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HOUSING COMMISSION STAFF REPORT

Agenda Item No. 1

Agenda Date: February 12, 2014

SUBJECT:

2015-2023 Housing Element Update—Sites Identification

RECOMMENDATION:

Staff recommends that the Housing Commission accept the report on potential Housing Element sites, host a community workshop to discuss housing site identification criteria and sites, and reconvene to provide direction to staff on priority housing sites.

BACKGROUND:

Housing Element Overview

The Housing Element is one of seven mandatory elements of the General Plan. The Housing Element specifies ways in which housing needs of existing and future resident populations can be met, and provides a comprehensive strategy for maintaining and expanding the City's housing supply available to all economic segments in the community, including very low, low, moderate and higher incomes. Housing Element law requires that all jurisdictions facilitate housing development by creating policies and adopting land use plans and regulatory schemes that provide opportunities for housing development.

State law requires that each city and county update its Housing Element on a pre-determined cycle; for this cycle, Housing Element updates must be adopted by January 31, 2015 (plus a 120-day grace period). If this adoption deadline is met, the planning period for this cycle extends from adoption to January 31, 2023 (or eight years). Otherwise, the City must update the Housing Element again in 2019 (every four years).

As required by the California legislature and codified in the Government Code, Housing Elements must include specific analysis and must meet statutory requirements regarding contents. State law mandates that all Housing Elements must: 1) identify and analyze existing and projected housing needs, 2) discuss constraints to housing development, and 3) identify resources to meet housing needs (including identification of adequate sites to accommodate housing needs of all economic segments of the community). The Housing

Element must include a statement of goals, policies, quantified objectives, and scheduled programs for the preservation, improvement, and development of housing.

The California Department of Housing and Community Development (HCD) is responsible for reviewing Housing Elements to determine compliance with Housing Element law. HCD also is the responsible body for establishing the statewide the quantified objectives for regional housing needs—the Regional Housing Needs Allocation (“RHNA”).

Regional Housing Needs Allocation (RHNA)

The RHNA is an estimate of projected needed housing units throughout the State and is based on Department of Finance population projections and regional population forecasts. The RHNA estimates are also correlated with long-term regional transportation plans. HCD allocates the RHNA to each region. In the Bay Area, the Association of Bay Area Governments (ABAG), the regional planning agency, is tasked with the responsibility of developing a regional housing plan—with a RHNA for each jurisdiction—to meet existing and future housing needs.

The RHNA identifies Cupertino’s regional housing needs by income levels. The income levels are separated into four categories: very low, low, moderate, and above moderate. The City’s housing needs allocation for the period of 2015-2023 is 1,064 new housing units. The City is not obligated to construct the housing units identified by the RHNA. Rather, the City’s responsibility is to demonstrate adequate capacity, by identifying specific sites, to satisfy the RHNA under existing zoning and land use policy.

Income Group	RHNA
Very Low	356
Low	207
Moderate	231
Above Moderate	270
Total	1,064

HCD generally requires jurisdictions to show a surplus of sites/units in order to guarantee that the City could realistically accommodate the RHNA allocations.

DISCUSSION:

Housing Element Sites Criteria

HCD Criteria

HCD reviews each Housing Element’s sites inventory to determine if adequate sites have been identified to meet the RHNA. Preparation of a “site suitability analysis” is an important step in addressing the adequate sites requirement. This analysis must

demonstrate that identified sites can accommodate the housing needs—by income level—within the planning period of the element (2015-2023).

While the site suitability review has a degree of subjectivity, HCD review primarily focuses on the following criteria in determining the likelihood that a developed site will be converted to some form of housing over the planning period: existing use on the site, realistic potential for recycling, site size and ownership patterns, and development density.

1. *Existing Use on the Site.* HCD generally does not consider the following types of sites good candidates for private residential development:
 - Sites with existing multi-family housing developments consisting of 10 or more units, due to the potential loss of existing investment and revenue stream to the owner, unless the owner indicates his/her interest in redeveloping the site with additional residential uses.
 - Sites with condominium developments, since they typically have complicated ownership patterns and a developer would have to reach sales agreements with multiple owners.
 - Well-established organizations and institutions because of the difficulty such organizations and institutions would face relocating to locations, unless the owner indicates his/her interest in redeveloping the site with residential uses.

HCD requires a more detailed analysis of redevelopment potential on sites with the above types of uses. However, where adjacent vacant space is available and existing uses would not be removed, HCD does not generally consider the existing use on the site a cause for concern.

2. *Realistic Potential for Recycling.* HCD evaluates the feasibility of redevelopment based on a variety of factors, some of which include property owner interest in redevelopment with housing, market factors related to location or site characteristics, existing uses on the site that are highly valued and anticipated to remain, the condition and age of existing development on the site, and environmental liability risks, such as land contamination.
3. *Site Size and Ownership Patterns.* HCD believes that larger sites provide the opportunity to increase capacity potential and to provide flexibility with regard to design, public amenities, mix of housing types, and mixed use development. It also believes that lot consolidation potential of parcels can be a factor in determining site suitability. Lot consolidation potential can be based on ownership patterns (single, limited, or multiple owners), history of lot consolidation in the area, and specific knowledge of owner interest in lot consolidation. Where lot consolidation potential is likely, the time and cost associated with development is reduced and thus the likelihood of redevelopment is increased.

4. *Development Density.* HCD has identified a density of 20 units per acre as adequate to encourage the development of affordable housing in Santa Clara County due to economies of scale that a developer can achieve. Sites that permit a density of less than 20 units per acre would not be considered as appropriate for fulfilling the lower-income RHNA requirement but could be appropriate for fulfilling the moderate and above moderate income RHNA requirement.

In addition, HCD also evaluates the realistic yield for each site proposed to be on the Housing Sites Inventory. In Cupertino, HCD has accepted a realistic yield of 85% of the maximum density allowed on the site, based on city-specific historic project approval data. This means that for a one acre site, the maximum yield at a density of 25 dwelling units per acre is 25 units. However, the realistic yield for Housing Element purposes is $(25 * 85\%) = 21$ units.

Other Secondary Criteria (Sustainable Communities Strategy/One Bay Area Plan and Cupertino General Plan)

In addition to the State-wide criteria that HCD uses to determine site suitability, the Sustainable Communities Strategy/One Bay Area Plan contribute additional criteria regarding what makes a desirable housing site in the ABAG region. The One Bay Area Plan is a long-range integrated transportation and land-use/housing strategy through 2040 for the San Francisco Bay Area. The Plan was jointly approved by the Association of Bay Area Governments (ABAG) and by the Metropolitan Transportation Commission (MTC) in 2013. ABAG determined the City's and other local jurisdiction's RHNA based on the Plan.

Pursuant to SB375, the Plan includes the region's Sustainable Communities Strategy and the 2040 Regional Transportation Plan. The Plan focuses development in Priority Development Areas (PDA). PDA's are locally designated areas within existing communities that have been identified and approved by local cities or counties for future growth. These areas are typically accessible to public transit, jobs, recreation, shopping and other services and absorb much of the growth anticipated in the region. In Cupertino, the Priority Development Areas are located along Stevens Creek Boulevard between Highway 85 and the City of Santa Clara and along De Anza Boulevard between Stevens Creek Boulevard and Highway 280 (see Attachment HC-1 – VTA PDA Map)

The City's General Plan policies are generally consistent with the strategies in the One Bay Area Plan. Key themes include:

1. *Location along major transportation routes with access to transit or within ½ mile of a VTA Priority Development Area (PDA)*
2. *Proximity to employment and activity centers*
3. *Proximity to amenities*
4. *Corner lot(s) preferred – such parcels provide the most flexibility to accommodate mixed-use developments and avoid impeding parking and connectivity between mid-block parcels.*

Potential Housing Element Sites

Consideration of Housing Element sites is still in the preliminary stages. No decisions regarding rezoning, density increases, or inclusion in the Housing Element has yet been made. Through this study session, the City will continue to discuss sites with the public. Additional sites may be identified via public input and Commissioner discussion.

While several sites are discussed in the report, the City is only obligated to pick sites enough to cumulatively add up to 1,064 units. The cumulative total of the realistic yield of all the sites listed below, at the maximum densities proposed, is 5,426. A map has been prepared (see Attachment HC-2) which identifies all the sites discussed below.

Existing Housing Element sites:

The 2007-2014 Housing Element identified 13 sites (See Table 1 below.) Of these, four sites have since been developed and three sites do not meet the criteria discussed previously and have been identified in the table below with strikethroughs. For specifics on these sites, please see Attachment HC-3 (Site Criteria).

Table 1: Existing Housing Element Sites

No	Sites	Address	Size (acres)	Max. Density (DU/gr. ac.)	Current Land Use Designation	Current Zoning
1.	Furniture 2000	19875 Stevens Creek Blvd	1.78	25	Commercial/ Office/ Residential	P(CG, Res)
	Yoshinoya	19855 Stevens Creek Blvd	0.24	25	Commercial/ Office/ Residential	P(CG, Res)
2.	I-Restaurant	20007 Stevens Creek Blvd	1.35	25	Commercial/ Office/ Residential	P(CG, Res)
3.	7-11 site behind Bombay Oven	10073 Saich Way	0.77	25	Commercial/ Office/ Residential	P(CG, Res)
4a.	Grand Buffet/ Boas	20030 Stevens Creek Blvd	1.16	25	Commercial/ Office/ Residential	P(CG, Res)
	Lackey Prop. (SCB & Blaney)	10071 S. Blaney Ave	0.37	25	Commercial/ Office/ Residential	P(CG, Res)
	Lackey Prop. (SCB & Blaney)	10031 S. Blaney Ave	1.36	25	Commercial/ Office/ Residential	P(CG, Res)
4b.	Corner of SCB & Blaney	20010 Stevens Creek Blvd	0.47	25	Commercial/ Office/ Residential	P(CG, Res)
5.	Arya	19930 Stevens Creek Blvd	0.44	25	Commercial/ Office/ Residential	P(CG, Res)

No	Sites	Address	Size (acres)	Max. Density (DU/gr. ac.)	Current Land Use Designation	Current Zoning
	Arya Parking Lot	19936 Stevens Creek Blvd	0.52	25	Commercial/ Office/ Residential	P(CG, Res)
6.	SD Furniture	19900 Stevens Creek Blvd	1.92	25	Commercial/ Office/ Residential	P(CG, Res)
7.	United Furniture	10025 E. Estates	0.92	25	Commercial/ Office/ Residential	P(CG, Res)
	United Furniture	10075 E. Estates	0.53	25	Commercial/ Office/ Residential	P(CG, Res)
	United Furniture	10075 E. Estates	0.86	25	Commercial/ Office/ Residential	P(CG, Res)
8.	Barry Swenson Site	19160 Stevens Creek Blvd	0.55	25	Commercial/ Office/ Residential	P(CG, Res)
9.	Loree Center	10029 Judy Ave	0.43	25	Commercial/ Office/ Residential	P(CG, Res)
	Loree Center	19060 Stevens Creek Blvd	0.86	25	Commercial/ Office/ Residential	P(CG, Res)
10.	Morley Bros.	10500 Pruneridge	2.80	25	Industrial/ Residential	P(MP, Res)
	Morley Bros.	10400 Pruneridge	5.69	25	Industrial/ Residential	P(MP, Res)
11.	Glenbrook Apt.	10160 Parkwood	11.62	20	Med/High Density (10-20)	R3
	Glenbrook Apt.	21297 Parkwood	19.72	20	Med/High Density (10-20)	R3
12.	The Villages Apt.	20800 Valley Green Dr.	5.35	20	Med/High Density (10-20)	R3
	The Villages Apt.	20975 Valley Green Dr.	5.49	20	Med/High Density (10-20)	R3
	The Villages Apt.	20990 Valley Green Dr.	6.78	20	Med/High Density (10-20)	R3
	The Villages Apt.	20800 Valley Green Dr.	2.69	20	Med/High Density (10-20)	R3
	The Villages Apt.	20875 Valley Green Dr.	6.79	20	Med/High Density (10-20)	R3
13.	Carl Berg property	20705 Valley Green Dr.	7.98	25	Office/ Industrial/ Commercial/ Residential	P(CG, ML, Res)

Sites Proposed By Property Owners

Several property owners have indicated interest in being considered to be added to the Housing Element Sites Inventory list. Table 2 below identifies the sites and the current and desired development potential. Sites are listed in alphabetical order and are not in any particular order of priority. Details about the site criteria are available in Attachment HC-3.

Table 2: Sites Proposed By Property Owners

Site	Size (acres)	Existing Density (DU/gr. ac.)	Desired Density (DU/acre)	Current Land Use Designation	Current Zoning	Current Use
Bateh Brothers (S-W corner of Foothill Blvd & Stevens Creek Blvd)	±0.67	15	20 – 35	Commercial/ Residential	P(CG)	Convenience store
Cupertino Village	±12	25	35 – 40	Commercial/ Residential	P(CG, Res)	Commercial strip mall
Foothill Market (Stevens Canyon Rd at McClellan Rd)	±1.3	15	20 – 25	Commercial/ Residential	P(CG)	Commercial strip mall
Marina Plaza	±4.35	25	25 – 40	Commercial/ Residential	P(CG, Res)	Commercial strip mall
Market Place	±9.9	25	25 – 35	Commercial/ Residential	P(CG, Res)	Three newer & one aging commercial building
Stevens Creek Office Center	±4.8	25	35	Commercial/ Residential	P(CG, Res)	Office buildings
The Hamptons	±12	25	65-110	High density residential 20-35 DU/gr ac	P(Res)	Apartment complex with 342 units
Vallco Mall	±35	35	No change	Commercial/ Residential	P(Regional Shopping)	Indoor Mall
Wonderland Chinese School & 10921 Maxine Avenue	±1.83	None/ 1-5	20 – 25	Quasi-public/ Institutional & Low Density Residential	BQ/R1-10	Pre-school/ After-school & Single family home
Yamagami's Nursery	±2.33	15	25 – 40	Commercial/ Office/ Residential	P(CG, Res 5-15)	Commercial strip mall and nursery

Sites Proposed By Workshop Participants

In addition to the sites that have been proposed by property owners, participants at the January 23, 2014 workshop identified several other sites as having potential for residential development or redevelopment. These sites have been provided in Table 3 below. Sites are listed in alphabetical order and are not in any particular order of priority. Details about the site criteria are available in Attachment HC-3.

Table 3: Sites Proposed By Workshop Participants

Site	Size (acres)	Current Density (DU/gr. acre)	Current Land Use Designation	Current Zoning	Current Use	Comments
21731 Stevens Creek Blvd (Next to Post Office)	0.62	4.4 – 12	Neighborhood Commercial, Industrial and Residential	P(CN, ML, Res 4.4-12)	Strip mall	Martial Arts school, dry cleaners and beauty salon
76 gas station and adjacent office building (10625 N. De Anza Blvd & 20545 Valley Green Ave)	±0.7	25	Commercial/ Residential	P(CG, ML, Res)	Gas station and office building	Odd shaped site.
Abundant Life Church (N. Stelling Road)	±3.8	25	Commercial/ Residential	P(CG, Res)	Church	This site was considered as a Housing Element site in the 2007-2014 planning cycle. At that time the property owners had not expressed interest
Caltrans (on Bubb Road)	±2.9	20	Industrial/ Residential	ML-rc	Service/ Corp. Yard	This property owned by the State of CA is used as their Corp. Yard.
Cupertino Crossroads	±14.7	25	Commercial/ Residential	P(CG, Res)	Shopping Center	A portion of the site was recently redeveloped and the balance of the site is mostly tenanted with the exception of one or two tenant spaces.
Cupertino Financial Center (NE corner of Wolfe and SCB)	±4.4	25	Commercial/ Residential	P(CG, OP, Res)	Office complex	This site has recently been acquired by JP Morgan and has an office building.

Site	Size (acres)	Current Density (DU/gr. acre)	Current Land Use Designation	Current Zoning	Current Use	Comments
Cypress Hotel	±1.3	25	Commercial/ Residential	P(CG, Res)	Hotel	Site is developed with a hotel that has property lines contiguous with its footprint.
Evulich Ct @ Linda Vista Dr	±2.5	5	Low Density Residential	R1-7.5	Single Family	Older homes on underdeveloped lots
Good Samaritan Church (Homestead Rd)	±1.36	25	Quasi-public/ Institutional	BQ	Church	Existing Church
Homestead Lanes and adjacent sites (20990, 20956 & 20916 Homestead)	±4.6	35	Commercial/ Residential	P(Rec, Enter) & P(CG)	Bowling alley & adjacent strip malls	Older shopping center
Homestead Road (21020, 21040, 21060, 21070 Homestead and APN: 326 07 036 and 326 07 033)	±5.4	15	Commercial/ Residential	P(CG)	Office buildings, parking lot and tennis courts	May be an appropriate multi-family housing site at a higher density.
Main Street (East of Finch Ave)	±11.5	25	Commercial/ Residential	P(CG, OP, Res)	Mixed use with hotel, commercial and office	Site is currently under construction pursuant to entitlements that the property owner received in 2012.
Oaks Shopping Center	±7.9	25	Commercial/ Residential	P(CG, Res)	Strip mall and theater	Site has entitlements for a mixed use office building and hotel which expires in Sept. 2014.
PG&E Service Yard (N. Blaney Ave)	±21.6	N/A	Quasi-public/ Institutional	BQ	Corp. Yard	PG&E has not expressed interest in redevelopment of site
PG&E lower Substation (CA Oak Way)	±10.6	N/A	Quasi-public/ Institutional	A	Power Substation	PG&E has not expressed interest in redevelopment of site
Portal Plaza (Between Portal & Perimeter)	±5.22	25	Commercial/ Residential	P(CG, Res)	Strip mall	Shopping Center. Minimal vacancy at this site.

Site	Size (acres)	Current Density (DU/gr. acre)	Current Land Use Designation	Current Zoning	Current Use	Comments
Post Office site	±5.2	4.4 – 12	Neighborhood Commercial, Industrial and Residential	P(CN, ML, Res 4.4-12)	Post Office	This site is owned by the US Postal Service.
St. Joseph's Place (Café Torre site)	±2.2	25	Commercial/ Residential	P(CG, Res)	Strip mall	Older shopping center
Union Church of Cupertino (Stevens Creek Blvd)	±3	25	Commercial/ Residential	P(CG, Res)	Church, Pre-school	Existing Church with historic designation. This site has recently added an annex building to increase services at the site.
Village Green Apartments	±7.5	16	High Density Multi-family residential (20-35 DU/gross acre)	R3	Existing apartment complex with 122 units	Based on R3 zoning, maximum yield is 161 units. For HCD's purposes, realistic yield is 137 units. Therefore, this property has the potential to add 16 more units. Very low yield. Open space availability needs to be studied.
Vivi's Falafel (21771 Stevens Creek Blvd/ Next to Post Office)	0.44	4.4 – 12	Neighborhood Commercial, Industrial and Residential	P(CN, ML, Res 4.4-12)	Strip mall	Restaurant and shoe repair store.

PUBLIC NOTICING & OUTREACH

Stakeholder Interviews

Stakeholder interviews were conducted on December 11 & 12, 2013 to solicit input from stakeholders ranging from community members, property owners, housing developers, service providers, School Districts and the business community. A summary of common themes from the interviews is attached as Attachment HC-4.

Summary of January 23 Joint PC/HC Workshop

On January 23, the Planning Commission and Housing Commission hosted a joint workshop to begin the Housing Element Sites discussion. Eleven participants broke into small groups and identified potential future sites for housing and criteria for increased

density in certain areas including community benefits. Participants drew on maps and placed stickers to identify potential housing sites. See Attachment HC-5 for transcribed comments from the January 23rd small group discussions and Attachment HC-2 for a consolidated map of potential housing sites.

The following table summarizes the noticing for this meeting:

Notice	Agenda
<ul style="list-style-type: none"> ▪ Email sent to all interested parties signed up through the project website ▪ Letters sent to current Housing Element site property owners and interested property owners 	<ul style="list-style-type: none"> ▪ Posted on the City's official notice bulletin board (<i>one week prior to the hearing</i>) ▪ Posted on the City of Cupertino's Web site (<i>one week prior to the hearing</i>) ▪ Posted on the project Website (<i>one week prior to hearing</i>)

CONCLUSION

The goal for this study session is to review the sites that have been presented to date, identify any other new potential sites for consideration, to, potentially, rank the sites in order of preference with the understanding that sites must be chosen such that the cumulative yield of all the sites picked add up to a total of 1,064 units to make a recommendation to Planning Commission on priority housing sites that should be considered to meet the RHNA.

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Attachments

- HC-1. VTA PDA Map
- HC-2. Consolidated Sites Map – Potential 2015-2023 Housing Element Sites
- HC-3. Site Criteria Matrix
- HC-4. Common themes from Stakeholder interviews
- HC-5. Transcribed comments from January 23, 2014 meeting

ATTACHMENT HC-4

Common themes that emerged from December 11 & 12, 2013 stakeholder interviews

- **Housing Needs:**
 - Overall housing affordability and the difference between housing demand and supply at all income levels
 - Need for diversity of affordable rental units at all income levels and all household types
 - Need to accommodate a growing aging population
 - Smaller units including innovative housing models (e.g. dorms/boarder houses, senior care homes, efficiency studios, shared & co-housing, micro units)
- **Community acceptance:**
 - Acceptance is low due to impacts on schools, privacy, parking, noise and traffic
 - Support for mixed use development in the style of Santana Row and Downtown Mountain View
- Improved local governmental transparency and community development
- **Type of development:**
 - Developers and advocates felt that three to five story development is appropriate for adding units but community representatives are concerned about increased height of multi-family development
- **Barriers to development of affordable housing include:**
 - Financial constraints, particularly due to the dissolution of Redevelopment Agencies and elimination of many federal and state funding sources and
 - Lack of community and political support for housing
- **Community and Business Groups:**
 - Housing is a “choke point” in regional economy since it is hard to attract and retain employees in a highly competitive housing market
 - Several interviewees felt that private employers should be obligated to provide more resources to housing
 - Many felt that while employers feel concerned about schools and housing, they generally work to limit fees and taxes to businesses
- **School Districts:**
 - Schools in the northern part of the City are impacted due to higher student generation rates in existing housing while capacity in the south of the city is declining, likely due to aging households.
 - Capacity, where needed, is being expanded by adding new buildings or, preferably, temporary and modular units.
 - Currently using programs, centers and busing to distribute students
 - Reluctant to re-district since homeowners purchase homes based on the school service areas
 - Most of the Apple Campus 2 school impact fees will be allocated to the Santa Clara Unified School District while they expect that most employees who move to the area will reside within the CUSD service area