

Vallco Town Center

Preliminary Affordable Housing Plan

I. Introduction

The Vallco Town Center project (Vallco Project) proposes a total of 2,402 units, of which 1,201 units (50 percent) will be set aside as affordable housing for lower income households. This document serves as the Vallco Project's Affordable Housing Plan as required by the City of Cupertino and to document how the following affordable housing obligations will be complied with:

- Senate Bill 35 (Wiener) (SB 35)
- State Density Bonus law
- City of Cupertino Below Market Rate (BMR) Housing Program

The following income definitions are used throughout this document:

- Very Low Income (VLI): up to 50 percent of the Area Median Income (AMI), adjusted for household size
- Low Income (LI): 51 to 80 percent of AMI, adjusted for household size

Combined, lower income refers to households earning up to 80 percent of the AMI.

II. Overview of Requirements and Compliance

1. General

This Affordable Housing Plan demonstrates how the Vallco Project proposes to meet the requirements of all three regulations (SB 35, Density Bonus, and City BMR Program¹). Table 1 summarizes the proposed Affordable Housing Program at the Vallco Project.

In general:

- A unit may satisfy multiple requirements, for example:
 - The Very Low Income (VLI) units count toward requirements under SB 35, the Density Bonus law, and BMR Program; and
 - All units that satisfy the BMR Program or Density Bonus law also satisfy SB 35 requirements.
- Where affordable housing units are developed with other state or federal housing program assistance, the rental price requirements of the state or federal housing program will

¹ SB 35 preempts any local affordable requirements, unless the local ordinance requires that greater than 50% of the units are affordable. As a result, the City's BMR Program is preempted. Nonetheless, this Affordable Housing Plan contemplates compliance with the BMR Program. Vallco Property Owner, LLC reserves all rights on this issue.

supersede the price limitations established in this Affordable Housing Plan where the state or federal housing programs are more stringent.

2. SB 35 Requirements

- Type and of Number of Affordable Units:
 - 50% of the total project units (1,201) must be “affordable to households making below 80 percent of the area median income”
 - These affordable units are referred to as “80% AMI Units” in this Affordable Housing Plan
- Allowable Rent:
 - “Affordable” generally means that rent shall not exceed 30% of the area median - the maximum rental rate is therefore established at 30% of 80% AMI (adjusted for household size appropriate for the unit)
 - Rent includes a reasonable utility allowance
- Term of Recorded Covenant:
 - 55 years if rented
 - 45 years if sold (not applicable to the Vallco Project)

3. Cupertino BMR Program

- Type and Number of Affordable Units:
 - At least 15% (361 units) of total Project (2,402 units) must be affordable, with the following income distribution:
 - 9% (216 units) must qualify as VLI units
 - 6% (145 units) must qualify as LI units
- Allowable Rent:
 - VLI units: 30% of 50% AMI (adjusted for household size appropriate for the unit)
 - LI units: 30% of 60% AMI (adjusted for household size appropriate for the unit)
 - Maximum housing allowance of 30% of gross income for a household size of one person more than the number of bedrooms in the rental BMR unit
 - “Rent” includes “rent paid to the property owner, utilities, and all fees for parking and other housing services”
- Term of Recorded Covenant:
 - 99 years

4. Density Bonus Program

- Type and Number of Affordable Units:
 - Provided that a 35% density bonus and 3 concessions are achieved, 15% (361 units) of the total Project (2,402 units) must be VLI
 - These 361 units are inclusive of the 216 VLI units that qualified under the City BMR program
- Allowable Rent:
 - VLI units: 30% of 50% AMI (adjusted for household size appropriate for the unit)
 - Rent includes a “reasonable utility allowance”
- Term of Recorded Covenant:
 - 55 years

III. BMR Specific Requirements

This section details specific requirements that apply only to the 361 units that satisfy the City BMR Program requirements (216 VLI and 145 LI units).

1. BMR Unit Design Requirements

Pursuant to the City’s *Below Market Rate (BMR) Housing Mitigation Program Procedural Manual*, the design of the BMR units must meet specific requirements. **Table 2** demonstrates the Vallco Project’s plan for compliance.

Table 1: BMR Unit Design Requirements

BMR Requirements	Vallco Project Compliance
BMR units shall be comparable to market rate units in terms of unit type, number of bedrooms per unit, quality of exterior appearance and overall quality of construction.	<p>Pursuant to the Density Bonus law, the City has determined that the Project qualifies for the following concession:</p> <ul style="list-style-type: none"> To allow the affordable units to be studios and one-bedroom units instead of a mix of unit comparable to the units within the development pursuant to BMR Housing Mitigation Procedure Manual Section 2.3.4(A).
BMR unit size should be generally representative of the unit sizes within the market-rate portion of residential project.	<p>Pursuant to the Density Bonus law, the City has determined that the Project qualifies for the following concession:</p> <ul style="list-style-type: none"> To allow the studio and one-bedroom affordable units to be smaller in size than the studio and one-bedroom market rate units pursuant to BMR Housing Mitigation Procedure Manual Section 2.3.4(B).
Interior features and finishes in affordable units shall be durable, of good quality and consistent with contemporary standards for new housing.	The Project will comply with this requirement. The Furniture, Fixture, and Equipment (FF&E) plans will be submitted to the City for review.
The BMR units shall be dispersed throughout the residential project. ²	Per the City’s review of the proposed site plans, the City has determined that the dispersal of BMR units meets City requirements. The location of BMR units is identified in the SB 35 Plan Set.

² Under the Density Bonus Law, the bonus market rate units can be located in geographically separate areas, so this dispersal requirement does not apply to the 623 market rate bonus units.

2. Initial Maximum Sales Prices and Rents of BMR Units

A. For-Sale BMR Units

All 1,201 affordable units at the Vallco Project are for-rent units. No for-sale units are included as part of this Affordable Housing Plan in general or for the BMR requirements specifically.

B. Rental BMR Units

All 361 BMR units will be rental units and subject to the following maximum initial rents:

- (1) The maximum initial rents for BMR units are set at a level affordable to LI and VLI households. The maximum initial rents for BMR units shall be determined based on:
 - a. Maximum housing allowance of 30% of gross income for a household size of one person more than the number of bedrooms in the rental BMR unit, and
 - b. For LI units, assume household income at 60% of AMI, and for VLI units, assume household income at 50% of AMI.
- (2) The maximum rents for BMR units and maximum household income limits are revised annually following the annual publication of HCD income limits for Santa Clara County.
- (3) "Rent" includes monthly rent paid to the property owner, utilities, and all fees for parking and other housing services. A reasonable utility allowance, as determined by the tables published annually by the Santa Clara County Housing Authority, shall be deducted from the maximum monthly rents for those utilities paid by the tenant.

3. Administration

Administration of the BMR units will adhere to the City of Cupertino Policy and Procedures Manual for Administering Deed Restricted Affordable Housing Units ([Link](#)). The Manual includes procedures and guidelines for prioritizing applicants, evaluating the eligibility of applicants, setting maximum affordable rents, and monitoring compliance of tenants with the recorded affordability covenants. Specifically, the Manual will govern the ongoing administration of the 361 BMR units in the following areas:

- Application Selection Process
- Minimum Tenant Eligibility Requirements
- Requirements for Renting a BMR Unit
- Requirements of Apartment Owners and Property Managers
- Appeal Process

A similar manual will be developed for the remaining 840 affordable units not subject to City BMR program at a later stage.

IV. Terms of Affordability

Affordable housing is subject to recorded covenants that require the units be occupied at prices/rents that are affordable to VLI and LI households for:

- A period of not less than 99 years for 361 City BMR units; and

- A period of not less than 55 years for the remaining 840 affordable units pursuant to State Density Bonus law and SB 35.

The terms of affordability shall be established from the date of first occupancy of the units. These deed restrictions shall run with the land and remain in effect for subsequent buyers and owners.

V. Agreement between Developer and City

1. Affordable Housing Agreement

Prior to recordation of a final or parcel map or issuance of any building permit, whichever is earlier, an affordable housing agreement shall be recorded against the Vallco Project. The affordable housing agreement shall include, but not limited to the following:

- Total number of affordable units (City BMR units, affordable units pursuant to Density Bonus, and 80% AMI pursuant to SB 35), type, location, square footage, and number of bedrooms, and construction schedule of market-rate and affordable units;
- Provision to ensure concurrent construction and completion of affordable and market-rate units;
- Affordability levels for each affordable unit;
- Provisions for income certification and screening of potential occupants of affordable units; and
- Financing of ongoing administrative and monitoring costs (City and private).

2. Alternatives to BMR Requirements

The Project does not propose any alternatives to City BMR requirements (other than the concessions achieved as part of the Density Bonus law).