



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: November 14, 2019

Approved /s/
Kim Walesh

Date November 15, 2019

REPLACEMENT MEMO

**SUBJECT: VERBAL REPORT ON AFFORDABLE HOUSING DEVELOPMENT
 SITING POLICY**

REASON FOR REPLACEMENT

The reason for this Replacement Memo is to correct the 2019 maximum income for a household of four in the second paragraph under Background and to provide clarification regarding the applicability of the prior Dispersion Policy. A chart providing the number of affordable and market rate apartments by City Council districts has also been added as background information.

RECOMMENDATION

Accept the verbal status report and provide feedback to City staff regarding its work plan on creating a siting policy (formerly known as the dispersion policy) for affordable housing developments.

BACKGROUND

In 1988, shortly after the formation of the Housing Department, the City Council approved “San José: A Commitment to Housing” - the Final Report of the Mayor’s Task Force on Housing. One of the policy statements adopted as a part of that approval was the Dispersion Policy, which encouraged the development of affordable housing throughout the City and in every Council District to promote economic integration. Under this policy, “no area of the City should be arbitrarily precluded from consideration as a site for affordable housing.”

The Dispersion Policy was amended by the Council in 1997 to add a provision that housing affordable to lower-income households should be funded in 11 “impacted” Census Tracts in Council Districts 3 and 5 or in the surrounding Census Tracts, only after careful consideration. “Impacted” Census Tracts were defined as those in which more than 50% of the households are very low- or low-income. In today’s area median income ranges, the policy would apply to census tracts earning less than \$103,900 for a household of four. Additionally, the policy directs that "on a case-by-case-basis, the Council must consider: the proposed project’s proximity to other City-financed affordable housing developments; the project’s relationship to Council-adopted development plans and strategies; the project’s contribution to neighborhood improvement or revitalization; and the existing income mix of the Census Tract it is to be located".

In November 2004, the Housing Department revised the list of “impacted” Census Tracts based on a special Census 2000 tabulation request obtained from the Census Bureau. As a result of that study, 22 tracts were identified as impacted, and 16 tracts were identified as adjacent tracts. The impacted tracts were located in Council Districts 3 (13 tracts), 7 (4 tracts), 5 (2 tracts), 6 (2 tracts), and 2 (1 tract).

In 2017, the City Council voted to pause implementation of the Dispersion Policy to allow for an update to the policy to align with the General Plan and with federal and State guidance on fair housing. It was determined that the current Policy was outdated and inconsistent with the goals and objectives of the General Plan.

Applicability of the Dispersion Policy

The Dispersion Policy (Policy) applied to newly constructed City-financed housing that had restrictions targeting incomes below 80% of the area median income (AMI). The Policy did not apply to moderate-income developments, acquisition and rehabilitation of existing buildings, shelters, interim homeless solutions, or developments not financed by the City.

Location of Affordable Housing

Since the 1980’s, the City has funded or facilitated the development of 16,361 affordable apartments. An additional 1,677 were created under a variety of federal programs. The table below summarizes the location of the known existing 18,038 affordable housing apartments by City Council district with information on extremely low-income apartments. More time is needed to disaggregate the affordable housing portfolio by all of the income categories. It does not include interim homeless solutions or shelters which are not considered permanent housing.

SAN JOSE AFFORDABLE HOUSING BY COUNCIL DISTRICT (NOVEMBER 2019)

Council District	2017 Housing Units*	ELI Units	ELI % of Total Units	Total Affordable Units	Affordable % of Total Units
1	48,594	141	0.3%	1,174	2%
2	31,877	75	0.2%	1,269	4%
3	37,618	615	1.6%	3,995	11%
4	38,188	42	0.1%	1,284	3%
5	30,584	231	0.8%	1,923	6%
6	48,351	497	1.0%	2,999	6%
7	28,816	771	2.7%	3,299	11%
8	29,315	0	0.0%	187	1%
9	41,772	168	0.4%	1,483	4%
10	35,903	0	0.0%	425	1%
TOTAL	371,018	2,540	0.7%	18,038	5%

Notes:

- Only Includes completed projects. Does not include developments under construction.

-Total housing by Council District from 2016 American Community Survey.

-1,677 are HUD funded and the income restrictions are unknown.

* ACS 2013-17 5-Year

The overwhelming majority of the City's affordable housing stock is restricted to incomes over 30% of the AMI with the majority of restrictions between 50% and 60% of the AMI. These affordability levels typically support working households with maximum incomes of up to \$51,250 - \$61,500 (1 person) and up to \$73,150 – \$87,780 (family of 4). Less than 1% of the total housing stock is income restricted affordable apartments for ELI households. ELI apartments typically house low-wage and minimum wage earners, seniors, and other at-risk residents (such as formally homeless) with annual incomes of up to \$30,750 (1-person) and up to \$43,900 (family of 4).

Overview of Work plan

Staff will provide the CED committee with a verbal report on the proposed work plan. As part of the report, staff will provide the Committee with an overview of the following:

- A. The Dispersion Policy.
- B. Potential policy outcomes for the new Affordable Housing Siting Policy.
- C. List of tasks that will support the development of a new Affordable Housing Siting Policy.

These tasks include:

1. **Research Siting Policies and Best Practices** - Complete a literature review and determine what other cities have done to develop affordable housing siting policies.
2. **Develop Maps to Analyze the City's Demographics** – The consultant will map the population using income levels, racial/ethnic concentrations, and housing indicators such as cost burden and overcrowding.
3. **Identify Opportunity Zones** – Based on research, determine opportunity zones within San José using available tools (such as the State's Opportunity Map) to identify areas benefits such as access to jobs, transportation and education.
4. **Identify Displacement Mitigation Zones** – Map San José's census tracts of displacement per UC Berkeley's Urban Displacement Project.
5. **Analyze Current and Future Housing Stock** – Map the location of San José's current and pipeline affordable and market-rate housing.
6. **Consider Where Multifamily Development is Planned to Occur** – Review State and local laws and determine areas where future development is planned and where it would be feasible to place future housing development.
7. **Propose Siting Policy Options** – The consultant will complete their work by creating a draft affordable housing siting policy.

D. Timeline: November – Fall 2020.

/s/

JACKY MORALES-FERRAND
Director of Housing

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