



COUNCIL AGENDA: 12/6/2022

ITEM: 8.2

FILE NO: 22-1805

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Toni J. Taber, CMC  
City Clerk

**SUBJECT: SEE BELOW**

**DATE:** December 6, 2022

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**SUBJECT: Affordable Housing Siting Policy Status Report**

**Recommendation**

As recommended by the Community and Economic Development Committee on November 28, 2022:

- (a) Accept the status report on the proposed Affordable Housing Siting Policy that includes research addressing City Council direction from the August 31, 2021 City Council meeting.
- (b) Adopt a resolution approving the Affordable Housing Siting Policy and repealing the former Dispersion Policy under Resolution 67604.

CEQA: Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action. (Housing)

[Community and Economic Development Committee referral 11/28/2022 - Item (d)3]



# Memorandum

**TO:** COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE

**FROM:** Jacky Morales-Ferrand

**SUBJECT:** SEE BELOW

**DATE:** November 16, 2022

Approved

Date

11/18/22

**SUBJECT: PROGRESS REPORT AND POLICY ALTERNATIVES REGARDING  
THE AFFORDABLE HOUSING SITING POLICY**

## **RECOMMENDATION**

- (1) Accept the staff report on the proposed Affordable Housing Siting Policy which includes research addressing City Council direction from the August 31, 2021, City Council meeting and a recommendation that the City Council at the December 6, 2022, meeting adopt a Resolution approving the proposed Siting Policy; and
- (2) Cross reference this item to the December 6, 2022, City Council meeting.

## **OUTCOME**

The Community and Economic Development (CED) Committee will provide input on the proposed Affordable Housing Siting Policy (Siting Policy). The Siting Policy will:

- (a) Create a goal to develop affordable housing in areas of the City that have historically limited low-income housing development; and
- (b) Expand housing choices for low-income residents.

## **EXECUTIVE SUMMARY**

The purpose of the Siting Policy is to expand affordable housing choices through equitable development that reduces disparities in housing options among neighborhoods and continues to build integrated, vibrant, and healthy communities. The Siting Policy intends to find the right balance to achieve multiple objectives. Specifically, this entails creating much-needed affordable housing while ensuring that housing choices and opportunities for lower-income<sup>1</sup> households are available throughout the City. The Siting Policy has been shaped to provide this balance using both a data-driven approach and constituent engagement. In the long term, the Siting Policy will increase choice and decrease segregation by intentionally investing to create a greater diversity of housing in neighborhoods that have historically eschewed affordable housing.

Cities must take meaningful actions to affirmatively further fair housing choices for different types of residents protected under fair housing law<sup>2</sup> to meet federal and state requirements. Taking a passive approach to awarding affordable housing financing wherever developments are proposed is insufficient to meet the City's obligation to affirmatively further fair housing. To further fair housing choice, the Siting Policy was developed with the following objectives: align with fair housing laws; remove barriers to accessing affordable housing; increase low-income housing in all areas; discourage and mitigate residential and displacement and rebalance the distribution of affordable housing across neighborhood areas. This policy takes a "both/and" approach to affirmatively further fair housing by expanding lower-income households' access to housing in all neighborhoods so they can live and thrive in San José and increasing resources in historically underserved neighborhoods to support these areas with ongoing investment.

To achieve these goals, the Siting Policy will allocate funding so that 35% of the units will be located in Affordable Housing Expansion Areas and 65% of the homes will be located in Continued Investment Areas during the initial five-year period. An evaluation of the Siting Policy will be completed after five years of implementation.

This memorandum includes the consultant report from August 2021 (**Attachment A**), Research in Response to City Council Discussion (**Attachment B**), and the proposed Affordable Siting Policy (**Attachment C**). Feedback from various community members and developers helped shape the Siting Policy.

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<sup>1</sup> "Lower-income" residents are those with incomes at or below 80% AMI, which includes extremely low-income, very low-income, and low-income categories. In 2022, a four-person household with an annual income at or below \$101,100 is considered to be lower-income. Funding sources on particular affordable housing developments will have further income, occupancy, and other applicant requirements.

<sup>2</sup> Discrimination against residents due to their 'protected characteristics' is prohibited by fair housing law. These characteristics include race, color, religion, sex/gender, gender identity/expression, sexual orientation, marital status, medical condition, disability, ancestry, national origin, and possession of rental vouchers.

## **BACKGROUND**

On August 31, 2021, staff presented the proposed [Siting Policy to the City Council](#) for City-funded, deed-restricted affordable housing, which provided guidance on prioritizing funding of affordable housing developments. The Siting Policy recommendations were based on neighborhood categories. Category 1 neighborhoods were high-opportunity areas associated with positive long-term outcomes. On the other end of the spectrum were Category 3 neighborhoods, which have high rates of poverty and/or violent crime. Category 2 neighborhoods fell in the middle and did not meet either definition.

Staff proposed an initial three-year “transition” period to implement the Siting Policy. During this initial period, the Housing Department recommended siting 30% of new, City-funded affordable housing homes in Category 1 neighborhoods; 50% in Category 2 neighborhoods; and 20% in Category 3 neighborhoods. During the subsequent five-year period, the City would pursue a more aggressive approach to add affordable homes where they have not previously been sited, with goals of siting 60 % of new, City-funded affordable housing homes in Category 1 neighborhoods; 30% in Category 2 neighborhoods; and only 1% in Category 3 neighborhoods.

### ***Direction to Staff from August 31, 2021, City Council meeting***

After a robust discussion, City Council unanimously voted to direct staff to do additional research on the criteria for defining Categories before approving the Siting Policy.

During this discussion, the City Council directed staff to gather information and provide a report including:

- **Definition of Category 3 Neighborhoods** – Explore violent crime data by census block group level and at the 90<sup>th</sup> percentile level; and consider limiting the criteria to only low-income households to define Category 3 neighborhoods.
- **Notice of Funding Availability (NOFA)** – Complete an analysis of developments responding to the NOFA process to ensure equitable distribution between levels of affordability and neighborhood categories; include the number of affordable developments and number of homes by category and include the number of developments discouraged or disallowed due to the Siting Policy.
- **Alignment with the Housing Element** – Demonstrate alignment with the Housing Element, specifically focusing on sites in Category 1 neighborhoods and their likelihood of being developed with affordable housing and supportive or special needs housing.
- **Coordination with the County of Santa Clara** – Encourage the County of Santa Clara to consider the Siting Policy as it makes funding decisions for County funds.
- **Housing Site Explorer** – Include information related to the Siting Policy in the Housing Site Explorer online tool.

While the Siting Policy was being further developed, City Council also directed staff to include the Mayor’s Gang Prevention Task Force areas in Category 3 neighborhoods and the

downtown area into Category 2 to prioritize funding commitments on new affordable housing developments in those areas. Please see **Attachment B** for further analysis.

### ***Input from Housing Element Outreach***

In addition to public comments through direct outreach on the Siting Policy, the Housing Department received input on the Siting Policy through broader outreach conducted as part of the development of the draft sixth cycle Housing Element. Outreach for the draft Housing Element included over 110 public and stakeholder meetings, three separate surveys, and over 4,200 (including duplicates) participants. Outreach and public comment for the draft Housing Element covered a wide range of housing issues, including future capacity for the siting of affordable housing and the City's duty to affirmatively further fair housing.

As part of the draft Housing Element outreach, formal public comment related to the Siting Policy was included in letters submitted to the City by the Silicon Valley Law Foundation, SV@Home, and the Race Equity Action Leadership Coalition. These commentators expressed concerns that the Siting Policy language may: reinforce negative stereotypes of affordable housing residents and communities of color; contribute to the ongoing criminalization of communities of color; and lead to increased disinvestment in Category 3 neighborhoods. Additional comments received in an affordable housing developer focus group stated that: affordable housing investments improve the quality of life in all neighborhoods; affordable housing is needed in every neighborhood in the City, and the Siting Policy would limit developers' ability to locate affordable housing in places where it was needed.

## **ANALYSIS**

The analysis section first provides a summary of the research conducted to shape the structure of the Siting Policy and second describes the components of the Siting Policy including the administration, applicability, definitions, goals, criteria for further review, and evaluation of the siting policy.

### ***Affordable Housing Crisis***

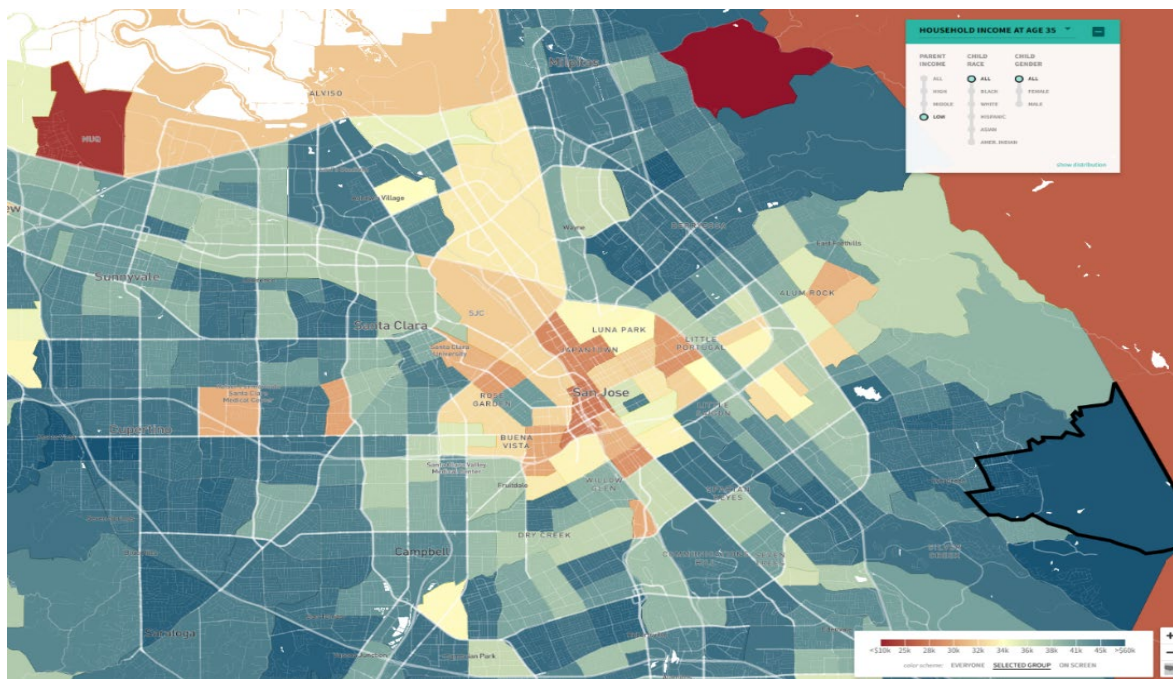
Addressing the Bay Area's housing crisis is one of the most difficult challenges facing local decision-makers. The City seeks to attain the appropriate balance between funding much-needed affordable housing while ensuring that housing choice is expanded to all neighborhoods within San José. Ultimately, the need for affordable housing is so great throughout the city, affordable housing production must continue in all areas of the city.

### ***Negative Impacts of Segregation on Economic Opportunity***

Like all large American cities, the City of San José has a history of segregation, racism, exclusion, discrimination, and inequitable patterns of investment and disinvestment. A growing body of research has documented the negative economic impacts of segregation, especially on

low-income children who grow up in racially and economically segregated areas. For example, Opportunity Insights, a project of Dr. Raj Chetty of Harvard University, studied decades of anonymized tax returns and tracked individuals' annual earnings over time and as correlated with demographic factors such as the income of their parents, race, and gender. The map (Figure 1) below displays the results of this study. It shows earnings for age 35 adults who grew up in low-income households by census tract in the City. Low-income children who grew up in the central and eastern parts of the City generally had lower incomes (as shown by areas of the map that are orange/red) at age 35 than low-income children who grew up in western and southern parts of the City, whose age 35 income tends to be higher (as shown by areas of the map that are green/blue).

**Figure 1: The Opportunity Atlas**



The areas where low-income children had higher incomes as adults generally correlate with areas of the City where affordable housing has not been sited. (See the previous [Siting Policy proposal presented to the City Council](#) for additional analysis of the location of the City's affordable housing.)

These localized findings are consistent with the broader literature review conducted by staff and the City's consultants, the California Housing Partnership, and the Other and Belonging Institute. Below is a summary of key findings made in the literature review.

1. **Neighborhoods matter:** Neighborhoods, with both structural characteristics (e.g., amenities economic activity, the built environment) and social characteristics (e.g., peers, social capital, and networks), have powerful and independent effects on critical economic, educational, and health outcomes, particularly for children.

2. **Access to resources matters:** The neighborhoods where people live correlate strongly with race and income. Because of historic (racist) patterns of investment and disinvestment, neighborhoods with higher concentrations of people of color have not benefited from the same level of public and private resources as have generally more white and higher-income neighborhoods.
3. **Current living patterns do not reflect actual location preferences of low-income people of color:** Surveys and recent studies show that barriers such as discrimination, information gaps, and lack of affordable housing options have a tremendous impact on where low-income people of color live.
4. **Affordable housing has generally been developed following existing, racially segregated patterns:** In many cities, affordable housing has been disproportionately developed in low-income communities of color. This is for a variety of reasons (some benign and some not), including but not limited to the relative price of land in different neighborhoods, zoning and land use patterns, and Not in My Back Yard-ism (NIMBYism). Consequentially, whether intended or not, affordable housing development has generally reinforced existing patterns of segregation by race and income.
5. **Ending place-based disparities requires a "both/and" approach:** Promoting more equitable access to opportunities for low-income people of color will require both expanding affordable housing in neighborhoods that have historically excluded affordable housing, and comprehensive, community-driven investment in neighborhoods that have historically been subject to discrimination and disinvestment.

In light of these findings about segregation and economic opportunity, the Siting Policy is intended to help the City affirmatively further fair housing consistent with federal and state fair housing laws while delivering much-needed affordable housing. The Siting Policy would expand housing choices to enable a greater number of lower-income households to access and share in the economic opportunities available in more areas of the City. It would also facilitate continued investments in diverse neighborhoods and communities, including in areas that have been identified as racially and ethnically concentrated areas of poverty as part of the City's Assessment of Fair Housing.

### ***The Stigmatization of Communities of Color Caused by Terminology***

The Siting Policy will use data to determine the performance of the City over time to develop affordable housing in different neighborhoods throughout San José. As a part of earlier communications around the proposed policy, staff used criteria to define neighborhoods and categorize them by specific metrics. An unfortunate consequence of this analysis was labeling specific neighborhoods as "high-crime" and "high-poverty." In meetings with community members and stakeholders, staff received feedback about the detrimental use of this terminology. The impact of these words had been underestimated and unintended. Historically, housing policies have created stigma and disinvestment in neighborhoods of color causing significant harm to residents in those neighborhoods. The categorization of neighborhoods with such terms is not necessary, is incongruent with the intent to redress past harm, and is damaging to the

specific communities the Policy is designed to empower. Therefore, this revised Siting Policy proposal uses different, more accurate, and more helpful concepts and language.

### ***Expanding Access***

The updated Siting Policy intends to address the historically exclusive housing policies and practices that disproportionately have limited housing choices for residents protected under fair housing law. The revised Siting Policy objectives are to develop a policy that results in providing lower-income residents with access to high-quality housing and removing barriers to opportunities. To enable access to high-quality housing for all residents, the Siting Policy encourages expanding affordable housing in these areas, referred to as Affordable Housing Expansion Areas in the Siting Policy. Research shows that opportunity areas have characteristics associated with upward mobility, educational attainment, physical and mental health, and other positive outcomes, particularly for children. Over the past several years, state housing agencies including the California Tax Credit Allocation Committee (TCAC), the State of California Department of Housing and Community Development (HCD), and the California Debt Limit Allocation Committee (CDLAC) have adopted policies incentivizing affordable housing to be located in higher resource areas, as defined in the TCAC/HCD Opportunity Map. These incentives increase the likelihood that developments in opportunity areas receive TCAC allocations. The Siting Policy and TCAC opportunity areas are identical.

### **Proposed Affordable Housing Siting Policy**

The Siting Policy components include the applicability, comprehensive goals, and requirement for further review and evaluation. The full policy is included in **Attachment C**.

### ***Applicability of the Siting Policy***

For policy evaluation, the Siting Policy applies to the location of new permanent deed-restricted affordable housing financed by the City of San José, acquisition/rehabilitation of new affordable housing, and where the Siting Policy applies under the Inclusionary Housing Ordinance.

The Siting Policy applies to all homes that meet the following criteria:

1. Are located in the City of San José;
2. Will receive funding from the City or is providing off-site rental under the Inclusionary Housing Ordinance;
3. Will have a City affordability restriction; and
4. Will have rents that are affordable to households up to 80% of Area Median Income (AMI).

The Siting Policy does not apply to the acquisition and rehabilitation of existing deed-restricted affordable homes, temporary shelters, or to affordable homes created through the City's



Inclusionary Housing Ordinance (except in cases where the developer elects to build this housing off-site).

### ***Administration of the Proposed Affordable Housing Siting Policy***

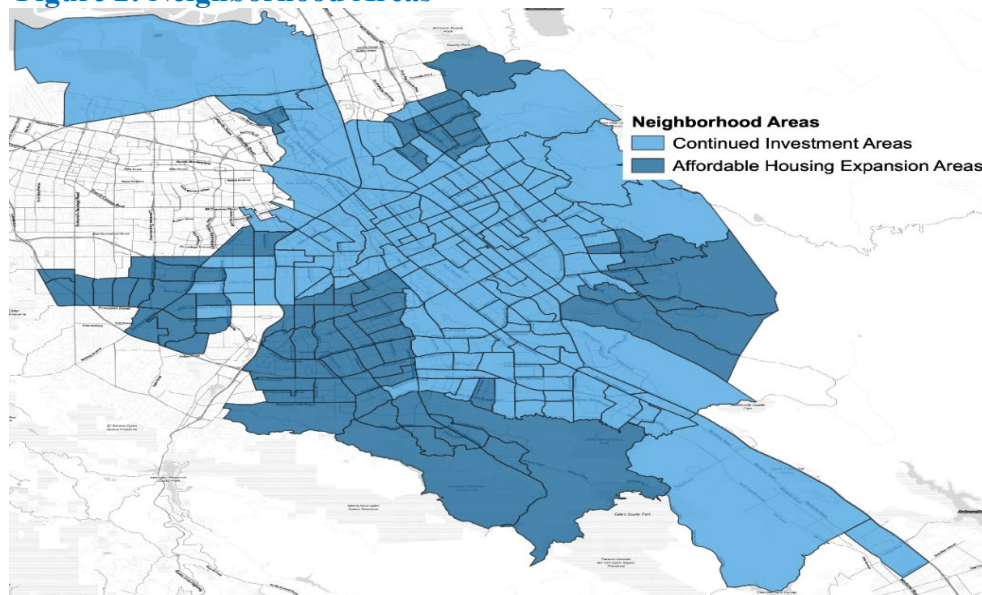
The proposed Siting Policy will be administered by staff through the issuance of Notices of Funding Availability (NOFA). When determining whether to award funding for a given project, staff and the developer will be able to access an online mapping tool. When the developer applies for city funding through a NOFA, Staff will do the following: 1) determine if the proposed affordable housing project is located in the Affordable Housing Expansion Areas or Continued Investment Area, 2) evaluate the census tract where the development is located to determine if further review is required, and 3) notify the developer if the development is eligible for City funding.

### ***New Staff Recommendation on Neighborhood Categories***

The Siting Policy is an attempt to reverse the impacts of housing segregation in San José. Accordingly, this updated proposal has adopted language, approaches, and methodologies consistent with this intention. Affordable Housing Expansion Areas now reflect areas where affordable housing can provide access and expand the choice to low-income residents. Continued Areas of Investment now reflect areas where resources and more affordable housing can be invested to create and support integrated communities. As staff continues to develop the Siting Policy, the goal is to be more intentional about the language used to describe the City's neighborhoods while relying on evidence-based approaches. To this end, the definitions for Affordable Housing Expansion Areas and Continued Investment Areas draw from research on how neighborhoods impact economic, educational, and health outcomes for residents.

A map of these areas is provided in Figure 2, followed by additional detail.

**Figure 2: Neighborhood Areas**



**Affordable Housing Expansion Areas:** Neighborhoods shown in darker blue in Figure 2 have characteristics associated with upward mobility, educational attainment, physical and mental health, and other positive outcomes. These areas are identified as High or Highest Resource Areas in the TCAC/HCD Opportunity Map. These designations mean those areas rank in the top 40% of census tracts in the Bay Area according to indicators associated with positive economic, educational, and health outcomes for residents. This alignment with the State’s framework is essential in ensuring that developments in these areas will receive priority for TCAC awards. In these areas, the Siting Policy will enable the City to finance the creation of housing for low-income residents.

**Continued Investment Areas:** Areas shown in a lighter blue in Figure 2 do not meet the definition of Affordable Housing Expansion Areas, but the City will continue investing in affordable housing in these places due to the need of existing residents. The need for housing, especially affordable housing, is great throughout the City, and there are only a couple of areas where there is a significant proportion of restricted affordable housing relative to all housing in that area. The draft sixth cycle Housing Element contains the City’s Regional Housing Needs Allocation goal of 23,775 lower-income homes and another 10,711 moderate-income homes to be built by the year 2031. If the City is going to achieve this ambitious goal, affordable housing must continue to be built across all neighborhoods.

### ***Comprehensive Siting Policy Goals***

As the Siting Policy was developed, staff wanted to ensure the implementation of the policy was straightforward and understandable to developers and the public. The policy focuses on two areas with an aggregate goal over five years. Providing direction for affordable housing developers several years in advance provides clarity and predictability for developers seeking to

secure sites for future development. The proposed goal is to place 35% of homes in Affordable Housing Expansion Areas and 65% in Continued Investment Areas. Table 1 shows how the proposed goal compares with the area distribution and the current percentage of homes.

**Table 1: Distribution of Affordable Homes**

Neighborhood Areas	Percentage of the City	Current Distribution of Homes	New Unit Distribution 5-year Goal FY 21-22 to FY 25-26
Affordable Housing Expansion Areas	34%	9%	35%
Continued Investment Areas	66%	91%	65%

**Requirement for Further Review**

The version of the Siting Policy proposed in August 2021 included a third category of neighborhoods defined as having particularly high rates of poverty and/or violent crime. These areas are now proposed to be considered in the “further review” section of the Siting Policy as described below. Funding would not be approved for affordable housing in these areas unless additional criteria were met. In addition, the violent crime rate metric – which was a source of contention and confusion – is proposed to be removed to refocus the Siting Policy on concentrated poverty. Concentrated poverty is a far more 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.

Under the proposed Siting Policy, “further review” is triggered if the project proposed by the developer is in a census tract where there are more than 50% deed-restricted homes or a 20% poverty rate.

“Further review” triggers:

1. If more than 50% or more of existing homes in a census block group are deed-restricted affordable housing, and the block group contains 200 or more affordable homes; or
2. If a census tract’s poverty rate is at or above 20%, adjusting for the presence of college and graduate students.

There are specific circumstances where affordable housing should be allowed to be sited in a high-poverty neighborhood. Neighborhoods can transform due to changing market conditions such as gentrification and public investment. To prevent displacement, it may be important to site affordable housing in a neighborhood that has a high poverty rate to preserve the opportunity for lower-income households to remain in their community. There may be additional

circumstances where allowing additional affordable housing should be granted to meet a larger overarching goal. For example, if an entire census block consisted of affordable housing and a developer wanted to build senior affordable housing in the same block, the Siting Policy would prevent that senior affordable project from proceeding. However, in this instance, allowing the senior affordable project to move forward so that the existing low-income residents in that census block are allowed to age in place would benefit the community. To mitigate against these risks, the Siting Policy “further review component” considers additional criteria that if met would enable a development to be sited.

The funding commitment may move forward if any one of the following five criteria is met:

- Site is located in a neighborhood facing displacement;
- Site is located in a growth area as defined by the [General Plan](#);
- The proposed development is a mixed-income development where 50% of the units or more are market-rate; or
- The Site for the proposed development is part of a community development investment plan that has approved funding.

### ***Community Development Block Grant Funds in Historically Underinvested Neighborhoods***

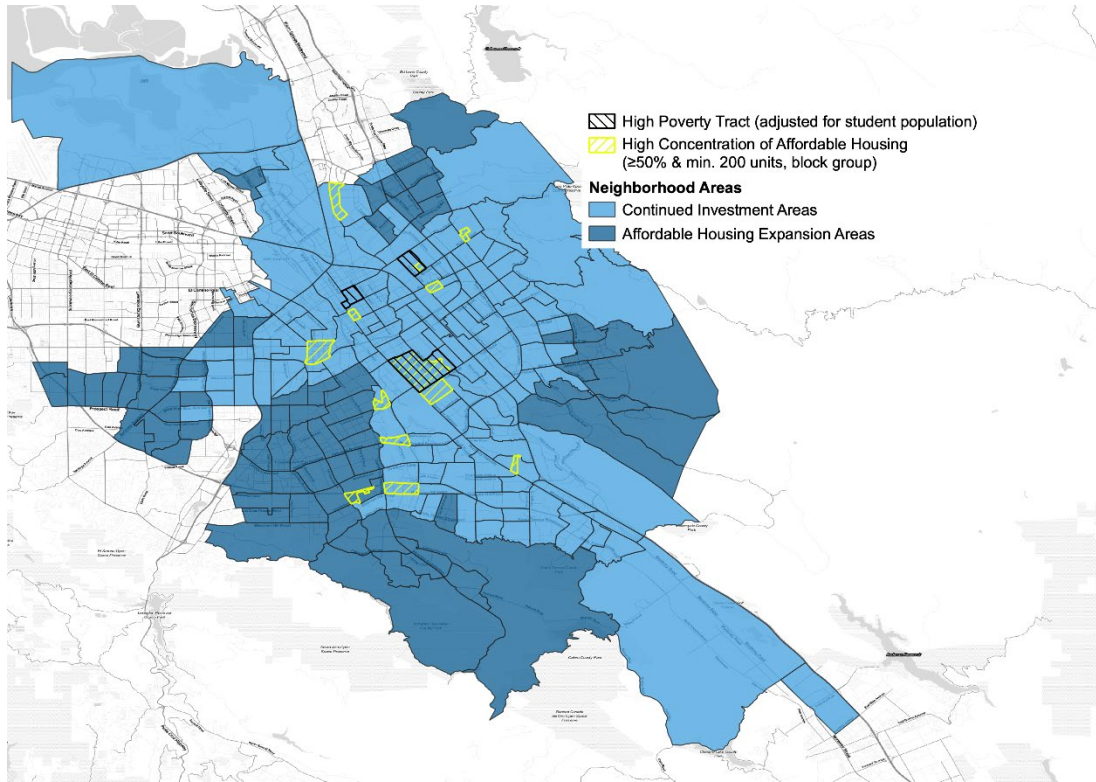
Community Development Block Grant (CDBG) is a federal program that provides funding to local jurisdictions for capital projects and services that benefit low- and moderate-income persons or address community development needs in neighborhoods that are over 51% low- and moderate-income households. In the City’s CDBG program, grantees are generally selected through a competitive process and provide such services as senior day care and respite, homeless outreach, housing rehabilitation, and enhanced code enforcement.

As part of the commitment to a “both/and” approach under the larger Siting Policy, staff recommends that CDBG funding be prioritized to historically underinvested neighborhoods. These neighborhoods would necessarily be a subset of the CDBG-eligible neighborhoods. If this recommendation is approved, Housing Department staff would develop criteria and/or incentives that would prioritize investment in neighborhoods that have experienced high levels of discrimination, disinvestment, and segregation. An example of potential priority neighborhoods is the areas that have high poverty), as shown in Figure 3. These areas, which could have priority for CDBG funding, would be defined in the next Annual Action Plan.

### ***Siting Policy Map***

Figure 3 identifies areas of the City relevant to the Siting Policy. It identifies Affordable Housing Investment Areas in dark blue, Continued Investment Areas in light blue, and locations in which development would be subject to further review in black and yellow.

**Figure 3: Map for Affordable Housing Expansion and Continued Investment Area, Locations Subject to Further Review**



### ***Evaluation***

It is recommended that an evaluation of the Siting Policy begin immediately after the preliminary award of the Fiscal Year 2025-2026 NOFA. All affordable housing that restricts residents who earn up to 80% AMI and below, regardless of how it was financed or the beneficiary of the affordability restriction will be included in the analysis. The report will provide the City Council an opportunity to evaluate the 35% goal and its impact in increasing choice for low-income residents.

The evaluation should include the following:

- Populations served including family, senior, and special needs in each neighborhood area;
- Number of homes invested in Affordable Housing Expansion Areas;
- Housing development costs in Affordable Housing Expansion Areas relative to other parts of the City;
- Tenant demographic data by race and ethnicity to ensure that affordable housing is serving residents who reflect San José's racial and ethnic demographics. Any other

additional tenant demographic data being collected such as people with disabilities, seniors, and household type (families, individuals) should also be included, if available;

- The average and median per unit cost of the homes by area; and
- Non-City funded affordable housing developments (e.g., County of Santa Clara -funded, Bond funded, Housing Authority of the County of Santa Clara).

## **CONCLUSION**

The Siting Policy recommendations reflect the City’s goal to develop affordable housing in both high-income and low-income areas, simultaneously increasing access to prevent displacement, and providing quality affordable housing where all people can live and thrive in the City of San José.

## **EVALUATION AND FOLLOW-UP**

The Siting Policy will be evaluated after the first five years. The results of the evaluation will be brought to City Council with a staff recommendation to the Siting Policy.

## **CLIMATE SMART SAN JOSE**

The recommendation in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals.

## **PUBLIC OUTREACH**

The Housing Department hosted several meetings with the development community and broad community stakeholders to solicit input on the Siting Policy. In addition, several community meetings were held to discuss the Housing Element during the fall of 2022. Members of the community provided feedback on their concerns related to the Siting Policy. Details of these outreach meetings can be viewed in Table 2 below.



**Table 2: Summary of Public Outreach Meetings**

<b>Meeting Date and Audience</b>	<b>Attendees</b>
September 29, 2022 – Broad Community	59
September 30, 2022 – Broad Community	60
October 6, 2022 – Developers’ Forum	22
October 13, 2022 – Broad Community Meeting	12
<b>Total</b>	<b>153</b>

Overall, feedback received from developers and other stakeholders included the following:

- Historic data should track the number of developments versus how many more developments were made each year and whom they serve.
- Strongly reject Siting Policy as originally proposed, though there are some good things in the language changes. But we reject City Council’s notion to use crime and low-income levels as a measure to determine affordable housing.
- Policy excludes parts of the city receiving affordable housing. The bottom line, is we want diverse choices.
- Housing department needs to treat supportive housing differently than affordable housing.
- Affordable housing should be included in areas where it hasn’t been available in the past.
- Low-income residents should have housing opportunities in the areas they already live.
- Track progress by the total number of homes, not just total dollars.
- Census tracts are too large of an area to use to accurately reflect neighborhood conditions.
- Strongly favor a policy to prevent concentrating an area with poverty.
- Encourage the City to separate permanent supportive housing for the homeless versus other affordable housing.

**COORDINATION**

This memorandum has been coordinated with the City Attorney’s Office, the Department of Planning, Building and Code Enforcement, and the City Manager’s Budget Office.

**COMMISSION RECOMMENDATION/INPUT**

The Siting Policy Update was discussed on May 10, 2021, at the Housing and Community Development Commission (Commission) meeting held over Zoom. The Commission voted unanimously to support the staff recommendation to receive a status report and provide feedback to City staff on its work plan to create an Affordable Housing Siting Policy for the location of subsidized restricted-affordable housing developments. Some Commissioner’s feedback focused on the importance of providing permanent supportive housing and low-income housing in

proximity to one another. Below are the motions made by the Commission regarding the Siting Policy:

- To help facilitate equitable distribution, the Department should distinguish between affordable housing and supportive housing in the Siting Policy and track them separately but consider them in totality. **Motion Passed, 12-0**
- The categories should be subdivided by Census Block Group to identify those Census Block Groups that have a high density of affordable/supportive housing or homeless services, and the policy should be modified to avoid future affordable development in highly impacted Census Block Groups. **Motion Passed, 10-2**
- Shorten the Phase I period from 5 years to 3 years. **Motion Passed, 12-0**
- Move to change percentages to 40% for Category 1 and 40% for Category 2 for Phase 1. **Motion Passed, 11-0**

The Commission did not hear the additional research and policy alternatives presented in this memorandum. The CED Committee may direct staff to hold a meeting with Commission before the full City Council discussion, scheduled for December 6, 2022. The Commission's December regular meeting date is December 8, 2022, at 5:45 p.m.

### **FISCAL/POLICY ALIGNMENT**

Policy actions are consistent with the Envision San José 2040 General Plan and the Housing Crisis Workplan Goals H-1 and H-2 to provide housing throughout the City that addresses the needs of all San José residents, and to increase, preserve, and improve San José's affordable housing stock; and the City's Consolidated Plan 2015-2020, to provide homes for very low- and extremely low-income households. The Siting Policy is also consistent with the City Council-approved Residential Anti-Displacement Strategy in supporting affordable housing production and fostering greater housing choices for residents who require affordable housing.

### **POLICY ALTERNATIVES**

**Alternative #1:** Accept previous staff recommendations on August 31, 2021, which operated based on neighborhood categories with multiple phases.

**Pros:** It moves the City of San José closer to equitable distribution of affordable housing in a shorter timeframe by allocating higher funding percentages in Category 1.

**Cons:** The policy stigmatizes and could perpetuate racial stereotyping that negatively impacts a large number of San José residents.

**Reason for not recommending:** Staff concludes that the previous policy could generate harm



to San José residents greater than the benefit achieved, and the current Siting Policy puts the City on the path of equitable distribution of affordable housing without such repercussions.

**CEQA**

Not a Project, File No. PP17-008, General Procedure & Policy Making resulting in no changes to the physical environment.

/s/

JACKY MORALES-FERRAND  
Director of Housing

For questions, please contact Rachel VanderVeen, Deputy Director, at (408) 535-8231.

**Attachments:**

Attachment A: Consultant Report

Attachment B: Research in Response to City Council Discussion

Attachment C: Siting Policy