% approval rate for all housing projects

that have complied with the General Plan and zoning codes. No complying projects have been denied.

The City would like to continue generating adequate housing to accommodate its growing population, including its teachers, police officers, fire fighters, baristas, janitors, and others. Additionally, the City would like to provide opportunities to accommodate affordable housing for our families, seniors, and disabled. To meet these aspirations, the City devoted significant resources towards developing lower income housing in accordance with Housing Element strategies 4, 11, 12, and 13. We appreciate your acknowledgment of the City's work in connection with rehabilitation and repair of existing affordable housing as an important facet of our housing program.

The City is mindful of the need to look for opportunities to support the development of new housing in the community. To that end, the City used its flexible development standards program (Strategy 4) to facilitate low income senior housing and has recently accepted a complete application for the 220-unit Westport project, which makes use of the City's density bonus program under Strategy 12.

Perhaps most significantly, the City recently issued final certificates of occupancy for the Veranda project—which provides 18 extremely-low and very-low income senior units, as well as a very-low income manager's unit—on one of the Priority Housing Sites, exceeding the 11 lower income units that the Housing Element had projected. This project was developed with a density bonus, CEQA streamlining by using a categorical exemption, the flexible development standards mentioned above, and unanimous support from the Planning Commission and City Council.

The Veranda project was the first project in Santa Clara County to utilize 2016 Measure A - Affordable Housing Bond funds with a \$1 million contribution, which resulted in six units of permanent supportive housing reserved for homeless seniors with disabling conditions. Consistent with Housing Element strategies 11 and 13, the City contributed approximately 43% of the total development costs for a total of \$5,172,000. The City initially paid \$3 million for site acquisition and contributed \$1 million through the Housing Trust Silicon Valley. Subsequently, the City paid \$672,000, when the project was not able to acquire adequate funding, and \$500,000 in HOME Investment Partnerships Program (HOME) funds, when project labor costs escalated. The continued contributions to this project reaffirm the Council's commitment towards ensuring production of affordable housing.

City staff continues to reach out to housing developers and nonprofits to provide technical support and information about potential funding sources when property with potential to be developed with housing comes up for sale. Housing developers and

nonprofits continue to provide feedback that land costs are the biggest barrier in the development of affordable housing in Cupertino. While the Veranda project is a wonderful success story, it clearly illustrates the high amount of public subsidy, not including grant and tax credit funding available, needed to develop affordable housing in a community with high land costs.

The City Council included several housing related projects as priority items on the City's Fiscal Year 2019-2020 Work Program. This includes a Housing Strategies project with the objective to explore the development of strategies that provide a variety of products across the affordability levels including housing for the developmentally disabled, as well as homes affordable to moderate, low, very-low, and extremely-low income households. The goal is to review and adopt effective strategies and tools for the development of affordable housing across all income levels and developmental abilities. In addition, the Council is reevaluating the City's Below Market Rate Linkage Fees with a focus on maximizing affordable housing production while studying the feasibility of increasing the inclusionary housing requirements for future developments. This would help ensure that housing development at all income levels continues to be feasible in the City. The Work Program also includes developing options to stimulate the Accessory Dwelling Unit production as a source of affordable housing and studying the feasibility of building affordable extremely-low income developmentally disabled housing on a City-owned site.

We appreciate this opportunity to communicate with you. As you are aware, all local governments face the challenge of balancing competing interests when making land use decisions. The City is dedicated to finding this balance to provide housing solutions for all members of its community. We look forward to working with HCD as we make progress towards implementing the programs identified in our latest Housing Element.

If you have any further questions or comments, please feel free to contact me directly at (408) 777-3212 or DebF@cupertino.org.

Sincerely,



Deborah L. Feng  
City Manager

CC: Steven Scharf, Mayor, City of Cupertino  
Benjamin Fu, Director of Community Development, City of Cupertino