



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: October 9, 2020

Approved

Date

10/15/2020

SUBJECT: UPDATE ON THE AFFORDABLE HOUSING SITING POLICY

RECOMMENDATION

- a) Accept the status report and provide feedback to City staff on its workplan to develop an Affordable Housing Siting Policy for the location of subsidized restricted-affordable housing developments.
- b) Cross-reference this report to the full City Council for approval to be heard at the November 10, 2020 City Council meeting.

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 with household earning less than \$112,150 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. The 2040 General Plan focuses development in Urban Village areas, concentrating growth along transit corridors throughout the City.

Consultant Selection for Development of an Affordable Housing Siting Policy

The Housing Department held a Request for Proposals ("RFP") process commencing in winter 2019 to develop a new, evidence-based "Affordable Housing Siting Policy" for the development of affordable housing. The goal of the RFP was to select a consultant to assist the Department in developing a siting policy to guide future affordable housing throughout the City consistent with Fair Housing, to provide choices for low-income residents to live in neighborhoods throughout the City. The RFP included desired qualifications for the selected consultant such as experience in urban planning and policy, general knowledge and familiarity with affordable housing, experience with GIS analysis, a working knowledge of the housing industry including subcategories such as housing affordability, development, financing of affordable housing, barriers to fair housing, and experience in using a racial equity analysis.

The Housing Department received two responses, one from California Housing Partnership with a subcontract with the Othering & Belonging Institute from the University of California Berkeley and another from Asakura Robinson. The Housing Department convened an evaluation panel including staff from the Department of Planning, Building and Code Enforcement (PBCE). The panel selected the California Housing Partnership to move forward with the project described below.

California Housing Partnership is a private nonprofit corporation dedicated to creating and preserving affordable and sustainable homes for California residents with low-incomes by providing expert financial policy solutions to nonprofit and public partners. Since its creation by the California Legislature in 1988, California Housing Partnership has helped more than 150 nonprofit and government organizations leverage over \$18 billion in private and public financing to create and preserve more than 70,000 affordable rental homes throughout California. California Housing Partnership has deep experience in housing siting patterns and demonstrated how local factors such as land use and zoning, demographics, and the design of municipal housing funding programs can influence these patterns and present unique barriers and opportunities to changing them, presenting a need for customized policy responses for

San José. California Housing Partnership has co-authored a series of reports with the Urban Displacement Project in 2018, studying the impact of rising housing costs in the Bay Area region that contributed to the displacement of low-income people of color and resulted in new concentrations of poverty and racial segregation in the Bay Area. This experience will serve as an asset to the work developed specifically for San José.

The California Housing Partnership is partnering with the Othering & Belonging Institute from the University of California Berkeley on this project. The Othering & Belonging Institute brings together researchers, organizers, stakeholders, communicators, and policymakers to identify and eliminate the barriers to an inclusive, just, and sustainable society in order to create transformative change. They are a diverse group generating work centered on realizing a world where all people belong, where belonging entails being respected at a level that includes the right to both contribute and make demands upon society and political and cultural institutions. The Othering & Belonging Institute responds to issues that require both immediate action and long-term strategy. The Institute engages in innovative communications, arts and cultural strategy, and strategic narrative work that attempts to re-frame the public discourse from a dominant narrative of control and fear towards one that recognizes the humanity of all people, cares for the earth, and celebrates our inherent interconnectedness.

ANALYSIS

The Siting Policy is intended to help the City affirmatively further fair housing consistent with Federal and California fair housing laws while delivering much-needed affordable housing. The Policy will seek to balance the City's objectives of building both market-rate and affordable homes, limiting the development in lower-income neighborhoods, mitigating residential displacement, and increasing affordable housing in higher-opportunity neighborhoods of choice. In the most recent funding criteria used by the Housing Department, the Housing and Urban Development (HUD) standard for an over-concentration of poverty was used to measure lower-income neighborhoods. Specifically, census tract areas with more than 20% of the population falling below the poverty level were considered to have an overconcentration of poverty. When developments were made in these areas, mitigating factors needed to be present to support investment in the neighborhood.

The consultants will assist in the development of an Affordable Housing Siting Policy with prescriptive solutions and approach, including the application of a racial equity analysis, that is: 1) tailored to the City's housing and neighborhood dynamics; 2) legible and easy to implement for City staff and stakeholders; and, 3) rooted in data, evidence, and best practices. The Consultant will design and propose policies to achieve the level and type of change that is needed to achieve the City's affordable housing siting goals.

Consultant Tasks and Deliverables

The development of the Siting Policy includes specific tasks and deliverables from the consultant team. These tasks and deliverables include a summary of academic research and current practices around siting of affordable housing, creation of maps that analyze demographic data including

racial breakdowns and will include the location of future affordable and market-rate housing, and development of a methodology to identify “zones” throughout the city that are referenced in the proposed siting policy options. As a part of the study, the Consultant will assess both the State Opportunity Map and possible alternative mapping frameworks to ensure that the spatial criteria used in the policy are adapted to local dynamics and the City’s affordable housing siting goals. Throughout the study, the Consultant will draw from academic literature, consultation with City staff, and prior experience to identify mitigating factors for affordable housing development in lower-income neighborhoods.

Research to Date

The California Housing Partnership and the Other & Belonging Institute have delivered their initial research on evidence and best practices around siting affordable housing. The items below summarize 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 opportunity-rich neighborhoods and exposure to concentrated poverty varies considerably by race and income:** Low-income households are much less likely to live in opportunity-rich neighborhoods than in higher-income households; this is true both generally and within individual racial and ethnic groups. However, disparities in access to opportunity-rich neighborhoods between racial and ethnic groups—regardless of income—are in some cases more pronounced than between income groups.
- 3) **Racial segregation and disparities in access to opportunity-rich neighborhoods do not reflect actual location preferences of low-income people of color:** Surveys and recent studies have shown that patterns of segregation do not reflect the location preferences of non-White low-income households, many of whom are interested in moving to opportunity-rich areas but face barriers such as discrimination, information gaps, and lack of affordable housing options.
- 4) **Affordable housing siting patterns have generally followed existing patterns of racial segregation and concentrated poverty:** Affordable housing funding programs have historically had the effect of concentrating new developments in lower-resource areas, roughly following existing patterns of racial segregation, concentrated poverty, and disparities in access to neighborhoods most supportive of positive outcomes. Patterns specific to San José will be analyzed as part of this work.
- 5) **Ending place-based disparities requires a “both/and” approach:** Ending disparities in access to opportunity-rich neighborhoods—and racial and economic segregation, more broadly—is critical to reducing inequality. Doing so will require both expanding access to opportunity-rich areas and reducing inequality of resources and opportunities between neighborhoods (e.g. via comprehensive revitalization in low-resource areas).

Other Cities Results

The Consultant also completed a review of other cities' policies or program rules which relate to Affirmatively Furthering Fair Housing ("AFFH") siting principles. The review included a broad range of jurisdictions across the country including Austin, Washington D.C., Chicago, Minneapolis, Portland, New York, San Francisco, San Diego, Seattle, Oakland, Los Angeles, Albuquerque, and Nashville. The broad review revealed that only three cities, Austin, Washington D.C., and Albuquerque, incorporated local policies on how to balance different AFFH-related siting priorities within the jurisdiction.

- Albuquerque's approach in its Consolidated Plan is straightforward: all new construction affordable housing, including permanent supportive housing, is targeted to high-opportunity areas, while preservation and rehabilitation of existing affordable housing is targeted to lower-resource areas.
- Austin's approach is more multidimensional: of the 60,000 affordable homes contemplated in the City of Austin Strategic Housing Blueprint, one-quarter are targeted to high-opportunity areas, one-quarter to high-frequency transit areas, and one quarter to gentrifying areas with high displacement risk. The remaining quarter is required to be spread across council districts, with higher allocations to districts with fewer existing affordable homes.
- Washington D.C.'s approach in the DC Housing Equity Blueprint establishes affordable housing production targets for each planning area in the city based on the level of currently available affordable housing (both deed-restricted and naturally occurring), with higher targets for areas with lower rates of affordability than the citywide average. The Blueprint emphasizes the need to build more affordable housing in high-opportunity areas, but the methodology for establishing targets does not explicitly account for neighborhood opportunity.

Next Steps

The Housing Department will continue to work with its consultant to deepen its research and further refine the data to develop an Affordable Housing Siting Policy that expands housing choice and opportunities, addresses inequalities, and promotes access for residents of San José. City staff is currently working with California Housing Partnership and the Other & Belonging Institute to complete the remaining analysis as outlined above. City staff will review the proposed Affordable Housing Siting Policy with the Housing and Community Development Commission as a part of the upcoming steps in developing this critical policy.

Milestones & Timetable	
Task	Completion Time
1) Research evidence and best practices around siting affordable housing	August 2020
2) Spatial analysis of demographics and housing problems	September 2020
3) Analysis of current and future housing stock	September 2020
4) Evaluate opportunity frameworks	December 2020
5) Identify mitigating factors for affordable housing development in fragile neighborhoods	January 2021
6) Listening sessions with the community	January – March 2021
7) Produce administrative and final draft reports	March 2021
8) Public Meetings	March – April 2021
9) Develop Affordable Housing Siting Zones	Spring 2021
10) City Council Approval of Affordable Housing Siting Policy	Prior to July 2021

The Siting Policy is intended to help the City affirmatively further fair housing consistent with federal and California laws while delivering much-needed affordable housing. The Policy will seek to balance the City’s objectives of building both market-rate and affordable homes, limiting the development in lower resourced neighborhoods, mitigating urban displacement, and increasing affordable housing in high opportunity neighborhoods of choice. The resulting Policy must also be easy to understand and administer for both City staff, and the development community.

PUBLIC OUTREACH

The City staff and consultant team want to ensure the community is engaged in the development of the affordable housing siting policy. A meeting was held on August 13, 2020, with community members in District 3 who are interested in discussing the future of this policy. The team plans to hold listening sessions as the policy is developed, will release the Policy early for public comment, and then will bring the draft policy to the Housing and Community Development Commission for consideration prior to City Council approval.

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COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

The Siting Policy Update was discussed at the October 8, 2020, Housing and Community Development 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. As a part of the discussion, the Commission mentioned the importance of concentrating new affordable housing development around transit and transit corridors.

/s/

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Director of Housing

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