



CITY MANAGER'S OFFICE

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September 27, 2019

California Department of Housing & Community Development
Attn: Zach Olmstead, Deputy Director, Housing Policy Development
via e-mail: compliancereview@hcd.ca.gov

Re: Residential Development on the Vallco Shopping District Special Area

Dear Mr. Olmstead:

The City of Cupertino is working diligently to provide new housing in Cupertino to meet, and even exceed, its Regional Housing Needs Allocation (RHNA) established by the Department of Housing and Community Development (HCD). The City is also addressing concerns that new office developments contribute to housing shortages. On September 3, 2019, Vallco Property Owner, LLC (Vallco) attorneys submitted an economic analysis to HCD purporting to show that recent actions by the City make it economically infeasible to develop housing on the site. In truth, the City has twice determined that housing would be feasible and has concluded that the assumptions used by Vallco in its analysis are not credible. This letter briefly reviews the status of approved residential development in the Vallco Shopping District Special Area and the City's ongoing efforts to accommodate housing at that site.

As noted in your August 2, 2019 letter to the City, the City has approved the Vallco SB 35 project and that project meets and far exceeds the City's remaining RHNA obligation for the Vallco site. Site preparation work is underway, including demolition of multiple structures, and the City continues to diligently process Vallco's demolition and building permit applications.

Recognizing that there is pending litigation challenging the SB 35 project, the City has recently taken actions to continue to accommodate the RHNA allocation of 389 units for the site in the City's approved Housing Element, should the SB 35 project not move forward for any reason. Specifically, the City adopted zoning allowing residential development by-right at a density of 35 dwelling units per acre on 13.1 acres of the site. This allows development of up to 459 housing units on the site, with up to 620 units allowed with a density bonus. (Because the City's Housing Element assumes that

Priority Housing Sites will yield 85% of the maximum unit count, the City allowed greater development to ensure that at least 389 units would be realistically feasible.)

The City is pleased to have removed the Specific Plan requirement previously applicable to the 389 units at the site. Now, a project including those units, may now be processed immediately. At the same time, the City Council directed staff to undertake a specific planning effort that would permit a substantial increase in the amount of housing allowed on the entirety of the Vallco Shopping District Special Area, and invited the property owner to work with me, specifically, on identifying alternative projects for the site.

In the meantime, to ensure that the housing authorized by the new zoning would be feasible, the City commissioned an economic analysis of the plan. That analysis, using data that the City and landowner had relied upon in 2018 planning efforts for the site, and that the landowner had continued to rely upon earlier this year, showed that the contemplated housing development would be feasible. The landowner then commissioned its own study relying on new data that questioned the results of the City's study. The City has carefully reviewed the landowner's report and conducted additional research concluding that the zoning for the site is not only feasible but would generate a substantial premium for a developer. The City's analysis is attached.

The City of Cupertino remains committed to doing its part to meet our City and region's housing needs. We would be happy to respond to any questions you may have.

Sincerely,



Deborah L. Feng