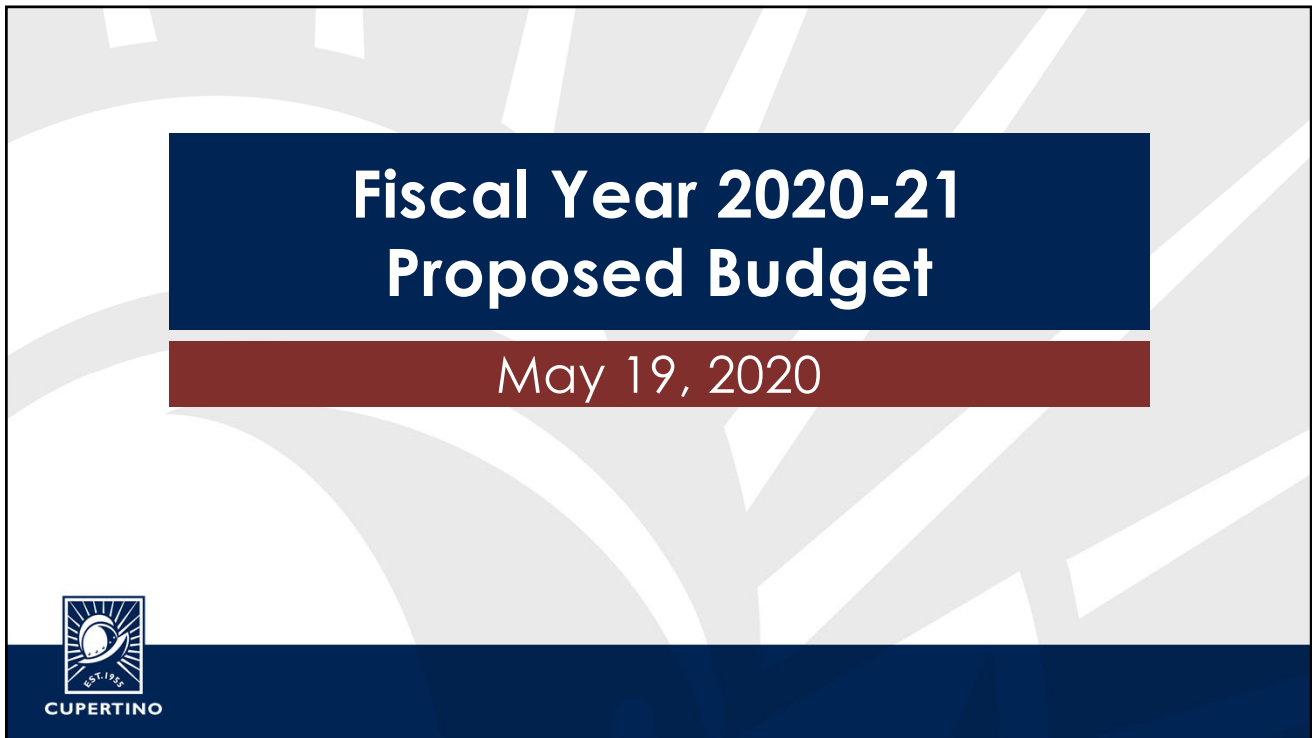



CC 05-19-20

#1 Study Session
FY 2021 Proposed Budget
Presentation



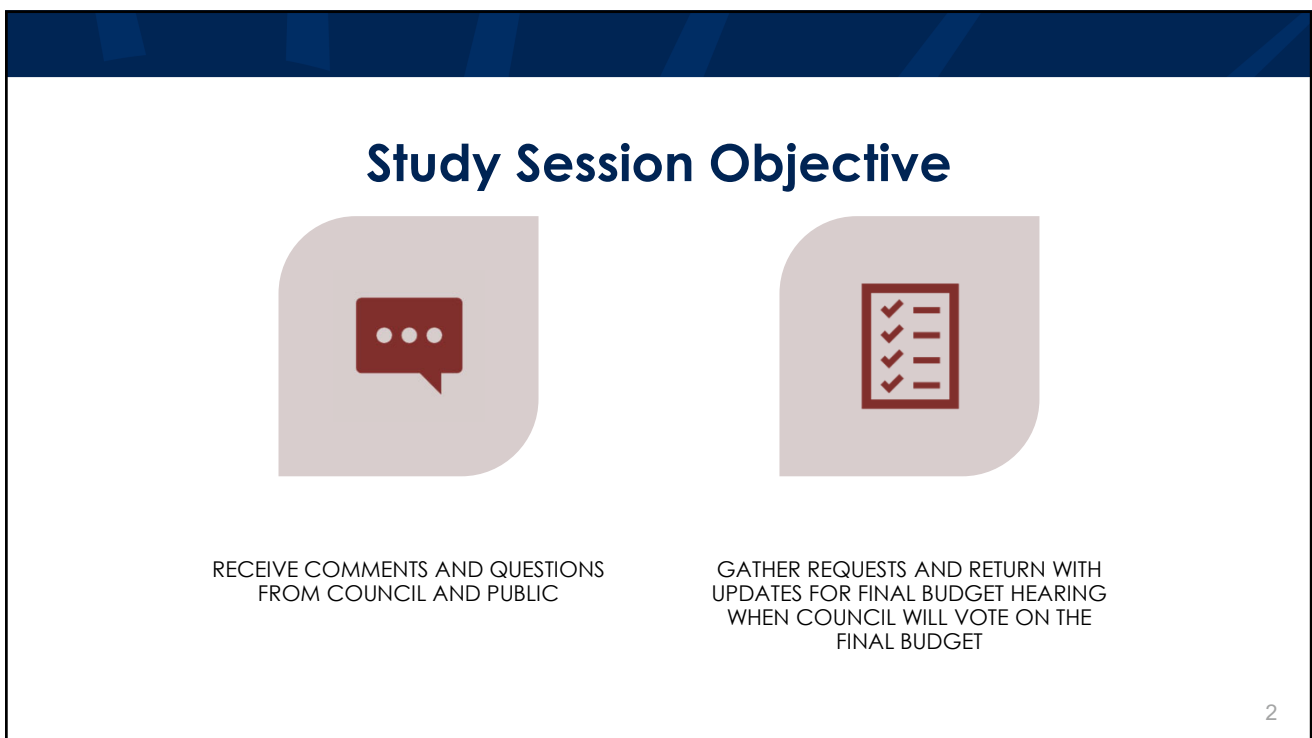
**Fiscal Year 2020-21
Proposed Budget**

May 19, 2020




CUPERTINO


1



Study Session Objective



RECEIVE COMMENTS AND QUESTIONS
FROM COUNCIL AND PUBLIC



GATHER REQUESTS AND RETURN WITH
UPDATES FOR FINAL BUDGET HEARING
WHEN COUNCIL WILL VOTE ON THE
FINAL BUDGET

2

FY 2020-21 Themes



BUILDING ON A
STRONG FISCAL
FOUNDATION



MODERATE PRIOR
YEAR GROWTH

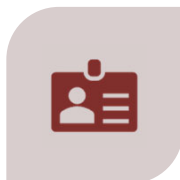


STRONG FUND
BALANCE = TIME TO
ADJUST COURSE

3

3

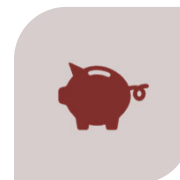
FY 2020-21 Balancing Strategy



VACANCY SAVINGS



CUTS ACROSS VARIOUS
EXPENDITURE
CATEGORIES



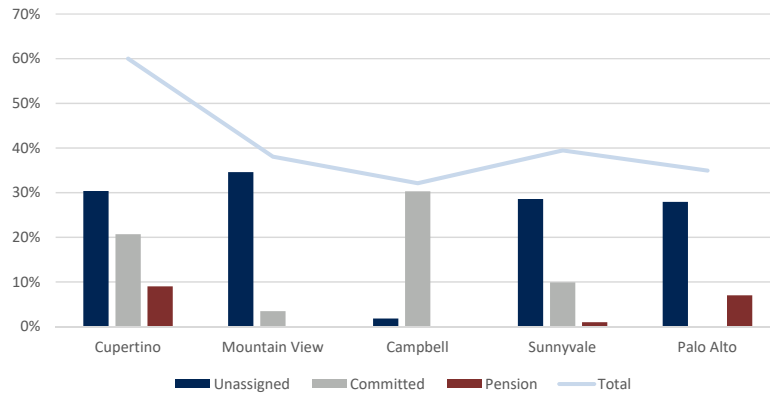
EARMARKED RESERVES
UNTOUCHED

4

4

General Fund Reserves Agency Comparison

General Fund Reserves Compared to Final Budget
In Respect to General Fund Final Budget
(as of June 30, 2019)

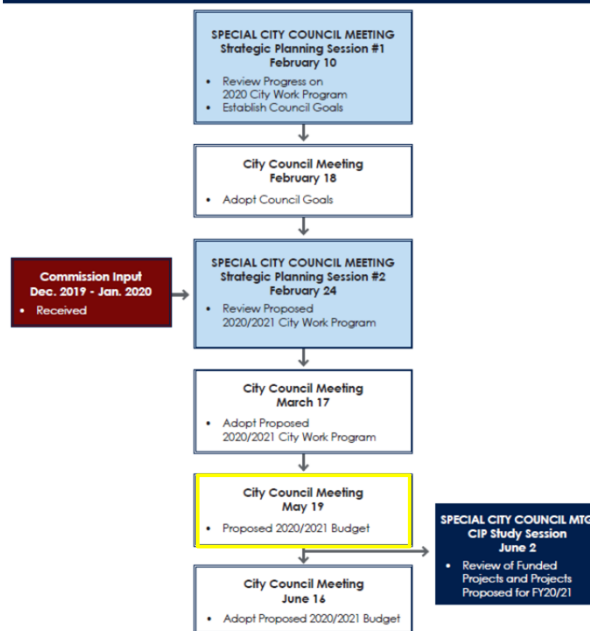


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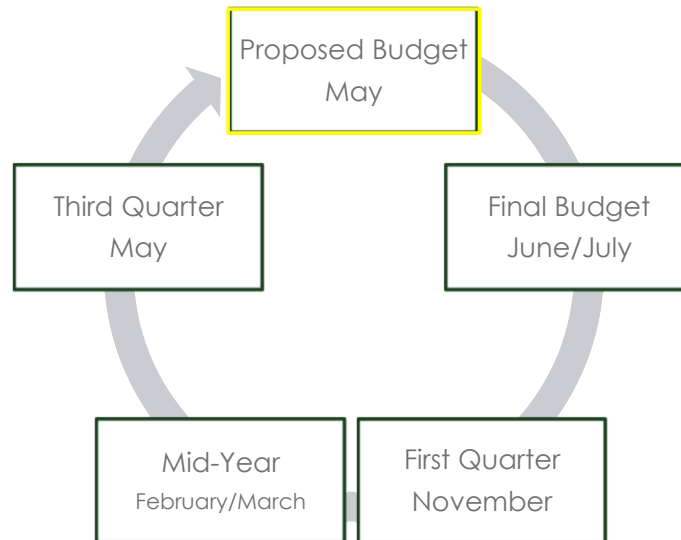


STRATEGIC PLANNING PROCESS 2021



6

Budget Cycle



7

Agenda



Fiscal Year 2020-21 General Fund Assumptions and Forecast



Fiscal Year 2020-21 All Funds Summary



Proposed Budget Requests



Issues and Challenges



Budget Calendar

8

Fiscal Year 2020-21 Budget and Forecast Assumptions – General Fund

9

Changing Budget Numbers

Fund	General Fund
Expenditures	\$82.3M
Vacancy Savings	-\$0.8M
Materials	-\$0.7M
Contracts	-\$1.0M
Total Adjustments	-\$2.5M
Proposed Budget	\$79.8M

10

COVID-19 Impact FY 2020-21 (in millions)

Category	FY20/21 Proposed Budget	FY20/21 COVID-19 Impacts	FY20/21 Proposed COVID-19 Impacts Mitigated*
FY20/21 Estimated Beginning Unassigned Fund Balance	\$17.5M		
Revenues	\$88.8M	\$79.5M	\$79.5M
Expenditures	\$89.5M	\$89.5M	\$79.8M
Impact to Fund Balance	-\$0.7M	-\$10.0M	-\$0.3M
FY20-21 Estimated Ending Unassigned Fund Balance	\$16.8M	\$7.5M	\$17.2M

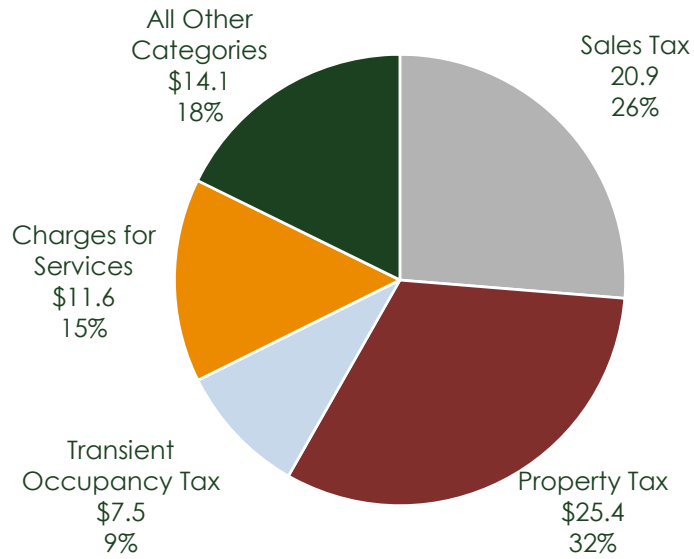
11

General Fund Forecast – Revenue Impact

Category	Reduction Amount	Description
Sales Tax	-\$4.7M	Impact of COVID-19 April-June, received in January 21 Revenues
Property Tax	-\$0.7M	Minimal impact due to unsecured property taxes.
TOT	-\$2.5M	Assumed 10% occupancy rate for the 1st qtr (Jul-Sept)
Charges for Services	-\$2.1M	Assumed 3-year average less estimated user fees attributable to facility closures
Fines and Forfeitures	-\$0.40M	Reduce base on 3-year average
Other Financing Sources	-\$0.30M	Conservatively assumed lowest amount in last three years
TOTAL	-\$9.3M	

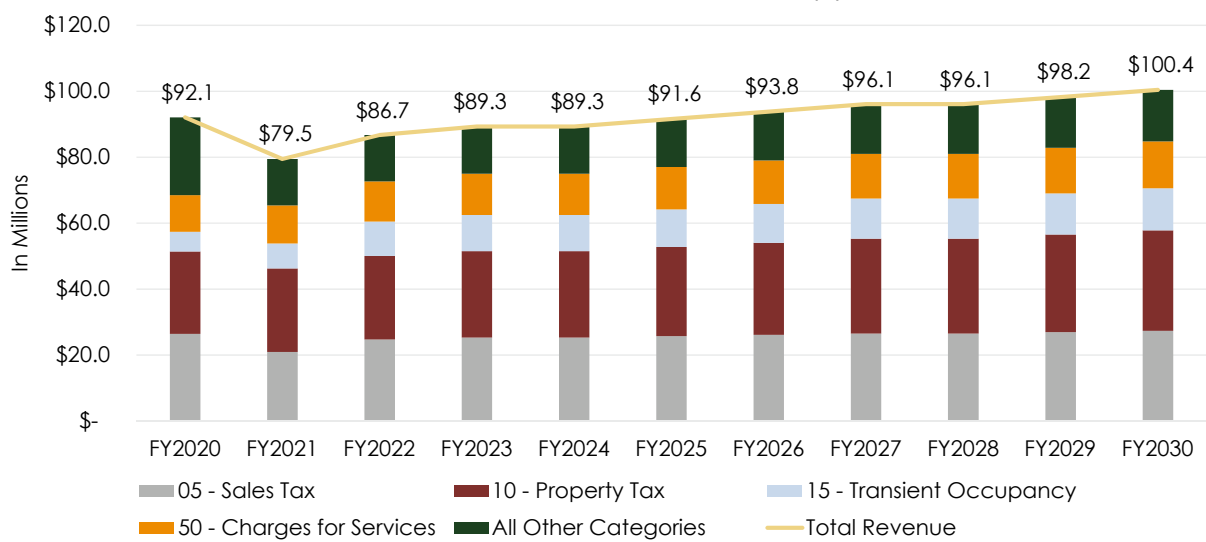
12

General Fund – Revenue Base in millions



13

Recommended Revenue Forecast (B)



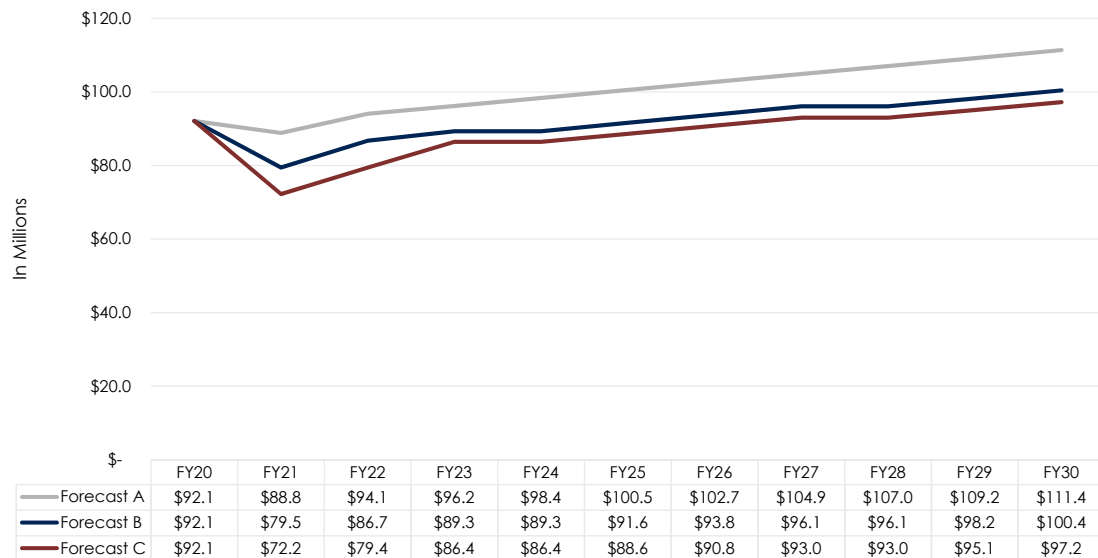
14

10 Year Forecast Models -Assumptions

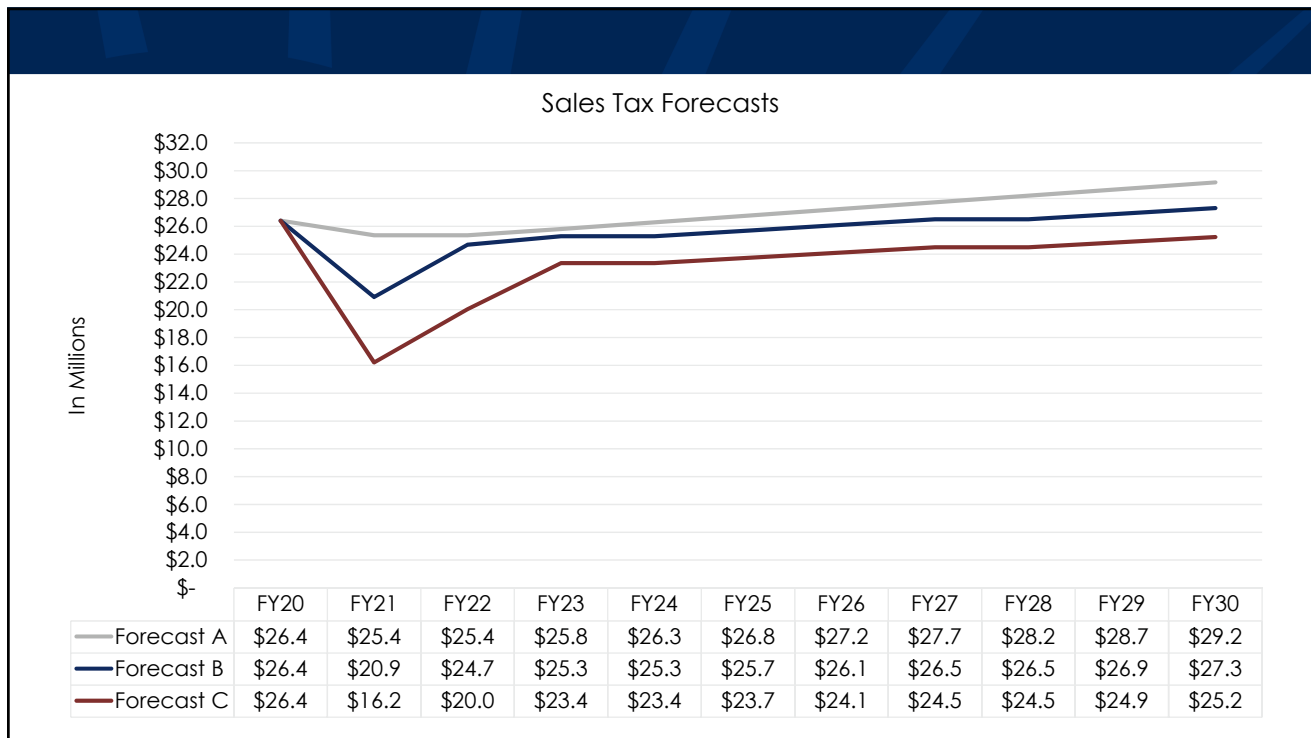
Revenues	Forecast A Pre-COVID-19	Forecast B \$9.3M or 12% Revenue Reduction	Forecast C \$16.5M or 21% Revenue Reduction
• Recession in FY24 and FY28 = No Growth			
Sales Tax	• No reduction	• \$4.7M or 18% reduction	• \$7.4M or 29% reduction
	• Conservative out year growth (1-2%)		
	• N/A	• Full recovery FY21-22	• Full recovery FY22-23
Property Tax	<ul style="list-style-type: none"> • \$.7M revenue reduction FY21 • Moderate growth in out years (2-3%) • Minimal impact and only in unsecured 		
Transient Occupancy Tax	No reduction	• \$2.5M or 25% reduction	• \$5M or 50% reduction
	• Moderate growth in out years (2-3%)		
	• N/A	• Full recovery FY21-22	• Full recovery FY22-23
Charges for Services	Same across all forecast, assumes "losses" in a particular year would more than likely be deferred to a later date and eventually realized during the 10-year forecast range		

15

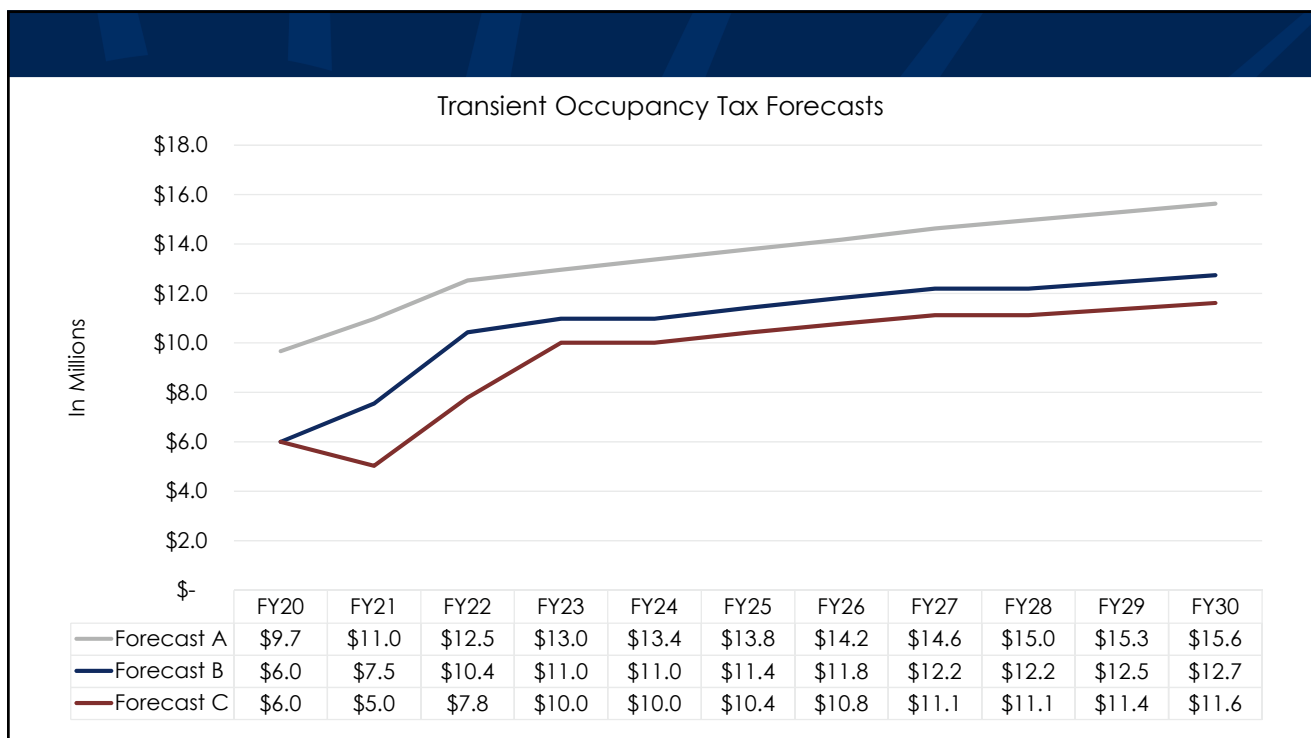
10 Year - All General Fund Revenues Forecast Comparison



16

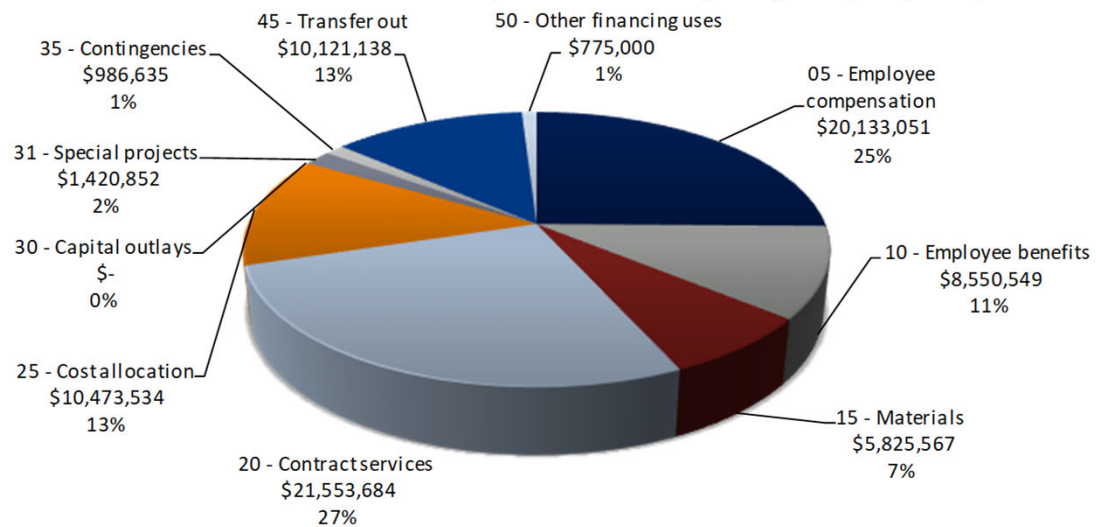


17



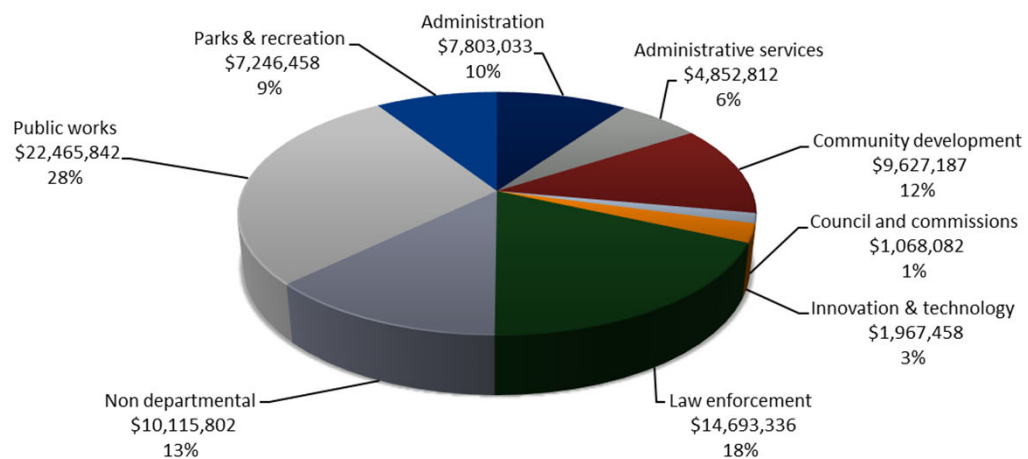
18

General Fund Expenditures by Object \$79,840,010



19

General Fund Expenditures by Department \$79,840,010



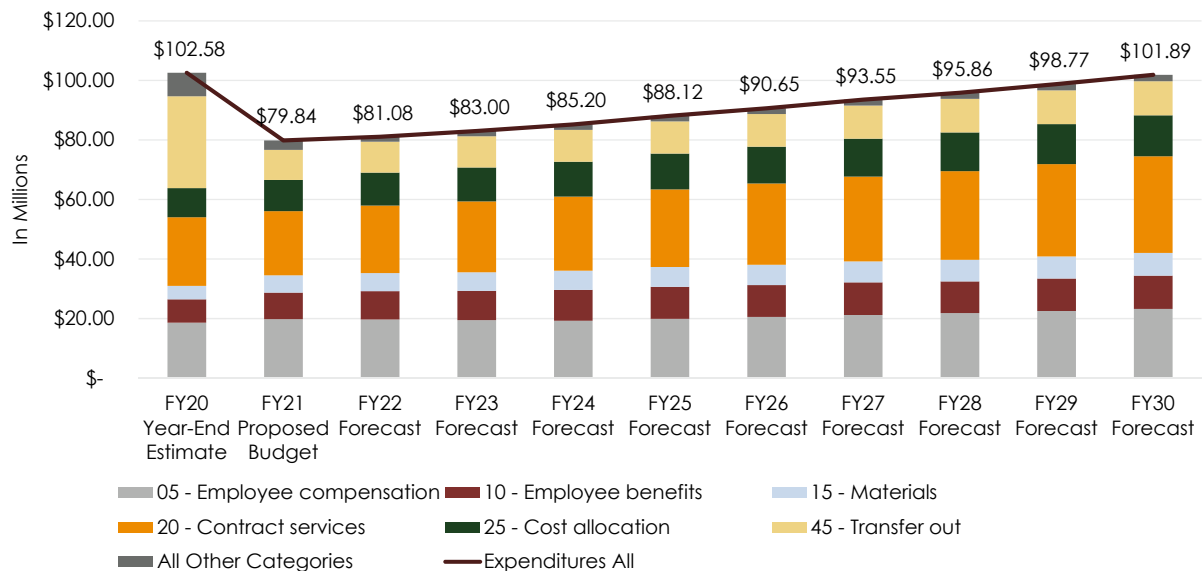
20

General Fund Forecast – Expenditure Balancing Strategies

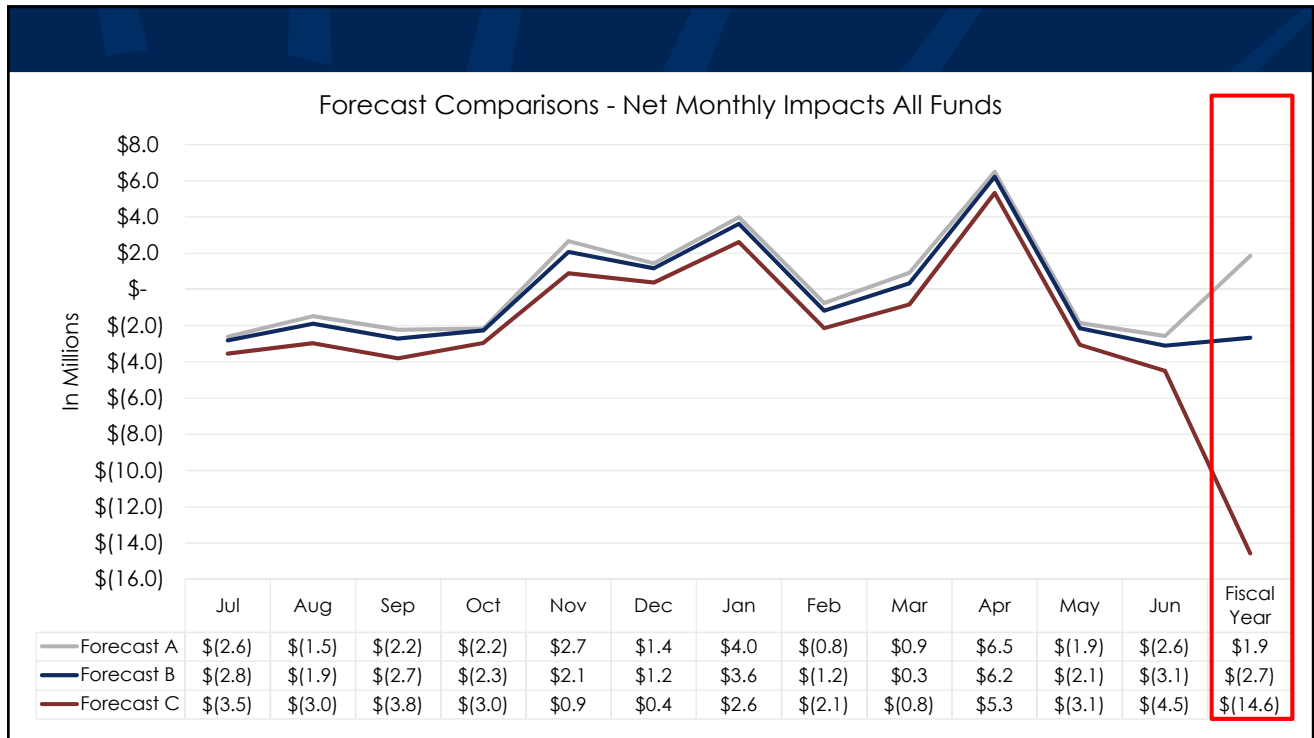
Category	Reduction Amount	Strategy
Salary and Benefits	\$0.80M	Leave 20 positions vacant, eased in at 5 per year for the first 4 years then holds those for the remainder of forecast
Materials	\$0.67M	10% Reduction then CPI growth in forecast
Contracts	\$1.0M	Reduction then CPI or contract terms for growth
Contingency ✓	\$0.85M/YR	50% Reduction remain at fixed level in forecast
Capital Outlays	\$0.15M/YR	60% Reduction from \$250k to \$100k remains at fixed level in forecast
Special Projects	\$0.50M/YR	50% Reduction remains at fixed level in forecast
Transfers Out ✓	\$1.5M/YR	No transfer out to Capital Reserve all other kept at base level remains fixed in forecast all other subsidies remain at base level
Reduced Budget Requests ✓	\$4.23M	Various items including additional staffing request
TOTAL	\$9.7M	

21

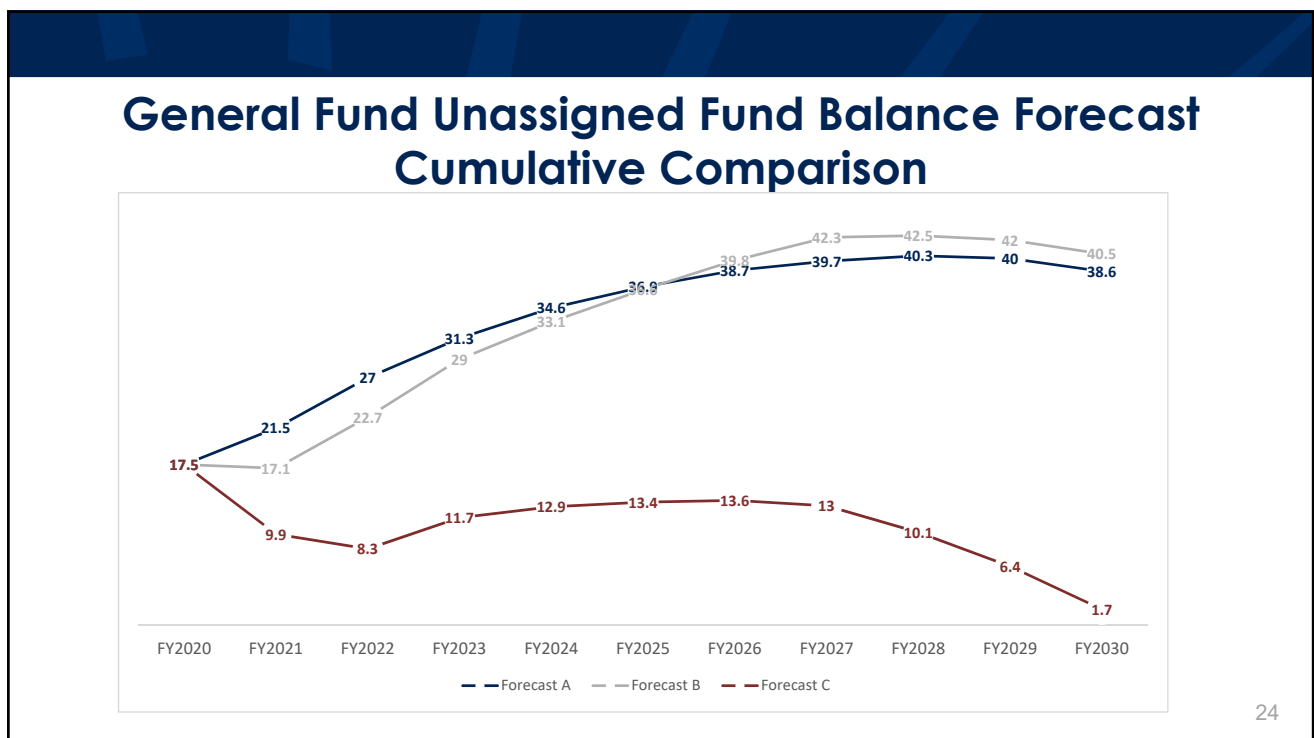
10 Year Forecast - General Fund Expenditures



22



23



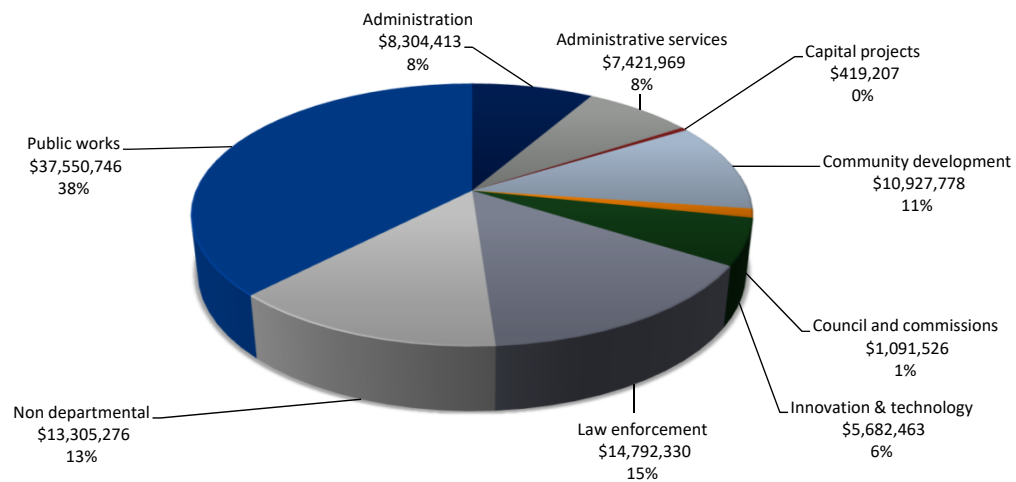
24

24

Fiscal 20-21 All Funds Summary and Proposed Budget Requests

25

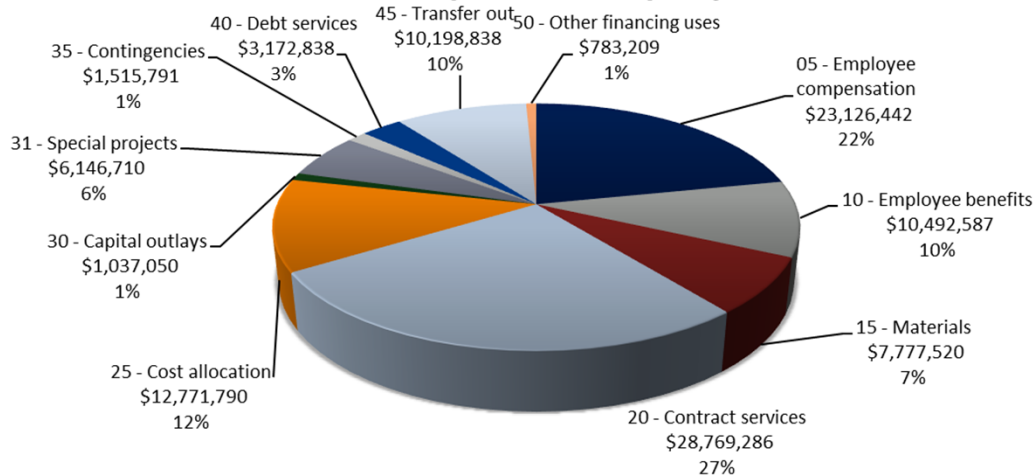
Recommended Expenditures All Funds (by Dept.) - \$113,785,245



26

Recommended Expenditures All Funds (by object) - \$113,785,245

All Fund Expenditures by Object



27

City Council and Commissions - Community Funding Requests

- Currently not included
- 12 Applications Received
- \$122,000 Requested
- To Parks and Recreation Commission on June 4th
- \$20,000 Historical Society (not Currently included)

28

Special Projects - Administration

Special Projects	Work Program	Costs
Reduce Second Hand Smoke Exposure	X	\$27,592
Climate Action Plan	X	\$212,000
Sustainable Infrastructure Audit		\$10,000
Community Hall Podium Replacement		\$15,000
Portable Signal Generator/Analyzer		\$9,000
Wireless Video Transmission System		\$11,500
Total		\$285,092

29

Administration – Proposed Requests

- ❑ ~~\$18,000 – Federal legislative support~~
- ❑ \$11,500 – Wireless video transmission system
- ❑ \$9,000 – Portable signal generator/analyzer

30

Changes to the Administration Budget

FY18 Adopted Budget	\$5.5M	
FY21 Proposed Budget	\$8.4M	
Variance	\$2.9M	
Divisions Transferred to Administration		
Community Outreach and Neighborhood Watch	\$0.2M	
Disaster Preparedness	\$0.4M	
Economic Development	\$0.4M	
Total Divisions Transferred In	\$1.9M	
Growth in existing divisions		
City Manager	\$0.4M	Reallocation of the Assistant City Manager position from CDD to City Manager and increased contracts for proactive legislative support
Sustainability	\$0.2M	PT Salaries and Special Projects are up because of Climate Action Plan
Office of Communications	\$0.2M	Addition of 1 Sr. Office Assistant for the front desk and PT costs are up for coverage at the front desk to ensure coverage for all hours City Hall is open
All Others (City Clerk, CM Disc fund and CAO)	\$0.6M	Election Costs
Total Growth	\$1M	

31

Law Enforcement – Proposed Requests

- \$714,393 – increase in sheriff's contract

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Special Projects – IT

Special Project	Work Program	Costs
Pilot Adaptive Traffic Signaling	X	\$65,000
Pilot Multi-modal Traffic Count	X	\$40,000
Pilot Noise Measurement	X	\$35,000
Pilot Pollution Monitoring	X	\$35,000
Pilot Trash Collection	X	\$25,000
Pilot Waste Management		\$10,000
Vehicle Miles Traveled		\$25,000
Artificial Intelligence Remediation		\$50,000
Facility Battery		\$40,000
IoT for Analytics		\$15,000
Total		\$340,000

33

IT – Proposed Requests

- ❑ \$15,000 – RideAmigos
- ❑ \$35,000 – Telematics
- ❑ \$6,000 – Blackberry Farm Zoom Room

34

Administrative Services – Proposed Requests

- \$50,000 – Internal Audit

35

Parks and Recreation – Proposed Requests

- \$11,300 – Summer camp guide
- \$1,500 – Blackberry Farm Golf Safe

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Festivals

Festival	Date	Festival Producer	Approximate Attendance	Waived Fees			City Expenses		Total
				Recreation	Facility/ Park/Road Permits	Public Works	Sheriff	Materials	
Kids 'N Fun Festival	Aug. 10, 2020	Taiwanese Cultural and Sports Association	6,000	\$1,385	\$10,802	\$2,871	\$5,853		\$ 20,911
CEEF 5k	Aug. 24, 2020	Cupertino Educational Endowment Fund	1,500		\$3,220		\$3,000		\$ 6,220
Fall Festival	Sept. 14, 2020	Cupertino Rotary	4,000	\$1,472	\$6,998	\$3,047	\$5,853		\$ 17,370
Diwali	October 10, 2019	Cupertino Chamber of Commerce	5,000	\$1,555	\$6,710	\$3,070	\$5,853		\$ 17,187
Tournament of Bands	October 11, 2019	Cupertino Tournament of Bands	4,625		\$3,220		\$3,000	\$175	\$ 6,395
Veteran's Day	Nov. 11, 2019	Cupertino Veteran's Memorial	750	\$612	\$1,000	\$18		\$1,593	\$ 3,223
Heroes Run	Nov. 2019	County of Santa Clara	1,000		\$3,220	\$74			\$ 3,294
Ikebana Flower Show	March 7-8, 2021	WAFU Ikebana Society	1,000	\$294	\$19,065				\$ 19,359
Holi	March 29, 2021	Cupertino Chamber of Commerce	2,000	\$1,122	\$3,000	\$18	\$965		\$ 5,106
Egg Hunt	April 4, 2021	Home of Christ Church	800	\$483	\$2,120	\$23			\$ 2,626
Cherry Blossom	April 25-26, 2021	Toyokawa Sister City	10,000	\$3,496	\$17,826	\$5,892	\$4,826		\$ 32,040
World Journal	May 9, 2021	World Journal/Cupertino Chinese School	3,000	\$1,564	\$4,960	\$3,043	\$4,908		\$ 14,475
Costs for FY 20-21 Events				\$ 11,983	\$ 82,141	\$ 18,058	\$ 34,258	\$ 1,768	\$ 148,207
				TOTAL		\$112,181	TOTAL	\$36,026	

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Special Projects – Community Development

Special Project	Work Program	Costs
Marina Plaza		\$50,000
		\$50,000

Funded through pass-thru revenues from applicant

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Special Projects – Public Works

Special Project	Work Program	Costs	Revised
Municipal Water System	X	\$50,000	\$50,000
Single Use Plastics Ordinance	X	\$30,000	\$30,000
Alternatives to New City Hall	X	\$25,000	\$25,000
Adaptive Traffic Signaling and Battery Backup	X	\$180,000	\$180,000
Trash Enclosure SWMP		\$5,000	\$2,600
Citywide Office Reconfiguration		\$95,000	\$95,000
Irrigation Pump for Hyde Middle School		\$85,000	\$85,000
Dedicated Water Service at Collins School		\$60,000	\$60,000
Hyde Middle School Fence Repairs		\$6,600	\$6,600
Master Valve and Flow Sensor at Hoover Park		\$12,000	\$12,000
Tot Lot Rubber Resurfacing		\$80,000	\$80,000

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Special Projects – Public Works

Special Project (Cont.)	Work Program	Costs	Revised
Irrigation and Domestic Service		\$70,000	\$70,000
Environmental Consulting Services		\$14,000	\$14,000
Annual Sidewalk Curb and Gutter		\$1,500,000	\$450,000
Concrete Maintenance Backlog		\$550,000	\$550,000
Annual Sidewalk Grinding Project		\$80,000	\$80,000
Pavement Maintenance		\$2,000,000	\$0
Stanley Cutoff & Chain Saws		\$5,600	\$5,600
Trees and Badges		\$15,000	\$15,000
Storage Shed Replacement		\$7,000	\$7,000
Mechanic Shop Asbestos Removal		\$8,000	\$8,000
Restroom Partition Replacement		\$10,000	\$10,000
Security System Retrofit		\$25,000	\$25,000

40

Special Projects – Public Works

Special Project (Cont.)	Work Program	Costs	Revised
Drinking Fountain Replacement		\$6,000	\$6,000
Monta Vista Partition and Key Replacement		\$57,000	\$57,000
Pedestrian Education		\$41,160	\$41,160
Street Light Pole Replacement		\$161,000	\$144,900
Don Burnett Bridge Pathway LED Light Upgrade		\$47,000	\$47,000
Linda Vista Park LED Light Upgrade		\$6,000	\$6,000
Mechanic Shop Hose Reels		\$9,000	\$9,000
Service Center IND Inspection		\$5,000	\$5,000
Vehicle Replacement		\$959,136	\$375,000
Total		\$6,204,496	\$2,551,860

41

Public Works – Proposed Requests

- ❑ \$27,000 – Compost site attendant contract
- ❑ \$1,000 – Blackberry Farm window maintenance
- ❑ \$20,000 – Blackberry Farm pool pump replacement

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Non-Departmental – Proposed Requests

- \$13,305,207 – transfers out and debt service payments

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Issues and Challenges, Staffing and Conclusion

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Issues and Challenges

- ❑ COVID-19
- ❑ Retirement Costs
 - ❑ CalPERS investment losses
 - ❑ Discount Rate changes from 7.0%
- ❑ Revenue Volatility
- ❑ Capital Project Funding

45

Potential Retirement Impacts

- CalPERS Actions
- City Strategies
- CalPERS Investment Returns
- CalPERS Discount Rate Changes

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CalPERS Current Status

Funded Ratio



FY 2018-19 Return

6.7%

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CalPERS Actions

Discount Rate

7.0%

Amortization Period

20 Years

48

City Strategies

Section 115 Trust

\$12.0 M

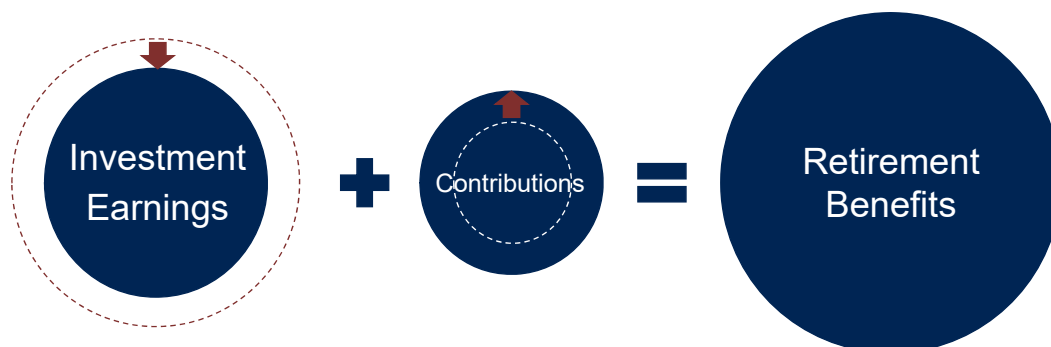
Discount Rate

6.5%

49

Impacts of CalPERS Investment Returns

If the FY 2019-20 investment return is lower than the discount rate (7%) ...



... the City's required contributions will increase to cover the shortfall

50

Impacts of CalPERS Investment Returns

If the FY 2019-20 investment return is lower than the discount rate (7%) by **1 percentage point** ...

... the City's required contributions will increase by up to **\$130K** per year starting in FY 2023

Investment Return	Annual Impact	Total Impact (10 Yr.)
7%	Baseline	Baseline
6%	Up to \$130K higher	\$0.8M higher
0%	Up to \$910K higher	\$5.5M higher

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Impacts of CalPERS Discount Rate Changes

If CalPERS lowers the discount rate by **0.5 percentage points** ...

... the City's required contributions will increase by up to **\$1.2M** per year

Discount Rate	Annual Impact	Total Impact (10 Yr.)
7.0%	Baseline	Baseline
6.5%	Up to \$1.2M higher	\$11M higher
6.0%	Up to \$2.5M higher	\$22M higher

52

FY 2020-21 Staffing Requests

- ❑ No changes to FTEs 203.75
- ❑ Convert 5 limited term positions to permanent
 - ❑ 1 Recommended, 4 Deferred to later date

Department	Position
Administrative Services	Senior Management Analyst
Public Works	Senior Transportation Planner
Public Works	Assistant Civil Engineer
Public Works	Public Works Project Manager
Parks & Recreation	Recreation Coordinator

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Next Steps

- ❑ FY 2019-20
 - ❑ Third Quarter Report May 19th
- ❑ FY 2020-21
 - ❑ CIP Presentation June 2nd
 - ❑ Hearing and Adoption June 16th
 - ❑ First Quarter Report Nov 2020

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Accessing the Budget

- ❑ Online at www.cupertino.org/budget
- ❑ On the City's transparency portal
www.cupertino.org/opengov

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Questions?



CUPERTINO

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CC 05-19-20

#2

Annual Pavement Report
with COVID-19 Economic
Impacts

Presentation

2020 PAVEMENT MANAGEMENT PROGRAM

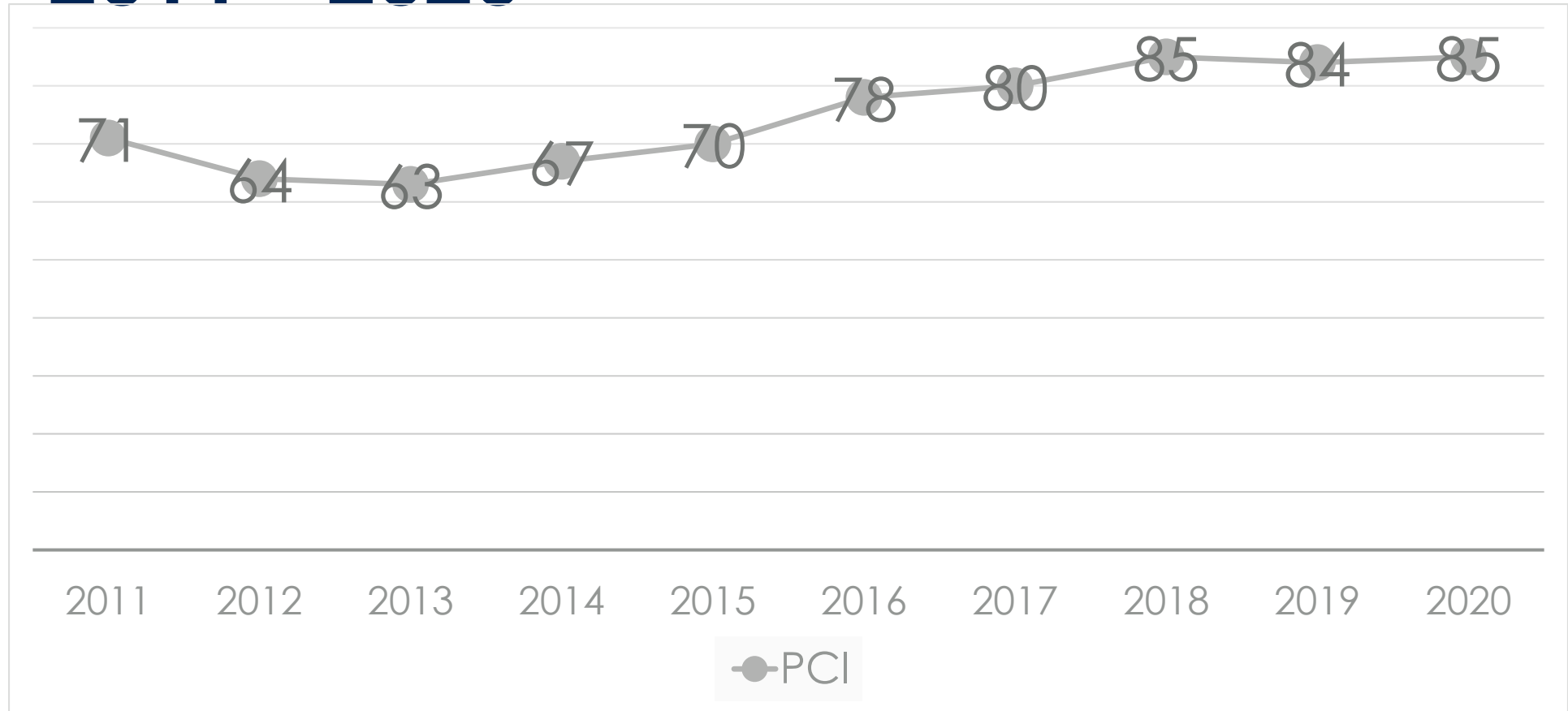


**CITY OF
CUPERTINO**

Bay Area Pavement Management

- Current pavement conditions in Cupertino continue to be among the highest in the Bay Area. Current pavement condition index (PCI) is 85.
- In 2018, the average PCI for all bay area Cities was 67

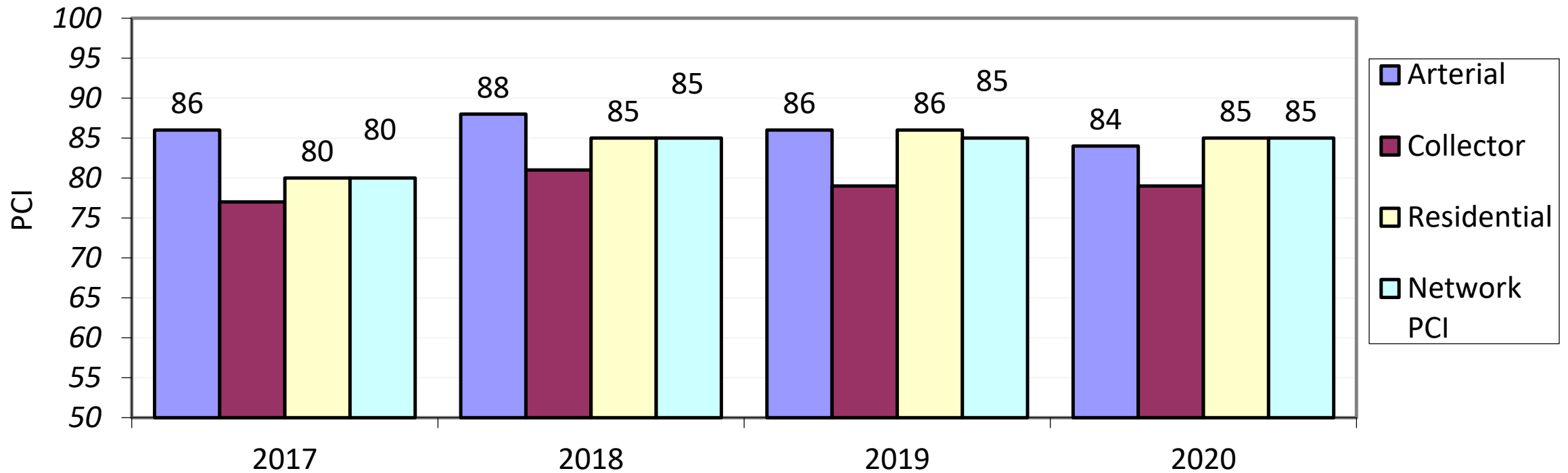
Cupertino Pavement Condition Index 2011 - 2020



Pavement Condition Index Ranges

Very Good-Excellent (PCI = 80-100)	Newly constructed for resurfaced pavement with few signs of distress.	Percent of 2020 Cupertino Network 81%
Good (PCI = 70-79)	Pavement requiring mostly preventive maintenance and showing only low levels of distress.	11%
Fair (PCI = 60-69)	Pavement at the low end of this range is significantly distressed and may require a combination of rehabilitation and preventive maintenance.	4%
At Risk (PCI = 50-59)	Deteriorated pavement requiring immediate attention, including rehabilitative work.	2%
Poor (PCI = 25-49)	Pavement showing extensive distress and requiring major rehabilitation or reconstruction.	2%
Failed (PCI = 0-24)	Extremely rough pavement that needs complete reconstruction.	0%

Pavement Index Trend by Street Class



FUNDING & TIMING FLEXIBILITY

SB1 & Measure B Funds

- Must maintain general fund street maintenance expenditures at or above a specified “Maintenance of Effort” equal to the average General Fund expenditures of FY 09/10 – 11/12.
- If PCI is greater than 80, funds not required to be used to improve PCI and can be used for other street enhancement projects such as bike & ped safety.

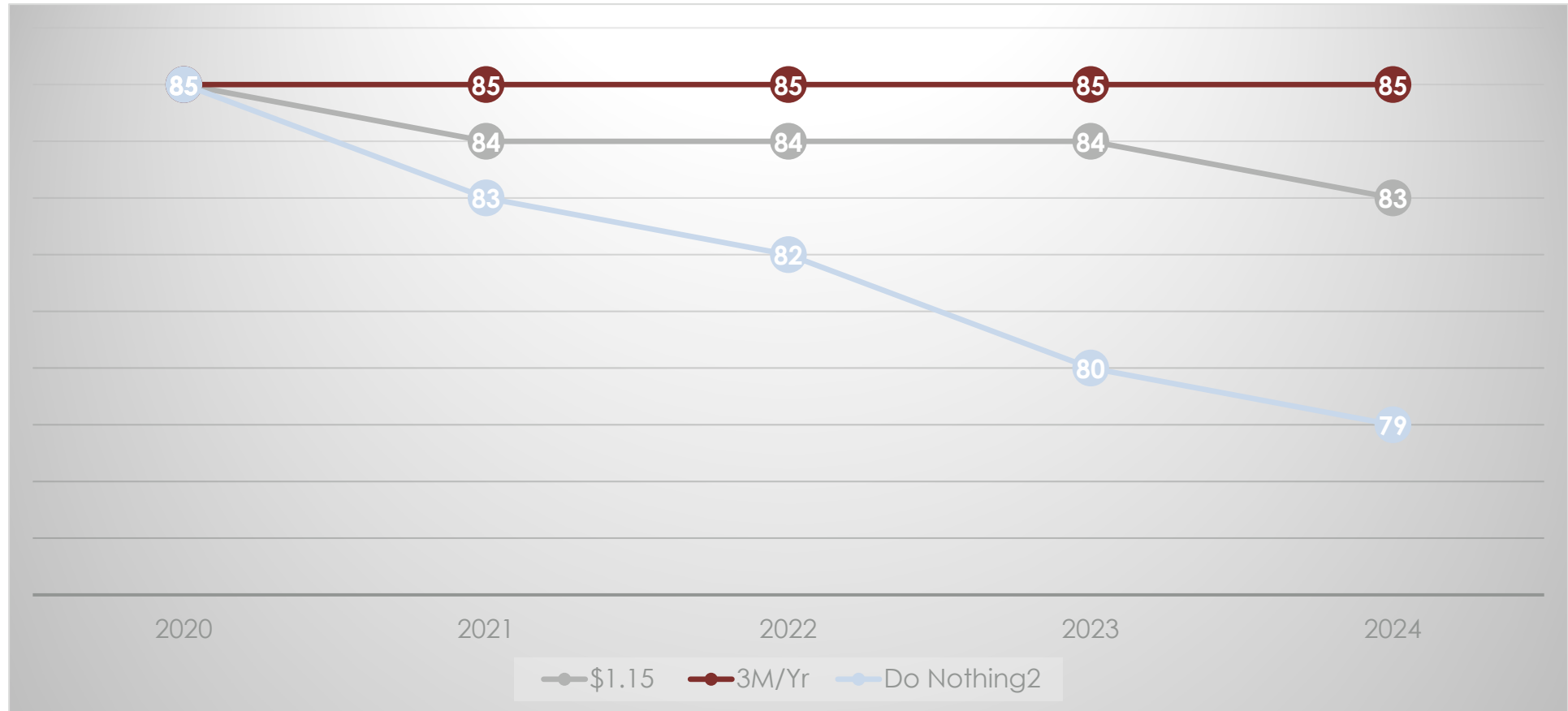
Gas Tax and Vehicle Registration Fees

- Fund street related operations and paving projects

FY19/20 & 20/21 Projects

FY	Project Name	Budget	External Funds	Recommended for Deferral	Revised Budget / Proposed Budget
19/20	2020 Pavement Maintenance Phase 1	\$1,800,000	SB1*	Yes	\$0
19/20	2020 Pavement Maintenance Phase 2	\$2,750,000	\$769K OBAG2, \$600K City of SJ Cost Share & \$381K VRF	Defer \$1M to future projects	\$1,750,000 <i>(no impact to General Fund)</i>
20/21	2021 Fogseal & Crackfill Projects	\$250,000	Gas Tax	N/A	\$250,000 <i>(no impact to General Fund)</i>
20/21	2021 Misc. Asphalt Project	\$178,000	Gas Tax	N/A	\$178,000 <i>(no impact to General Fund)</i>
20/21	2021 Pavement Projects	\$0	No additional funding requested for asphalt or slurry projects.		

Projected Pavement Condition Index



N Portal at Amherst Dr



Creston Drive



QUESTIONS

CC 05-19-20

#19

Third Quarter Financial
Report

Presentation

THIRD QUARTER FINANCIAL REPORT

FISCAL YEAR 2019-20



CUPERTINO

Third Quarter Recommended Adjustments by Department and Fund

Fund	GL Account	Expense	Revenue	Fund Balance
GENERAL FUND				
100 General Fund	100-90-001-421-401	\$ -	\$ 10,000,000	\$ 10,000,000
TOTAL GENERAL FUND		\$ -	\$ 10,000,000	\$ 10,000,000
CAPITAL PROJECT FUNDS				
429 Capital Reserve	429-90-001-800-902	\$ 10,000,000	\$ -	\$ (10,000,000)
TOTAL CAPITAL PROJECT FUNDS		\$ 10,000,000	\$ -	\$ (10,000,000)
TOTAL ALL FUNDS		\$ 10,000,000	\$ 10,000,000	\$ -



Recommendations

- Accept the City Manager's Third Quarter Financial Report for Fiscal Year 2019-20
- Adopt a draft resolution approving Third Quarter budget adjustments



Next Steps

- FY 2020-21
 - Proposed Budget Study Session May 19, 2020
 - First Quarter Report to Council Nov. 2020

Questions



CC 05-19-20

#22

Plan Bay Area 2050 RHNA
Study Session

Presentation

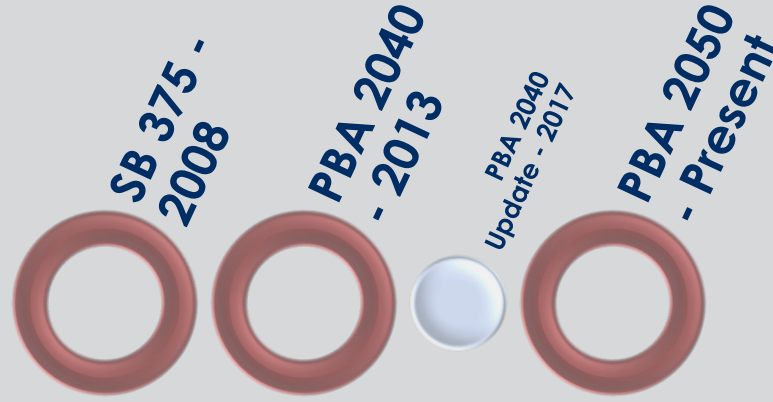
Plan Bay Area 2050 & Regional Housing Needs Allocation Study Session

City Council
May 19, 2020



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PBA Background



Lead Agencies:

- Association of Bay Area Governments (ABAG)
- Metropolitan Transportation Commission (MTC)



Association of Bay Area Governments (ABAG)

- Formed in 1961
- Bay Area's Regional Planning Agency
- Focus: Housing, Transportation, Economic Development, Environment
- Plan Bay Area 2050
- Regional Housing Needs Allocation



Metropolitan Transportation Commission (MTC)

- Created by State Legislature – 1970
- Bay Area's Transportation Planning Agency
- Focus: Transportation, Financing, Coordination
- Plan Bay Area 2050

ABAG & MTC Relationship

- 2008: SB 375
 - ABAG & MTC – 1st combined regional land use and transportation long-range plan
- 2013: 1st Plan Bay Area published
- 2017: ABAG & MTC staff consolidation
- Present: ABAG & MTC share joint responsibility for PBA 2050

PBA 2050 Process

- Horizon Initiative: 2018 - 2019
 - “Stress-test” future growth strategies and policies using Urban Sim 2.0 (parcel based model)
 - Futures Final Report
- PBA 2050 Blueprint: In Progress
 - Draft Blueprint - July 2020
 - Final Blueprint – December 2020

Growth Geographies

Growth Geography	Description Highlights
Priority Development Areas (PDAs)	Near public transportation; Prioritized for housing, jobs, & services
Priority Production Areas (PPAs)	Industrial districts
Priority Conservation Areas (PCAs)	Prioritized for open space conservation <i>Note: Not a Growth Geography, but included in PBA 2050</i>

Growth Geographies Cont.

Growth Geography	Description
Transit-Rich Areas (TRAs) – Fixed Rail	Within ½ mile of a regional rail station
Transit-Rich Areas (TRAs) – Other*	Within ½ mile of a bus line with peak period headway times of 15 minutes or less
High Resource Areas (HRAs)*	<ul style="list-style-type: none">Places that offer best chance at economic advancement, high educational attainment, and good physical and mental health**; andWithin ¼ mile of bus stop with peak period service headway times of between 16- and 30-minutes

* Only applies to jurisdictions that nominated less than 50% of PDA-eligible areas

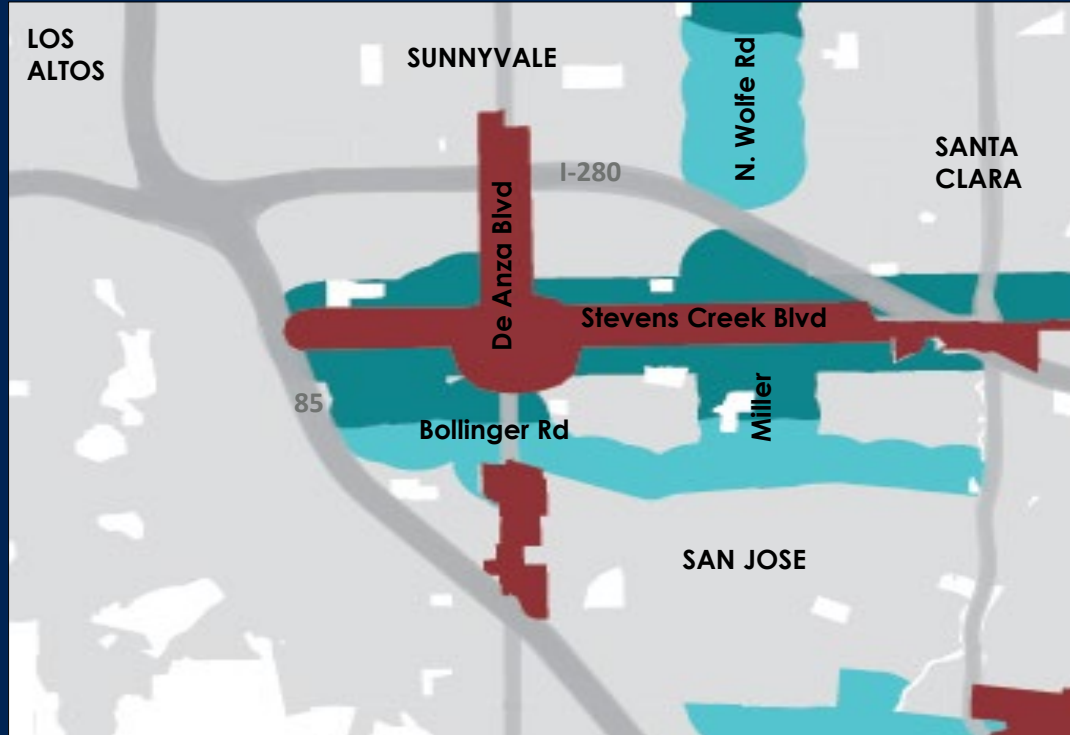
** 2019 CA HCD




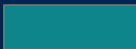
Growth Strategies

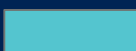
1. Maintain & optimize existing **infrastructure**
2. Create healthy & safe **streets**
3. Enhance regional & local **transit**
4. **Reduce risks** from hazards
5. Reduce impact on the **environment**
6. Spur **housing production** & create **inclusive communities**
7. Protect, preserve, & produce more **affordable housing**
8. Improve **economic mobility**
9. Shift location of **jobs**

Local Impact



 - **PDA** (Near public transportation and prioritized for housing, jobs, & services)

 - **TRA** ($\frac{1}{2}$ mile of bus lines with peak period headways ≤ 15 mins.)

 - **"Select" HRAs** (HRAs with low residential density AND within $\frac{1}{4}$ mile of bus stop with peak period headways between 16- and 30-mins.)

Regional Housing Needs Allocation

Regional Housing Needs Determination(RHND)

CA Dept. of Housing & Community Development



Regional Housing Needs Allocation (RHNA)

Council of Governments (i.e. – ABAG)



Local RHNA & Housing Element Update & Rezoning

Local Jurisdictions (e.g. – Cupertino)



RHNA Distribution Methodology – Total local RHNA

- Currently under consideration by HMC
- Primary Components for Methodology:
 - Baseline Allocation
 - Factor Adjustment
 - Factor Weights

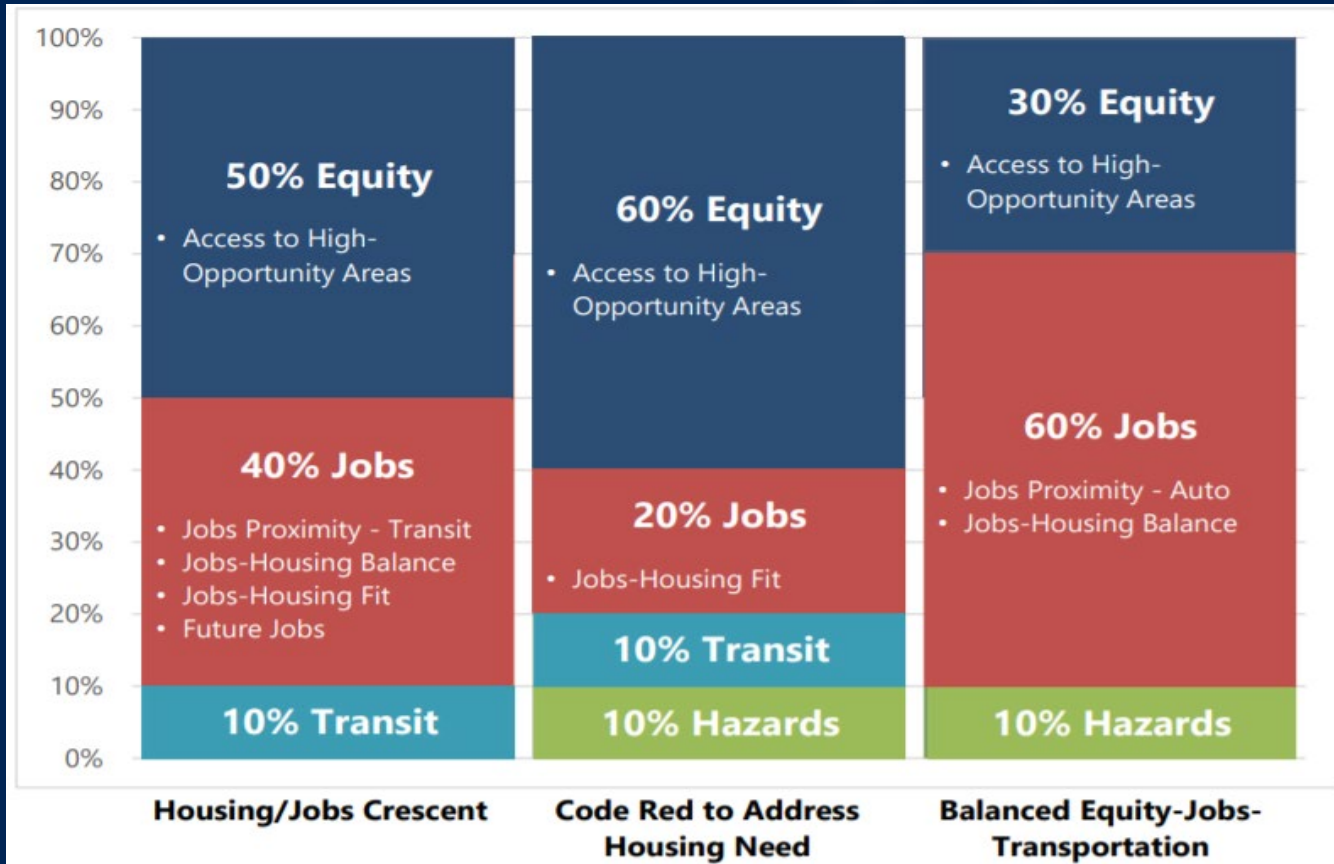
RHNA Factor Impacts

PROSPECTIVE FACTOR IMPACTS TO BASELINE (RANKED BY MAGNITUDE OF IMPACT)			
Baseline Allocation	4,413 Units		
	Change *	Total Units	% Change*
Divergence Index	+3,867	8,820	+87.6%
Access to High Opportunity Areas	+2,799	7,212	+63.4%
Jobs-Housing Fit	+1,983	6,396	+44.9%
Job Proximity – Auto	+1,275	5,688	+28.9%
Natural Hazards	+825	5,238	+18.7%
Jobs-Housing Balance	+629	5,042	+14.3%
Vehicle Miles Travelled (VMT)	+82	4,495	+1.9%
Job Proximity – Transit	-1,085	3,328	-24.6%
Future Jobs	-1,162	3,251	-26.3%
Transit Connectivity	-1,574	2,839	-35.7%

RHNA Distribution Methodology

- Other components/factors determine income allocation
 - I.e. VLI, LI, Mod, above-Mod
- Based on many factors including:
 - State law mandates (Affirmatively Furthering Fair Housing)

Potential Methodology Options



Local Impact

- 2014-2022 RHNA: 1,064 units
- Estimated Baseline Allocation: 4,413 units
- Prospective Methodology Impacts to Baseline:

Methodology	Increase	Total Units	% Increase
Code Red to Address Housing Needs	+2,001	6,414	+45.3%
Balanced Equity-Jobs-Transportation	+1,494	5,907	+33.9%
Housing/Jobs Crescent	+1,178	5,591	+26.7%

Comparison with Other Jurisdictions

	Code Red to Address Housing Need		Balanced Equity-Jobs Transportation		Housing/Jobs Crescent	
Jurisdiction	<i>Est. local RHNA</i>	<i>Comparison to Cupertino</i>	<i>Est. local RHNA</i>	<i>Comparison to Cupertino</i>	<i>Est. local RHNA</i>	<i>Comparison to Cupertino</i>
Cupertino	6,414		5,907		5,691	
Campbell	4,172	-2,242	4,296	-1,611	3,881	-1,810
Gilroy	2,657	-3,757	2,595	-3,312	2,525	-3,166
Los Altos	3,785	-2,629	3,218	-2,689	3,220	-2,471
Milpitas	5,288	-1,126	5,497	-410	5,007	-684
Morgan Hill	2,171	-4,243	2,289	-3,618	2,127	-3,564
Mountain View	9,962	+3,547	10,286	+4,379	9,286	+3,595
Palo Alto	8,312	+1,898	8,875	+2,968	8,006	+2,315
San Jose	69,610	+63,196	71,224	+65,317	71,701	+66,010
Santa Clara (City)	11,237	+4,822	12,362	+6,455	10,913	+5,222
Saratoga	3,220	-3,194	2,859	-3,048	2,907	-2,784
Sunnyvale	14,908	+8,494	15,458	+9,551	13,998	+8,307
Total – 12 cities	141,736		144,866		139,262	

RHNA Process Timeline

Dates (Tentative)	Item
Summer 2020	HCD 2023 – 2031 RHND
Fall 2020	Proposed RHNA Methodology
Winter 2021	Draft RHNA Methodology
Spring 2021	Final RHNA Methodology & Draft Allocations
Summer 2021	RHNA Appeals
End of 2021	Final Allocations
January 2023	Housing Element

- 
- Comments/Suggestions?

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#24

Below Market Rate (BMR)
Residential Housing and
Commercial Linkage Fees
Update

Presentation

EXISTING BMR HOUSING PROGRAM

1

Housing Element

Strategy HE-2.3.2

- For Sale: 15% BMR
- Rental: 15% BMR for low/very low income households

BMR Ordinance

CMC Chapter 19.172

- Implements Housing Element Requirements
- Authorizes rules and regulations
- Includes alternative compliance options

Housing
Mitigation
Manual

- Defines specific requirements applied to individual projects

EXISTING BMR HOUSING PROGRAM

2

New
Residential
Development
with 7 or
More Units

- 15% of total units reserved for BMR Program

Ownership Units	
Median Income Units	Moderate Income Units
50%	50%

Rental Units	
Very-Low Income Units	Low Income Units
60%	40%

INCOME LIMITS

3

HCD 2020 Household Income Limits for Santa Clara County		
Income Category	Approximate Percent of Area Median Income*	Income Limit for 4-Person Household
<i>Extremely Low</i>	Up to 30%	\$47,350
<i>Very Low</i>	Up to 50%	\$78,950
<i>Low</i>	Up to 80%	\$112,150
<i>Median</i>	Up to 100%	\$141,600
<i>Moderate</i>	Up to 120%	\$169,900

*HCD adjusts very-low and low-income limits, which do not precisely equal 50% and 80% of the median.

EXISTING MITIGATION FEES

4

- Established following 2015 Nexus Study
- Housing Mitigation Fees:
 - ▣ \$18.45/sf for detached single family
 - ▣ \$20.29/sf small lot single family/townhomes
 - ▣ \$24.60/sf for condos/lower density apartments
 - ▣ \$30.75/sf for higher density apartments
- Commercial Linkage Fees:
 - ▣ \$24.60/sf for office/R&D uses
 - ▣ \$12.30/sf for hotels
 - ▣ \$12.30/sf for retail uses

RESIDENTIAL PROJECTS

CBIA v. San José (2015)

- Upheld inclusionary requirements
- No nexus study required
- Requirements must be reasonably related to the public health, safety, and welfare
- Property owners may not be denied fair return opportunity

AB 1505 (2017)

- Permits inclusionary requirements applied to rental projects, provided that:
 - ▣ Requirements must be imposed in the zoning ordinance
 - ▣ If more than 15% of total units are required for low income households, HCD could require a feasibility study
 - ▣ Alternatives to on-site compliance must be offered

NONRESIDENTIAL PROJECTS

- Impact fees (aka commercial linkage fees) are generally allowed, provided:
 - ▣ Fees are reasonable; and
 - ▣ A nexus exists between the fee amount and a project's impact on need for affordable housing

- A nexus study is legally required
 - ▣ Nexus studies identify the upper limit of fees that may be imposed
 - ▣ Cities frequently set fees well below the legal maximum identified in a nexus study to preserve project financial feasibility

PROPOSED BMR HOUSING PROGRAM

7

New
Residential
Development
with 7 or
More Units

- 15% - 20% of total units reserved for BMR Program

Ownership Units: 20% Required

Median Income Units	Moderate Income Units
50%	50%

Rental Units: 15% Required

Very-Low Income Units	Low Income Units
60%	40%

PROPOSED MITIGATION FEES

8

- Housing Mitigation Fees: No Change
 - ▣ \$18.45/sf for detached single family
 - ▣ \$20.29/sf small lot single family/townhomes
 - ▣ \$24.60/sf for condos/lower density apartments
 - ▣ \$30.75/sf for higher density apartments
- Commercial Linkage Fees:
 - ▣ \$30.00/sf for office/R&D uses (from \$24.60)
 - ▣ \$15.00/sf for hotels (from \$12.30)
 - ▣ \$12.30/sf for retail uses

MITIGATION FEE MANUAL

9

Manual Updated to:

- Recognize 20% requirement for ownership units
- Require on-site rental inclusionary units (per AB 1505)
- Allow applicants to request a waiver if a constitutional challenge



CUPERTINO ECONOMIC FEASIBILITY STUDY

**CUPERTINO CITY COUNCIL
MAY 19, 2019**



STRATEGICECONOMICS



STRATEGICECONOMICS

ECONOMIC FEASIBILITY STUDY:

KEY QUESTIONS

RESIDENTIAL BMR PROGRAM

- Is it economically feasible to increase BMR requirements on residential ownership and rental projects?
- What is the potential for including extremely-low income housing units in rental projects?
- What is the potential for including median-income and moderate-income units in rental projects?

NON-RESIDENTIAL BMR LINKAGE FEES

- Is it economically feasible to increase non-residential linkage fees on office/R&D, hotel, and retail developments?

APPROACH/METHODOLOGY

Pro forma analysis is commonly used by cities to assess the impact of public policy changes, like BMR requirements, on development in the short term

- Analyzes costs of development in comparison to projected revenues to see if the development generates sufficient returns for investors
- Data sources included commercial real estate data from Costar and Redfin, interviews with local developers and brokers, and review of pro formas from other projects and clients in nearby cities
- Tests “prototypes” that represent typical development projects, but individual projects may have different results under certain circumstances.

FEASIBILITY ANALYSIS STEPS

Step 1:

Generate Assumptions
About:

- Development Prototypes
- Development Costs
(land + hard construction
+ soft costs + financing)
- Project Values/
Revenues

Step 2:

$$\begin{array}{c} \text{Net} \\ \text{Value/ Revenues} \\ \div \\ \text{Development Costs} \\ = \\ \text{Developer Return} \\ \text{(ROC or YOC)} \end{array}$$

FEASIBILITY ANALYSIS STEPS

Step 1.

- Develop “prototypes” that represent projects that would be subject to the BMR policy

Step 2.

- Develop assumptions about the % inclusionary requirement, income targets, and affordable sales prices and rents for BMR units (for residential prototypes only)

Step 3.

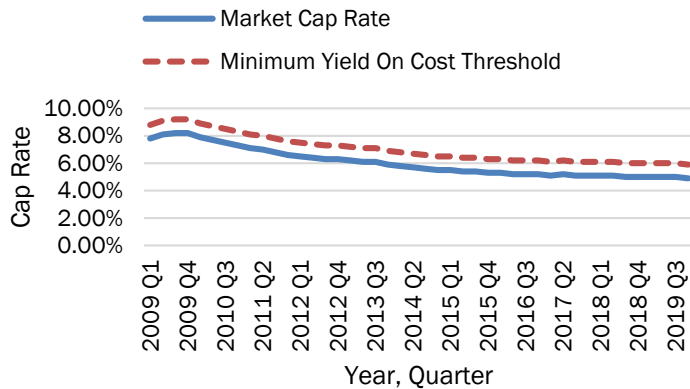
- Collect key inputs for the pro forma model - rents, sales prices, land costs, hard construction costs, soft costs based on variety of data sources

Step 4.

- Tally all development costs and subtract from project value to calculate net value
- Divide the net value or net operating income by total development costs to calculate return
- Compare the return to the minimum thresholds to determine if it is feasible

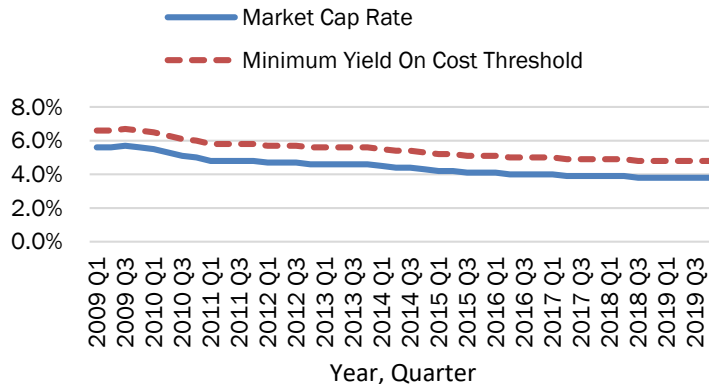
RATE OF RETURN (YIELD ON COST)

Santa Clara County Office Cap Rates, 2009-2019



- Rates of return are pegged to market cap rates
- Rising cap rates suggest a riskier investment climate; falling cap rates indicate a healthier environment
- Market cap rates for office and multifamily housing have been extremely low in the last 2 years
- Investors and developers have been willing to accept lower rates of return because perceived risk of investment is low

Santa Clara County Multi-Family Cap Rates, 2009-2019



FINANCIAL FEASIBILITY RESULTS

RESULTS: OWNERSHIP HOUSING

Inclusionary Housing Scenarios	Prototype 1	Prototype 2	Prototype 3
	Single Family Detached	Small Lot SF/Townhouse	Condominiums
20% Inclusionary	Feasible	Feasible	Feasible
25% Inclusionary	Infeasible	Infeasible	Infeasible
In-Lieu Fees	Feasible	Feasible	Feasible

Source: Strategic Economics, 2018.

- It is feasible to increase the BMR requirement to 20% on ownership housing
- Increasing housing mitigation fees to the maximum amounts supported in the 2015 nexus study in lieu of inclusionary requirements would also be feasible.

RESULTS: RENTAL HOUSING

Inclusionary Housing Scenarios	Prototype 4:	Prototype 5:
	Lower Density Rental	Higher Density Rental
20% Inclusionary	Infeasible	Infeasible
25% Inclusionary	Infeasible	Infeasible

Source: Strategic Economics, 2018.

- It is not feasible to increase the BMR requirement for rental housing
- Increasing mitigation fees to up to \$30/sf in lieu of inclusionary requirements would be feasible for higher density prototype
- Any change in requirements for lower density rental housing is infeasible without either a 15% increase in revenues or a 15% decrease in development costs

FEASIBILITY OF ELI UNITS IN MARKET-RATE RENTAL PROJECTS

A combination of higher density, lower parking requirements, and lower city fees would allow market-rate rental projects to include more ELI units

- **15% BMR units (5% ELI, 5% VLI, 5% LI)**
- **Project density of 100 du/acre**
- **City fees reduced by 50%**
- **Parking ratio of 1 space per unit**

RESULTS: R&D/OFFICE

Fee Scenario	Office Feasibility
Linkage Fee \$23.76/sf	Feasible
\$25/sf	Feasible
\$30/sf	Marginally Feasible

Source: Strategic Economics 2019.

- It is marginally feasible to increase the linkage fee to \$30/sf

HOTEL FEASIBILITY

Fee Scenario	Hotel Feasibility
Linkage Fee \$11.88/sf	Feasible
Linkage fee \$15/sf	Marginally Feasible
Linkage fee \$20/sf	Not Feasible

Source: Strategic Economics 2019.

- It is marginally feasible to increase the hotel linkage fee to \$15/sf

RETAIL FEASIBILITY

- Stand-alone retail uses are challenged without the linkage fee because of high construction and land costs
- Increase in linkage fee is not recommended

EFFECTS OF COVID-19

- Results depend on assumptions about construction costs, land prices, and rents/sales prices. If any of these conditions change, the results would be different.
- There is insufficient data to confidently predict the cost and revenue impacts at this time.
 - ▲ Will housing prices and rents decrease and by how much?
 - ▲ Will construction and land costs continue to rise?
 - ▲ Will the trend towards telecommuting reduce the demand for office in the longer term?
 - ▲ How soon will it take for business travel to resume and for hotels to fill up again?

CC 05-19-20

#25

Regnart Creek Trail
Adoption of a Mitigated
Negative Declaration,
mitigation measures, and
a mitigation monitoring or
reporting program

Presentation

Regnart Creek Trail

Initial Study/Mitigated Negative Declaration
Joint Use Agreement
Land Exchange



CUPERTINO

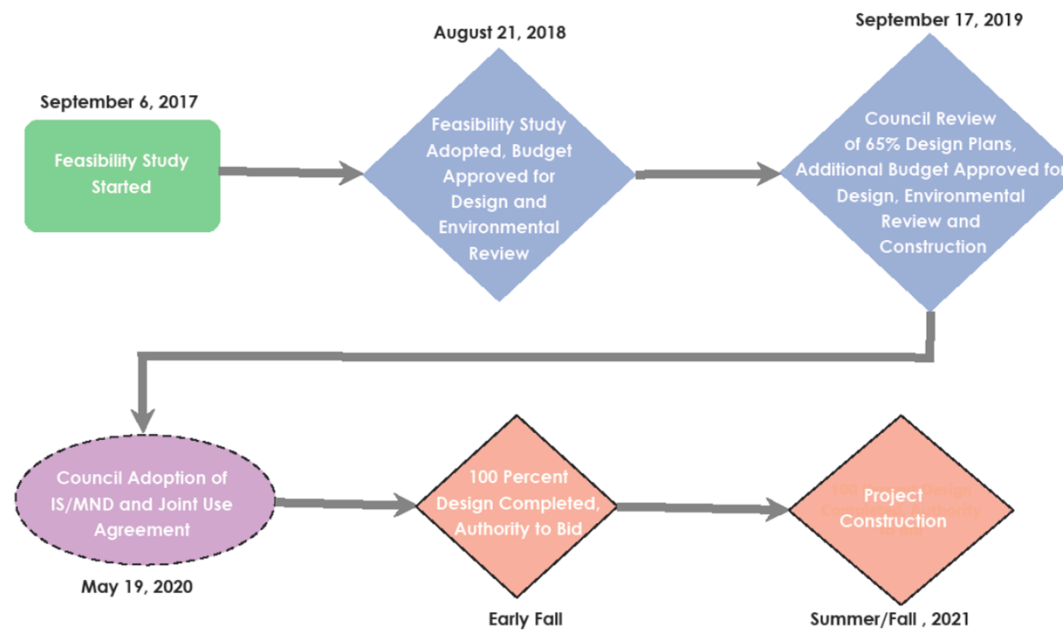
May 19, 2020



Staff Recommendation Summary

- Adopt Resolution 20-XXX, adopting a Mitigated Negative Declaration for the Regnart Creek Trail Project
- Authorize the City Manager to execute a Joint Use Agreement with Valley Water
- Adopt Resolution 20-XXX, authorizing a land exchange with Valley Water

Regnart Creek Trail





Initial Study/Mitigated Negative Declaration

What is an IS/MND?

- An Initial Study (IS) describes a project's potential impacts and determines what type of environmental review document should be adopted.
- A negative declaration (ND) is adopted when there is no substantial evidence that a project may have a significant environmental impact.
- A Mitigated Negative Declaration (MND) is adopted when a project may have significant environmental impacts, but mitigation measures reduce these potential impacts below a level of significance.



Initial Study/Mitigated Negative Declaration

When Is Environmental Review Performed?

- Standard practice is to complete environmental review process prior to design completion
- Allows the final design to be adjusted to reduce potential impacts



Initial Study/MND Process

- Complete technical analyses
- Circulate Draft IS/MND to public
- Comments received from public and agencies
- Prepare Responses to Comments
 - *Not required* for MND
- ERC Meeting
- City Council considers adoption of Final IS/MND



Environmental Issues Identified & Mitigation Measures

- Potentially significant impacts identified in the Initial Study
- Mitigation and/or avoidance measures provided for each potentially significant impact
 - Biological resources
 - Cultural and Tribal Cultural resources
 - Hazards and hazardous materials
 - Noise



Public Review Period Comments

- Noise measurement & protection
- Residents' desire for a sound wall
- Biological impacts on wildlife & habitat; timing of mitigation measures
- Review period discrepancy
- Safety & crosswalks
- Dust

- See Attachment E for Responses



ERC Review April 16th Supplemental Comments

- Bridge removal
- Pedestrian/bike system near trail
- Noise assessment
- Safety & security measures
- Aesthetic impacts (fencing)
- Design is not complete
- Crosswalk & access ramp locations

- See Attachment F for responses



Joint Use Agreement

- Outlines terms of public use of Valley Water property for trail
- Consolidates existing JUAs for Lozano Lane/De Palma Lane and existing path to Creekside Park into single JUA
- Reserve's Valley Water's right to close trail for maintenance, flood protection and other activities



Joint Use Agreement

City Responsibilities:

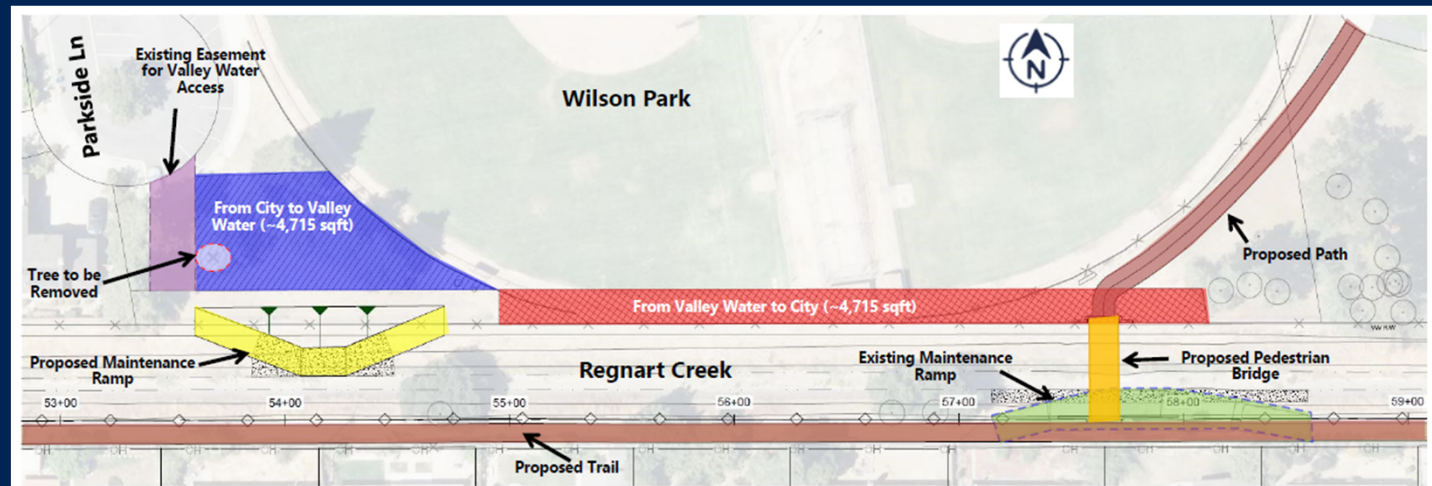
- Operation & maintenance of City improvements
- Trash & litter removal
- Vegetation management
- Graffiti abatement
- Respond to security issues
- Bridge & fence removals needed for Valley Water activities, if requested
- Detour signage/implementation during trail closures



Land Exchange

- Wilson Park ball fields encroach upon Valley Water land
- Valley Water to grant this land to City in exchange for equal area of land at end of Parkside Lane
- Land granted to Valley Water will facilitate access to new ramp
- JUA will become effective upon completion of land exchange

Land Exchange





Next Steps

If the recommended actions are authorized:

- Execute land exchange and JUA
- Complete the design
 - Continue coordination with neighbors on site-specific measures such as fencing
- Complete the permitting process
- Return to City Council with 100% design, and request authorization to bid
 - Expected early fall



Recommended Actions

- Consider the recommendation of the Environmental Review Committee, and adopt Resolution No. 20-___ adopting a Mitigated Negative Declaration for the Regnart Creek Trail project, adopting the mitigation measures, and adopting the Mitigation Monitoring or Reporting Program
- Authorize the City Manager to execute a Joint Use Agreement with Santa Clara Valley Water District, including a proposed minor land exchange at Wilson Park

Recommended Actions

- Conduct a public hearing, determine that the proposed land exchange is in the public interest, and adopt Resolution No. 20-___ authorizing execution of a minor land exchange with Santa Clara Valley Water District.

An abstract graphic on the left side of the slide, featuring a dark blue background with lighter blue geometric shapes, including lines and circles, creating a dynamic, sunburst-like effect.

Questions?

END SLIDE

Regnart Creek Trail

Initial Study/Mitigated Negative Declaration
Joint Use Agreement
Land Exchange



CUPERTINO

May 19, 2020

CC 05-19-20

#26

CDBG CARES-CV Funds for
Small Business

Presentation

Item 26: Consideration of Allocating CARES-CV Funds Toward Creation of Small Business Grant Program

Angela Tsui, Economic Development Manager
May 19, 2020



**CITY OF
CUPERTINO**

CARES-CV Funding and HUD Guidelines:

- The City is scheduled to receive \$229,017 in CARES Act supplemental funding from HUD.
- This is a special allocation of CDBG funds to be used to prevent, prepare for, and respond to COVID-19.
- Funds can be used to provide short-term working capital assistance to small businesses to enable retention of jobs held by low- and moderate-income persons.

CARES-CV Funding and HUD Guidelines (cont.):

- If using the funds for small business grants, the City is required to establish a process in which to analyze and document the business's need for financial assistance and meet one of the national objectives of the CDBG program: creating or retaining the job of low-moderate income employees.
- For microenterprises (businesses with 1-5 EE) HUD requires the creation or retention of at least one job for a low-moderate income employee.
- For businesses with six or more employees HUD requires at least 51% of the jobs created or retained will be held by, or made available to persons whose household income is at 80% of Area Median Income or less, adjusted for household size.*

Assisting Small Businesses Affected by COVID-19 Pandemic

- Staff has compiled a comprehensive Federal, State, and local information and resource list for businesses and their employees at www.cupertino.org/covid19businessinfo
- Staff also created and maintains a webpage to promote open businesses at www.cupertino.org/OpenForBusiness
- Staff partners with the Chamber, SBDC, and other organizations to co-host webinars on a regular basis (weekly or bi-weekly)
- Currently the City does not have a financial assistance program for small businesses

Small Business Relief Programs in Neighboring Cities

City	Los Altos	Palo Alto	Santa Clara	Mountain View	Sunnyvale	San Jose
Total \$	\$250K	\$500K	\$800K	\$400K General Fund; \$600K Los Altos Community Foundation	\$600K City Funds; \$700K donations	\$1.5M SVCF; \$2.5M General Fund
Funding Source	General Fund	General Fund	General Fund and Budget Stabilization budget	General Fund and Private Sector donations	General Fund and Private Sector donations	General Fund and Private Sector donations
Administrator	Economic Development Office	City Manager's Office	City Manager's Office	MainStreetLaunch.org	The Enterprise Foundation/Silicon Valley SBDC	Opportunity Fund
Loan or Grant	\$5K and \$10K Grants	\$10K Grants for non-essential businesses from original order \$5K Grants for essential businesses	\$10K Grants for non-essential businesses from original order \$5K Grants for nonprofits and businesses (1-25 EE)	Loans up to \$10K with 0% interest, no fees, no collateral, and a term of up to three years	\$5K, \$10K, and \$15K Grants	Grants up to \$10K (1-5 EE)
First-come or Lottery	Lottery	Lottery	First-come	First-come	Lottery	First-come
Launch Date	Late May	End of May	4/17/20	4/29/20	End of May	5/11/20

Proposed Small Business Relief Grant Program

- Staff recommends an allocation of \$229,017 of Cupertino's future CDBG funds made available through the Federal stimulus CARES Act be put toward the creation of a small business relief/assistance program to provide \$5,000 grants to eligible Cupertino businesses.
- Breakdown of the funding allocation:

CARES Act Allocation Budget FY 20-21	
Entitlement Amount	\$229,017.00
Estimated Program Administration by City staff for compliance and auditing (20%)	\$45,803.40
Total Available for Programs	\$183,213.60

Next Steps if Moving Forward

- Staff to return in two weeks with an amendment to the City's Annual Action Plan and include a public comment period
- Select the grant dollar amount
- Select the criteria by which businesses are eligible to receive a grant (e.g., brick-and-mortar located within Cupertino, have a current business license, 1-5 EE, etc.) and include HUD requirements
- Select the method by which businesses are chosen (e.g., first-come first-serve vs. lottery)
- Authorize the City Manager to choose a third party to administer the grants and waive any otherwise applicable competitive bidding requirements to expedite launching the program