

Attachment B

Research in Response to City Council Discussion

As a part of the City Council discussion on August 31, 2021, staff was directed to provide additional research exploring various iterations of criteria for defining Category 3 neighborhoods. The section below provides the research completed regarding these factors.

Revisiting Criteria for Category 3 Neighborhoods

The Siting Policy report's initial recommendation defined areas as having 'highest rates of violent crime' based upon those census tracts that ranked above the 95th percentile in violent crime rate per 1,000 people from 2018-2020 for the four violent crime categories tracked by the San José Police Department. These crimes include rape, homicide, robbery, and aggravated assault, which align with the Federal Bureau of Investigation's Uniform Crime Reporting program and most studies examining the association between violent crime and resident outcomes.

I. Use of Census Tracts Versus Census Block Areas

A question regarding the use of a census tract versus a census block group for this analysis was raised by the City Council. A census tract contains a cluster of census blocks. The original recommendation relied on data from census tracts rather than census block areas for the following reasons:

- **Reliability of Crime Data** – Violent crime data is most commonly reported with a location tied to a block (e.g., 1800 block of Main Street) rather than a specific address. Breaking down the data at the census block group level may result in inaccuracies in the data due to the difficulty in providing an exact location for the crime. Using the census tract level data is more likely to provide more accurate violent crime rate data within a specific geography.
- **Consistent with Other Indicators** – The Siting Policy uses tract-based indicators which draw from academic, and work published by institutes on how neighborhoods affect resident outcomes. This methodology is used to develop the index for measuring resource-rich areas for defining Category 1 neighborhoods and high poverty rates used to define Category 3 neighborhoods. These measures utilize census tracts as the scale for determining the neighborhood category. Using the same geographic scale for identifying neighborhoods with highest rates of violent crime would ensure methodological consistency across the Siting Policy.

The census tract remains the strongest and most practical threshold measure due to the increased reliability of crime data and consistency with how neighborhoods are defined in the literature, including in studies informing categorization of neighborhoods in the Siting Policy. For these reasons, staff is not recommending using smaller census block groups as criteria for the Siting Policy.

II. Use of the 95th Percentile versus the 90th Percentile Census Tracts

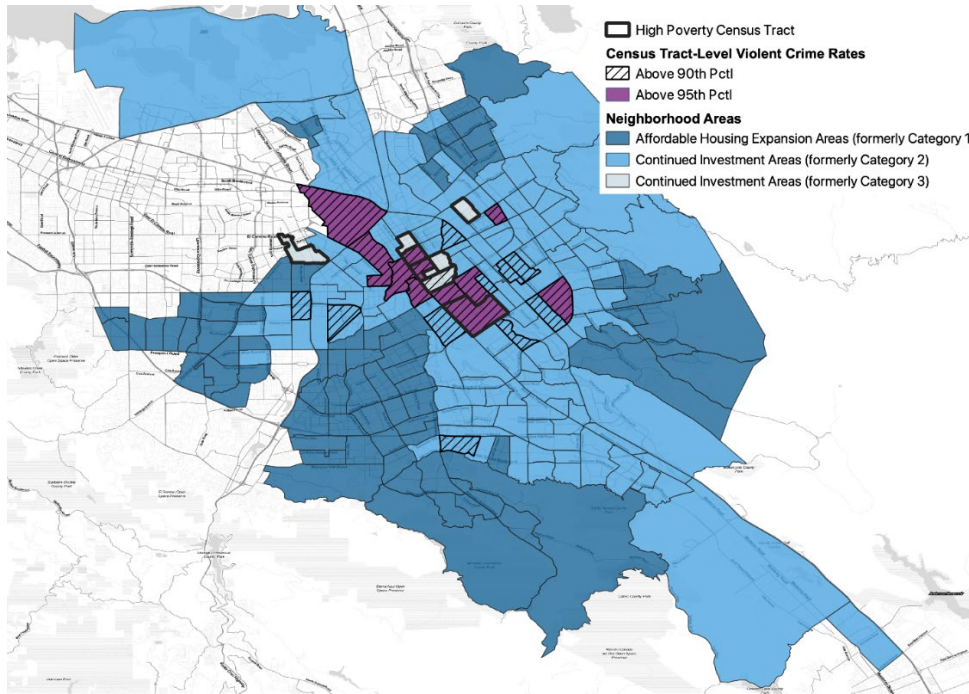
For the neighborhood category 3 designation, we also explored changing the violent crime rate threshold from 95th percentile to 90th percentile (violent crime rate per 1,000 people in San José for the four violent crime categories tracked by the San José Police Department— rape, homicide, robbery, and aggravated assault). Originally, the 95th percentile threshold for highest rates of violent crime was selected based on analysis of the distribution of tract-level violent crime rates in San José from 2018 to 2020. During this period, the difference in violent crime rates between tracts five percentage points apart in the citywide distribution (e.g., 50th percentile violent crime rate tracts compared to 45th percentile tracts) was modest and represented incremental change, up to the 90th percentile. However, the violent crime rate for 95th percentile tracts was substantially higher than 90th percentile tracts, suggesting that tracts in the top five percent in the citywide distribution experienced meaningfully higher rates of violent crime than the rest of the city, including even tracts in the 90th percentile.

Given that the violent crime rate distribution curve at the 95th percentile represents a clear break/increase in violent crime rates, we are more confident that neighborhoods that fall above this threshold are the most violent places in the city according to the data we have, particularly when violent crime rates are calculated at the tract level where population estimates are more reliable. By contrast, the violent crime rate distribution curve at the 90th percentile is quite gradual and so we are not at all confident that census tracts which fall just above and below the 90th percentile are actually above and below the 90th percentile, respectively. For these reasons, the Partnership has continued to recommend maintaining the 95th percentile threshold for highest rates of violent crime. See Figure 5 Sensitivity Analysis for 95th Percentile versus the 90th Percentile Census Tracts map.

III. Use Poverty Only

Concentrated poverty is a traditional indicator used in conjunction with fair housing laws and guidance. For example, both state and federal fair housing guidance direct staff to analyze income levels and racial/ethnic concentration for the creation of Housing Elements and Assessments of Fair Housing. Concentrated poverty is also used by the federal government to implement programs including the allocation of project-based Section 8 vouchers. Staff is recommending using poverty rates to determine census tracts that will be required for “further review.” Figure 5 includes census tracts with a poverty rate at or above 20%, adjusting for the presence of college students.

Figure 1: Sensitivity Analysis for 95th Percentile versus the 90th Percentile Census Tracts Map



Current, Pipeline, and Prospective Affordable Home Distribution

As the City Council direct, we reviewed analysis looking at limiting the criteria to only low-income households to define Category 3 neighborhoods. Table 3 shows affordable homes distribution based on the neighborhood areas

Table 1: Current, Pipeline, and Prospective Affordable Homes Distribution

95th Percentile Violent Crime

Neighborhood Category	Category 3: High Poverty Areas + 95 th pctl Violent Crime (4 categories) (CURRENT MAP)	Category 3: High Poverty Areas + 95 th pctl Violent Crime (2 categories)	Category 3: High Poverty Areas Only
1	9% (2,297)	9% (2,297)	9% (2,297)
2	74% (18,757)	73% (18,495)	82% (20,829)
3	17% (4,289)	18% (4,551)	9% (2,217)

90th Percentile Violent Crime

Neighborhood Category	Category 3: High Poverty Areas + 90 th pctl Violent Crime (4 categories)	Category 3: High Poverty Areas + 90 th pctl Violent Crime (2 categories)	Category 3: High Poverty Areas Only
1	9% (2,297)	9% (2,297)	9% (2,297)
2	68% (17,117)	68% (17,130)	82% (20,829)
3	23% (5,929)	23% (5,916)	9% (2,217)

Evaluation of Recent Notice of Funding Availability (NOFA) Results

As the City Council directed on August 31, 2021, staff to prepare an analysis of Notice of Funding Availability results. City staff issued a \$150 million Notice of Funding Availability in December 2021. The application submitted consist of 19 developments submitted by 15 developers requesting \$241 million in funding. Staff completed an evaluation process and developed a list of NOFA awards and a waitlist. Each of the proposed developments were evaluated by the proposed Siting Policy areas.

- 15% of homes with a NOFA award are located in Affordable Housing Expansion Areas. This is slightly higher than the City's existing distribution of affordable homes (including current, pipeline, and prospective homes) in Affordable Housing Expansion Areas (9%-10%).
- Most NOFA applicants selected families as their target population, but many projects serve multiple target subpopulations.
- Per the updated distribution analysis, about 9.2% of all affordable homes are located in Affordable Housing Expansion Area neighborhoods. This is about the same as the distribution identified in the 2021 distribution analysis.
- All awarded NOFA applications included supportive housing homes (both Permanent Supportive Housing and Rapid Rehousing homes), while only 20% of waitlisted applicants included supportive housing homes. Eight percent of supportive housing homes with a NOFA award are located in Affordable Housing Expansion Area. No waitlisted projects were identified in the Affordable Housing Expansion Area including supportive housing homes.

Table 2: Distribution of All New Development Applications (2021-2022) by Neighborhood Category

Neighborhood Area(s)	Total Affordable Homes	% of Total Affordable Homes	Total Developments
Affordable Housing Expansion Areas	227	16%	2
Continued Investment Areas	1,234	84%	14
Total	1,461	100%	16
* New awards include awards from the City or County, or LIHTC awards from TCAC/CDLAC in 2021 and 2022 (as opposed to just 2022), as there were no 2021 or 2022 non-City awards included in the previous analysis.			

Table 3: Distribution of NOFA Awards by Unit Type

Unit Type	Affordable Expansion Areas (homes)	Continued Investment Areas (homes)	Total Homes
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PSH Homes	0	122	122
TAY Homes	0	20	20
Senior Homes	0	0	0
Veteran Homes	0	25	25
Family Homes*	150	647	797
<i>RRH Homes**</i>	38	268	306
<p>* Family homes as classified by the City and may differ from TCAC's definition of a family unit.</p> <p>** As the Siting Policy only applies to "permanent deed-restricted affordable housing financed by the City of San Jose, except acquisition and rehabilitation of existing deed-restricted affordable homes," RRH homes are excluded from the general analysis. Totals are provided here for reference.</p>			

Coordination with the County of Santa Clara

Staff from the City and County coordinate closely in making decisions to fund new affordable developments. This work includes consideration of the proposed Siting Policy. Once the Siting Policy is adopted by the City, County of Santa Clara staff will consider bringing forward a formal policy on the County level.

Incorporation of Siting Policy into the Housing Site Explorer

The City has created a free, interactive, web-based map application to help the development community identify sites that have been identified for new housing production and combining many different datasets, including current zoning and approved permits. The Housing Site Explorer includes the proposed areas in the Siting Policy.

Affordable Housing Developments That Did Not Move Forward Due to the Proposed Siting Policy

The City Council requested that staff track any affordable housing development that did not move forward due to the proposed Siting Policy framework. Staff is aware of one proposed development brought forward by the Freebird Development Company to build an affordable senior housing development within the existing El Rancho Verde affordable housing development. El Rancho Verde is the largest affordable development within San José where the entire census tract is the affordable development. In this case, 100% of all homes within the census tract are restricted affordable homes. The developer was interested in densifying the site to build an accessible building for seniors who are interested in aging in place in the El Rancho Verde development. Staff indicated funding for this proposed development would be difficult due to the high level of existing affordable housing in the census tract.

As a part of the outreach process, staff specifically asked affordable housing developers if they moved away from a proposed development due to the proposed Siting Policy. There were no other examples of proposed developments that did not move forward due to the policy discussion.

Alignment with the Housing Element

As one of the previous recommendations, staff indicated as part of the analysis of the Housing Element updated, and staff will ensure adequate supply of residential sites would be developed in Affordable Housing Expansion (formerly Category 1). As a result, there are 96 sites in Affordable Housing Expansion Area.

Table 6: Distribution of Housing Element Sites Inventory by Neighborhood Areas

Neighborhood Areas	Estimate of Lower-Income Homes can be built	% of Lower-Income Capacity	# of Parcels w/Capacity to Develop Lower-Income Homes	% of all 529 Housing Element Inventory Sites for Projected Lower-Income Homes
Affordable Expansion Areas	8,565	36%	96	18%
Continued Investment Areas	14,954	64%	148	28%
Total	23,519	100%	244	47%