



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: August 20, 2021

Approved

Date

8/20/21

SUBJECT: APPROVE THE AFFORDABLE HOUSING SITING POLICY

RECOMMENDATION

- (a) Accept the staff report regarding the proposed City of San José's Affordable Housing Siting Policy, including an annual report to the Community and Economic Development City Council Committee, and authorize a plan that is applicable to all housing developments that accept Housing Department funding, based on the distribution of homes as follows:
 - (1) In Phase One (initial three-year period effective July 1, 2021), 30 percent of affordable homes located in Category 1 neighborhoods, 50 percent in Category 2 neighborhoods, and 20 percent in Category 3 neighborhoods, as shown in the Siting Policy Map;
 - (2) In Phase Two (after initial three-year period), 60 percent of affordable homes located in Category 1 neighborhoods, 30 percent in Category 2 neighborhoods, and 10 percent in Category 3 neighborhoods;
 - (3) Limit funding in high-impacted census block groups where 50 percent or more of existing homes are deed-restricted and the block group contains 200 or more homes.
- (b) Adopt a resolution approving the Affordable Housing Siting Policy and the Affordable Housing Siting Policy Maps, and repealing the former Dispersion Policy under Resolution 67604; and
- (c) Direct the Housing Department to identify potential nonprofit partners to administer a predevelopment and land acquisition loan program for sites in Category 1 neighborhoods.

OUTCOME

Approval of the recommended actions will enable the City to pursue the City's Affordable Housing Siting Policy (Siting Policy) objectives to both expand affordable housing in opportunity areas and promote affordable housing choice throughout the entire City.

EXECUTIVE SUMMARY

The purpose of the Siting Policy is to increase affordable housing choice through equitable development that meets the needs of underserved residents, reduces disparities among communities and continues to build vibrant and healthy places. The Siting Policy is intended to find the right balance in order to achieve multiple objectives including creating much needed affordable housing while ensuring that choice and housing opportunities for lower income households are available throughout the City. The Siting Policy has been shaped to provide this balance using a data driven approach which included policy analysis, stakeholder engagement, and staff input.

To meet fair housing requirements, cities that receive federal housing funds must take meaningful actions to affirmatively furthering fair housing choice. In developing the Siting Policy to align with fair housing laws, the City is working to remove barriers to accessing housing, to increase low-income housing in opportunity areas, and to identify ways to rebalance the distribution of affordable housing in existing and pipeline affordable housing developments across neighborhood categories. The City intends this policy to provide a “both/and” approach to affirmatively furthering fair housing – where low-income people both have increased access to opportunity area neighborhoods and where there is intentional investment to increase resources in historically underserved neighborhoods.

This memorandum provides the consultant report (**Attachment A**), proposed Affordable Siting Policy (**Attachment B**), and feedback from various community engagement meetings including meetings with affordable housing developers. The City's goal is to develop affordable housing in both high-income and low-income areas; increase access to affordable housing, prevent displacement; and provide quality affordable housing where people from different races and ethnicities can live and thrive in the City of San José.

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.”

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 Envision San José 2040 General Plan (General Plan) and with federal and state guidance on fair housing. Staff determined that the Dispersion Policy was outdated and inconsistent with the goals and objectives of the General Plan.

In 2019, the City released a Request for Proposal to assist with the creation of a data driven approach to the Siting Policy. The City selected the California Housing Partnership and the Othering and Belonging Institute to assist the Housing Department in developing the proposed policy. The Housing Department staff worked with the consultant team to develop Siting Policy recommendations.

ANALYSIS

Addressing the Bay Area's housing crisis is one of the most difficult challenges facing local decision makers, and the scope of the problem continues to exacerbate. The City should seek the appropriate balance between funding much needed affordable housing while ensuring that choice and opportunity are provided throughout the City. Ultimately, the need for affordable housing is so great throughout the City that it is critical that affordable housing production not be stalled by the implementation of the new Siting Policy.

A. Priorities for Developing the Affordable Housing Siting Policy

The Siting Policy is one of several policies intended to help the City distribute affordable housing throughout the City. The policy's objective is to consider the long-term success and stability of low-income households residing in affordable housing developments in San José. Research shows that increasing access to affordable housing is the most cost-effective strategy for reducing childhood poverty and increasing economic mobility in the United States¹.

The four priorities below were identified as critical when considering the development of the Siting Policy:

1. Aligning with federal and state affirmatively furthering fair housing (AFFH) laws and obligations;
2. Increasing affordable housing availability in opportunity areas;
3. Mitigating displacement of low-income residents; and
4. Creating a policy that is easily administered by City staff and understood by everyone.

¹ <https://nlihc.org/explore-issues/why-we-care>

Affirmatively Furthering Fair Housing (AFFH)

While San José is the 10th largest City in the United States, residents struggle to find and maintain safe, decent, and affordable housing. In order to achieve the City's objectives, the Siting Policy adheres to the AFFH mandate to conduct in-depth analysis of patterns of segregation, concentration of poverty, and lack of equal opportunity.² To ensure the Siting Policy is consistent with fair housing laws, the City is working to remove barriers to accessing housing, increasing low-income housing in opportunity areas, and identifying ways to rebalance the distribution of affordable housing in existing and pipeline affordable housing developments across neighborhood categories.

Increase Access to Opportunity Areas

To enable access to high quality housing for all residents, the Siting Policy encourages increasing affordable housing in opportunity areas, referred to as resource-rich 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. In 2020, the California Tax Credit Allocation Committee (TCAC) adopted incentives to affordable housing developers who selected sites located in opportunity areas identified in their Opportunity Maps. These incentives increase the likelihood that developments in opportunity areas receive TCAC allocations. The Siting Policy and TCAC opportunity areas are identical.

Mitigating Displacement

On June 12, 2018, the San José City Council adopted the Housing Crisis Response Workplan. As part of that Workplan, the City Council directed the Housing Department to develop a Citywide Anti-Displacement Strategy (adopted by Council on September 22, 2020). As part of the City's strategy, a focus on the Envision San José 2040 General Plan identified growth areas concentrating on jobs and housing growth, including the development of affordable housing. These specific Growth Areas are to be prioritized in the following areas - Urban Villages, the Downtown Growth Area, Specific Plan Areas, and the North San José Transit Employment Resident Overlay. As San José grows and secures planned investments, it is the City's intent that vulnerable residents of these neighborhoods are not displaced by the City's actions and that they can benefit from the increased opportunities associated with the planned transformative investments in jobs, transit, and economic development. The policy is structured with a "both/and" approach to affirmatively furthering fair housing – where low-income people *both* have increased access to opportunity area neighborhoods *and* where there is intentional investment to increase resources in historically underserved neighborhoods.

² AB 686 Assembly Floor Analysis, Mar. 23, 2018, p.1,
https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201720180AB686

Administration of the Policy

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 three neighborhood categories and provides an aggregate goal over a multi-year period. Providing direction for affordable housing developers several years in advance provides clarity and predictability for developers seeking to secure sites for future development.

B. Summary of Affordable Housing Siting Policy Recommendations

In preparation for developing the Siting Policy, the Consultants prepared a full report including research and policy recommendations. The full report is included as **Attachment A**. Staff has carefully considered these recommendations and has developed both the proposed Affordable Housing Siting Policy (**Attachment B**) and implementation and action items that will support the policy goals over time. This section outlines both the policy and the associated actions. The Affordable Housing Siting Policy Maps are included as **Attachment C** to this report. A briefing sheet summarizing the proposed Siting Policy and action items is included as **Attachment D**.

Applicability of the Siting Policy

The Siting Policy applies to Inclusionary Housing Ordinance Off-Site units and to units that meet all of the following criteria:

1. Site is located in the City of San José;
2. Will receive funding from the City;
3. Will have a City affordability restriction; and
4. Will have rents that do not exceed 30% of 80% of the Area Median Income (AMI).

Additionally, for the purposes of policy evaluation, regarding the City's overall distribution goal for affordable housing, all affordable housing units that have a rent restriction up to 80% AMI and below will be included in the analysis, regardless of how it was financed or the beneficiary of the affordability restriction. For example, if an affordable housing development is built with no city funding in a Category 2 neighborhood, the affordable homes will be included in the overall evaluation of the Siting Policy.

Neighborhood Categories

To achieve the City's priorities, the Siting Policy identifies high-level goals based on three neighborhood categories organized according to their characteristics' association with positive outcomes for residents—meaning Category 1 neighborhoods have characteristics most associated with positive outcomes, followed by Categories 2 and 3, respectively.

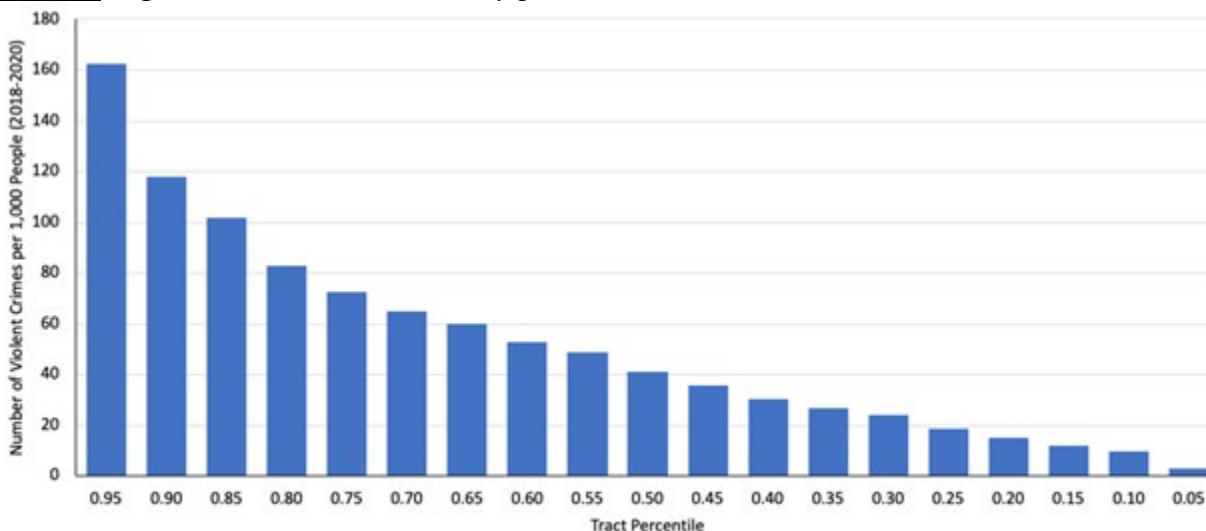
Neighborhood characteristics used to establish the overall neighborhood categories include opportunity areas, high poverty areas and highest violent crime areas. The criteria to measure these areas is summarized in Table 1.

Table 1: *Criteria Used to Develop Neighborhood Characteristics*

Characteristic	Criteria
Opportunity Areas	These neighborhoods have characteristics associated with upward mobility, educational attainment, physical and mental health, and other positive outcomes, especially for children. These areas are identified as High or Highest Resource Areas in the California Tax Credit Allocation Committee (TCAC)/Housing and Community Development (HCD) Opportunity Map, meaning they 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.
High Poverty Areas	These are areas identified where more than 20% of the households living in the area fall below the federal poverty line.
Highest Violent Crime Areas	Highest violent crime areas are neighborhoods where exposure to violent crime is especially high relative to the rest of the San José. Areas are defined as highest violent crime if they rank above the 95th percentile in violent crime rate per 1,000 people in San José from 2018-2020 for the four violent crime categories tracked by the San José Police Department— rape, homicide, robbery, and aggravated assault—which align with the Federal Bureau of Investigation’s Uniform Crime Reporting (UCR) program and most studies examining the association between violent crime and resident outcomes: rape, homicide, robbery, and aggravated assault.

The threshold for highest rates of violent crime was selected based on an analysis of the distribution of tract-level violent crime rates in San José from 2018 to 2020 as reported by the San José Police Department. 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. Table 2 below shows violent crime rates by percentile.

Table 2: *Highest Violent Crime Rates by percentile*



Source: San José Police Department 2018-2020. Violent crime includes rape, homicide, robbery, and aggravated assault.

Selecting criteria to evaluate neighborhood areas is challenging and at times may be limited to the data available for the analysis. The study completed by the consultants utilized accessible data sources used in research across the country to evaluate neighborhoods. Additional criteria were considered such as transit accessibility, displacement risk and neighborhood amenities. These measures are important to the development of affordable housing and are included in the scoring criteria for funding decisions made by the City. The three characteristics described in **Table 1** were selected as the most critical in determining long-term outcomes for the residents of affordable housing. Using this criteria, Category 1, 2 and 3 neighborhoods were defined.

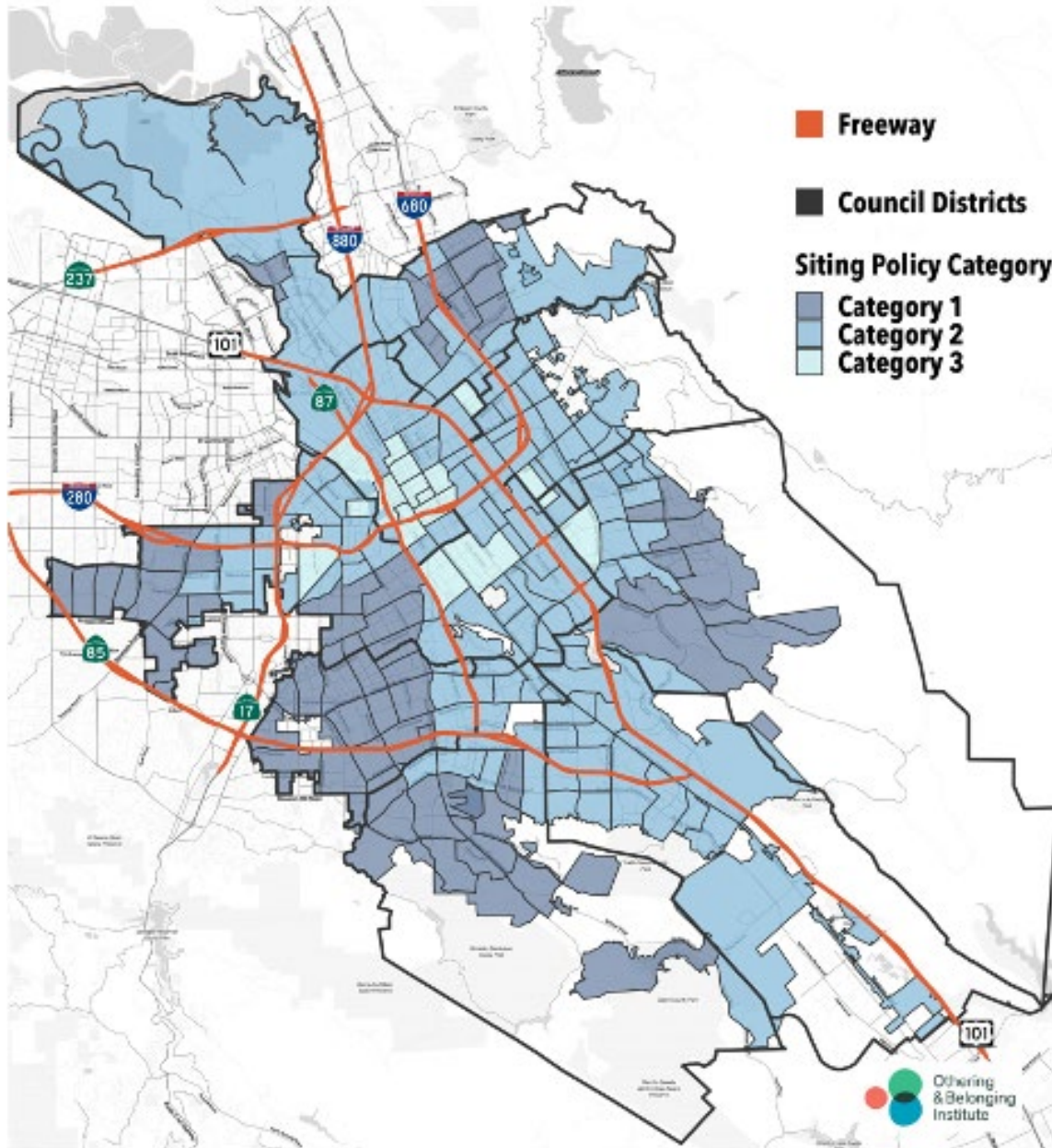
Category 1. Category 1 neighborhoods are resource-rich areas. Transit-accessible areas and Growth Areas should be prioritized within this geography (all tracts in this category are displacement and exclusion risk areas). Thirty-four percent of census tracts in San José are Category 1 neighborhoods.

Category 2. Category 2 neighborhoods do not meet the criteria for resource-rich areas, but they are neither high-poverty nor highest rates of violent crime. Displacement and exclusion risk areas, transit-accessible areas, and Grow Areas should be prioritized within this geography. Fifty-nine percent of census tracts in San José are Category 2 neighborhoods.

Diridon Station Area growth area is proposed to be categorized as Category 2 despite a portion of this area falling within census tracts that currently meet the criteria for Category 3 due to anticipated substantial investment in transit infrastructure, housing development, and office and commercial development in the coming years.

Category 3. Category 3 neighborhoods are high-poverty, highest rates of violent crime, or both. Displacement and exclusion risk areas and Growth Areas should be prioritized within this geography (all tracts in this category are transit-accessible). Seven percent of census tracts in San José are Category 3 neighborhoods. The portion of census tracts that meet the highest-crime and/or high-poverty criteria but overlap with the Diridon Station Area growth area is proposed to be categorized as Category 2.

Map 1: *Neighborhood Categories to Inform the Siting Policy*



Accounting for Different Populations

The geographic criteria to be included in the Siting Policy do not vary by population served for research-based and practical reasons. The methodology used to identify resource-rich areas includes measures of school quality, which relate most directly to households with children. Two thirds of the total score for each census tract determining whether it is categorized as resource-rich relates to neighborhood characteristics associated with outcomes for both children and adults, such as exposure to pollution and measures of economic resources and opportunity. Resource-rich neighborhoods are defined holistically, across several key dimensions of resources and opportunity, and for multiple populations.

From a practical perspective, applying a single set of neighborhood criteria to different populations aligns with state funding program incentives. This is an overall advantage to affordable housing developments which face strong competition for funding at the state level. Aligning the local Siting Policy with Opportunity Areas at the state level will provide a competitive advantage for affordable housing developments located in Category 1 neighborhoods, regardless of the target population.

As staff evaluates the effectiveness of the Siting Policy target populations, such as family, senior, and supportive housing, it will be included in the analysis. Any uneven distributions identified in the analysis will be addressed by adjusting the scoring criteria used by the City to determine funding allocations.

Existing and Future Affordable Housing Developments

For the purposes of this analysis, affordable housing developments were separated into categories, as described below:

- **Existing:** Affordable homes in developments that are currently in operation or which have completed construction.
- **Pipeline:** Affordable homes in developments that have received City funding commitments, California Tax Credit Allocation Committee Low Income Housing Tax Credit awards, or which are under construction.
- **Prospective:** All other affordable housing not yet under construction, does not have a City funding commitment, but has submitted a preliminary application to the Planning Division and has indicated that the development will have an affordable housing component.

Existing and pipeline affordable homes are designated by the Housing Department by population served: Family, Senior, and Special Needs. Prospective developments are generally too early in the development process to determine the target population.

Table 3 below provides an overview of both current affordable housing data and developments in the pipeline by neighborhood category and household type.

Existing Distribution of Affordable Housing

The consultants evaluated existing and pipeline affordable housing and determined their location in Category 1, 2, and 3 neighborhoods. The analysis also breaks down the distribution by property type. A summary of results is included in Table 3.

Table 3: Current Distribution of Affordable Housing in The City of San José

	Share of Cityside Census Tracts*	% of Current & Pipeline Affordable housing	% of Current & Pipeline Affordable housing by Property Type
Category 1	34%	9%	Family = 8% Senior = 17% Supportive/Special Needs = 1%
Category 2	59%	68%	Family = 71% Senior = 61% Supportive/Special Needs = 66%
Category 3	7%	23%	Family = 21% Senior = 22% Supportive/Special Needs = 33%

Note: Due to data limitations, this analysis considers the portion of the Diridon Station Area Plan falling within high-poverty and/or high-crime areas to be a Category 3 area, even though it is proposed to be defined as Category 2.

**The share of citywide census tracts in each neighborhood category corresponds almost exactly to the share of citywide population.*

Only nine percent of affordable housing homes are located in Category 1 neighborhoods, which comprise 34 percent of census tracts in San José. Although most affordable housing in Category 1 neighborhoods are in developments categorized by the Housing Department as serving families, homes in developments categorized as serving seniors have proportionally higher representation in these neighborhoods (17 percent) relative to the share of homes in senior developments across the entire City. The percentage of affordable housing in family developments (eight percent) and special needs developments (one percent) is lower in these neighborhoods. There are limited affordable housing choices available for lower-income households to live in Category 1 neighborhoods.

The share of affordable housing in Category 2 neighborhoods (68 percent) is somewhat higher than the share of citywide tracts in this category (59 percent), though this varies by population served. The share of affordable housing in family developments located in Category 2 neighborhoods (71 percent) is higher than the shares for affordable housing in special needs developments (66 percent) and affordable housing in senior developments (61 percent).

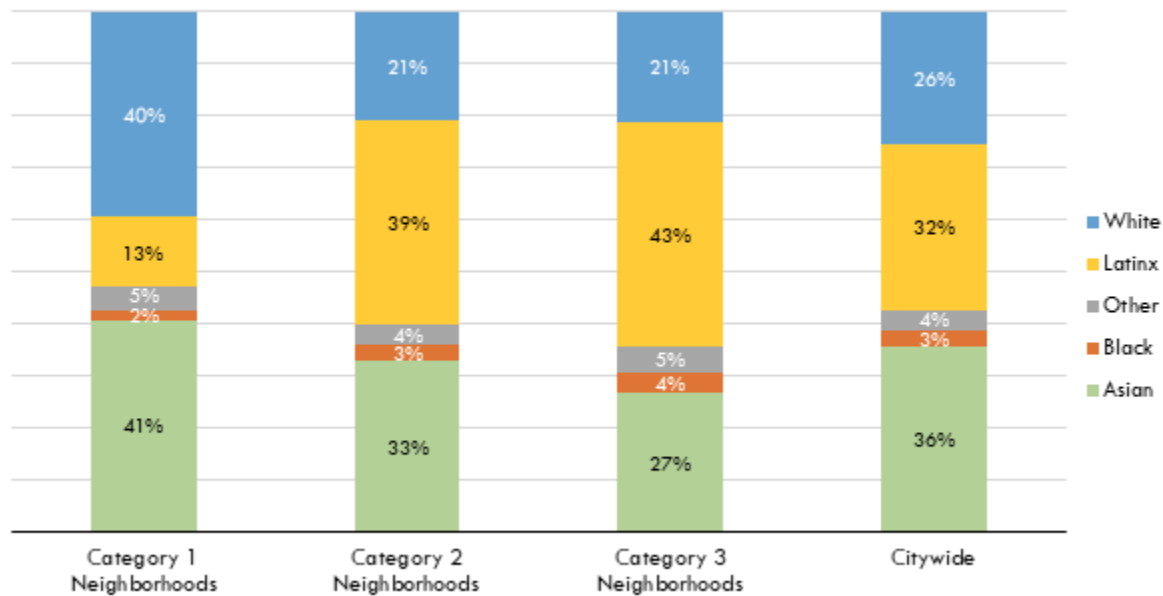
Although Category 3 neighborhoods comprise only seven percent of tracts, they contain 23 percent of the City’s affordable housing, including 33 percent of homes in special needs developments. 21 percent of affordable housing in family developments and 22 percent of affordable housing in senior developments are located in Category 3 neighborhoods.

In order to meet the City’s Siting Policy goals, a rebalancing of where affordable housing is developed within the City will be required. Staff will continue to track the distribution of affordable housing by housing type over time. If successful, the policy will ultimately lead to a greater balance in availability of quality affordable housing across the City’s neighborhoods.

Neighborhood Demographics

The study evaluated the race and ethnic composition of Category 1, 2, and 3 neighborhoods. White and Asian residents are overrepresented in Category 1 neighborhoods and underrepresented in Category 2 and 3 neighborhoods relative to their respective shares of the City’s population, while the opposite is true for the City’s Latino/a/x and Black residents. Table 4 shows the racial and ethnic demographics in San José (all incomes).

Table 4: Racial and Ethnic Demographics in San José (All Incomes)



Data Source: American Community Survey 5-year Estimates, 2015-2019. White residents are non-Hispanic and Latinx residents are those of any race who identify as Latino or Hispanic ethnicity. Asian residents do not include Pacific Islander residents, who are included in the Other category (not displayed).

These disparities could exist for several reasons, including discrimination in the housing market, information gaps among the City’s Latino/a/x and Black low-income residents about available affordable homes and neighborhood amenities in Category 1 neighborhoods, fewer affordable housing opportunities in Category 1 neighborhoods, and a desire among some to remain in areas where they have stronger community networks.

In order for affordable housing to be proportionally distributed across the City, the Siting Policy's high-level goals during Phase One and Phase Two will guide the investment of City funds and the distribution of the affordable homes.

Affordable Housing Siting Policy

The Siting Policy guides the distribution of future funding and the distribution of affordable housing homes by neighborhood categories over time to achieve the City's objective to promote housing choice and development of affordable housing throughout San José. The Siting Policy applies to low income affordable homes developed throughout the City, defined as 80% of the AMI and below. The distribution of homes per category is not intended to be an annual allocation but the percentage distributions should be met by the end of the specified funding period. For example, in Phase 1, the distribution targets by category, should be achieved by the end of the three year period. Table 5 shows the distribution of affordable homes by category.

Phase one: During an initial three year phase-in funding period effective July 1, 2021, distribute 30 percent of the affordable homes in Category 1 neighborhoods, 50 percent in Category 2 neighborhoods, and 20 percent in Category 3 neighborhoods. This "phase-in" period acknowledges that existing affordable housing pipelines in San José are concentrated in Category 2 and 3 neighborhoods. Future Notice of Funding Availability Applications will prioritize developments located in Category 2 and 3 neighborhoods with signed purchase agreements dated before September 24, 2019; this is the date when the City Council took action to direct funding for affordable housing to growth areas throughout the City including North San José, Diridon Station Area, Downtown, West San Carlos Urban Village, Berryessa Bay Area Rapid Transit (BART) Urban Village and the Blossom Hill/Snell Avenue Urban Villages, and limited funding commitments until the Siting Policy was completed. The upcoming Notice of Funding Availability will be subject to the Siting Policy.

Phase two: After the initial three year phase-in period, distribute 60 percent of affordable homes in Category 1 neighborhoods, 30 percent in Category 2 neighborhoods, and 10 percent in Category 3 neighborhoods.

Table 5: *Distribution of Affordable Homes by Category*

Neighborhood Categorizations	Description	Percentage of Census Tracts in the City	Current Distribution of Existing and Pipeline Affordable housing	Phase One Distribution High-Level Goal (% of Affordable housing)	Phase Two Distribution High-Level Goal (% of Affordable housing)
Category 1	Opportunity Areas	34%	9%	30%	60%
Category 2	Areas that are not opportunity areas, nor are they high-poverty or high-crime	59%	68%	50%	30%
Category 3	High-poverty and/or high-crime areas	7%	23%	20%	10%

Note: Due to data limitations, this analysis considers the portion of the Diridon Station Area Plan falling within high-poverty and/or high-crime areas to be a Category 3 area, even though it is proposed to be defined as Category 2.

The prioritization of funding, based on the distribution of homes, in these areas will address the current uneven distribution of affordable housing throughout the City. Over time, this policy will create more opportunities for low-income people to have housing choices across the City.

Limit Funding in High-Impacted Census Block Groups

To ensure affordable housing residents have a meaningful range of local choices, the City will consider limiting future affordable housing developments in census block groups where 50 percent or more of existing homes are deed-restricted and the block group contains 200 or more affordable housing homes, unless 1) the block group is located within a census tract where low-income people are already underrepresented or face displacement pressure, or 2) the block group overlaps partially or wholly with a City-designated Growth Area, in which case the limitation would only apply to the portion of the block group that is not within a Growth Area. An exemption to the policy will require City Council approval. Further analysis of this recommendation can be found in the consultant report.³

Implications to the Inclusionary Housing Ordinance

The Inclusionary Housing Ordinance includes an option for market rate developers to meet their obligation under the ordinance by developing affordable housing through the offsite construction option (Municipal Code Section 5.08.510). This option allows the developer to provide 20% of the number of market rate homes as affordable inclusionary housing homes on an offsite location. Where the Inclusionary Housing Ordinance requires these to be located in the same “Opportunity Area” as the market rate homes, the criteria shall mean that offsite location must be in the same or lower neighborhood category as defined by the Siting Policy. For example, if the market rate housing development was built in a Category 2 neighborhood, the offsite affordable

³https://www.dropbox.com/s/l1pqvr7hikxelco/San%20Jose%20Siting%20Policy%20Report_June%209%202021.pdf?dl=0

housing development must be built in either a Category 2 or a Category 1 neighborhood to comply with the policy.

C. Affordable Housing Prospective Pipeline

When considering the proposed Siting Policy, it is critical to understand the amount of funding available over the coming years and the implications of the proposed policy. Staff estimated the level of funding available over the coming eight years and applied the proposed categories to determine the estimated number of affordable homes and developments that may be funded in each neighborhood category. Assuming that the developer requests a maximum per unit subsidy of \$125,000 per unit, this analysis found **432** affordable homes or approximately four developments, may be funded in Category 1 neighborhoods, 720 affordable homes or approximately seven developments in Category 2 neighborhoods, and 288 affordable homes or approximately three developments in Category 3 neighborhoods. Table 6 provides a summary of these estimated outcomes.

Table 6: *Prospective Affordable Housing Funding Allocation*

Neighborhood Category	% Allocation	Estimated Funding	Estimated Number of Homes	Estimated Number of Developments
Phase One - Three Years				
Category 1	30%	\$ 54,000,000	432	4
Category 2	50%	\$ 90,000,000	720	7
Category 3	20%	\$ 36,000,000	288	3
Total		\$ 180,000,000	1,440	14
Phase Two - Five Years				
Category 1	60%	\$ 120,000,000	960	9
Category 2	30%	\$ 60,000,000	480	5
Category 3	10%	\$ 20,000,000	160	2
Total		\$ 200,000,000	1,600	16

Understanding the limited number of affordable homes and the potential developments in each neighborhood category, the Housing Department gathered a list of prospective developments throughout the City to evaluate the location of these developments. Prospective developments are defined as currently moving through the entitlement process as a preliminary review application. While not yet approved, developers have indicated through their Affordable Housing Compliance Plans that they plan to develop income-restricted affordable homes. The greatest number of prospective developments lie in Category 2 neighborhoods, while only one development is located in Category 1 neighborhoods and 11 in Category 3 neighborhoods. Table 7 provides a summary of prospective affordable housing development by neighborhood category.

Table 7: Summary of Potential Prospective Affordable Housing Developments

Neighborhood Category	Estimated Number of Homes	Estimated Number of Developments
Category 1	319	1
Category 2	6,533	24
Category 3	899	11
Total	7,751	36

Fund an Acquisition and Predevelopment Loan Program

Based on Table 6, the distribution of homes across neighborhood categories, there is capacity for thirteen developments in Category 1 neighborhoods over the coming eight years. There is, however, only one development included as a prospective affordable housing development located in a Category 1 neighborhood (Table 7). Understanding the need for acquisition of sites in Category 1 neighborhoods, the Housing Department is recommending setting aside funds for site acquisition and predevelopment in Category 1 neighborhoods as an incentive to assist affordable housing developers. The Housing Department will release a request for proposals to identify a Community Development Financial Entity (CDFI) that can manage the fund. A CDFI is more nimble and may be able to leverage City funds to increase the amount of funding. This strategy was effective in incentivizing developers to meet the requirements for Measure A.

Incentivize Housing Types in the Next Funding Round

Additionally, it is clear there are more proposed developments in both Category 2 and 3 neighborhoods than potential funding available. In this case, developments will need to meet the goals identified in upcoming Notice of Funding Availability (NOFA) rounds to be the most competitive for funding in these areas. Earlier data that shows more senior housing in Category 1 and more permanent supportive housing (PSH) in category 3. The NOFA will incentivize family housing and PSH housing in Category 1. The NOFA will deduct points for PSH developments in Category 3.

D. Challenges to the Affordable Housing Siting Policy

Applying the affordable housing siting policy to redistribute affordable housing throughout the City in order to create more choice for lower income households may result in unintended consequences. These challenges are acknowledged and will be tracked carefully over time.

Potential Increase to the Cost of Developing Affordable Housing

The Siting policy encourages the distribution of affordable homes in Category 1 neighborhoods. There is a concern that building affordable housing in these areas may increase the cost of affordable housing production. Information provided by an affordable housing developer indicates that the development costs for Category 1 sites is not higher in these neighborhoods. According to the [Affordable Housing Cost of Development study](#) completed by Keyser Marsten in 2019, the average cost per unit for site acquisition is \$76,000. Based on data provided from an

affordable housing developer in 2021, the range of land prices for three sites in Category 1 neighborhoods ranged from \$40,000 to \$68,000 per unit, which falls below the average of \$76,000 found in the cost of development study. It is assumed that other costs of development will be relatively similar across neighborhood categories and that the cost of land will be the most likely to vary. Land cost per unit will be tracked as additional sites are identified in Category 1 neighborhoods.

Fewer Parcels May be Available for Affordable Housing Development

The Siting Policy incentivizes development in Category 1 neighborhoods. There is a concern there may be fewer sites available in these areas, making it difficult to achieve the goal. As a part of the upcoming Housing Element update process, the City will be identifying sites for future affordable housing development. Throughout this process, staff will evaluate the number and availability of land to achieve the Siting Policy goals.

Lack of Investment in Low-Income Neighborhoods

An unintended consequence of the Siting Policy may be that lower-income neighborhoods will experience a further lack of investment. The Policy could restrict transformative developments in areas in need of improvement. To date, low-income neighborhoods have the highest level of investment of affordable housing and therefore provide more choice in these neighborhoods. The Siting Policy is limited to restricting low-income housing development and will not limit moderate-income and market rate development. The policy also allows a small number of affordable housing developments to move forward in Category 3 neighborhoods. Developments that provide additional services to their residents or to the neighborhood will be prioritized to ensure that transformative developments are given the highest funding priority. The impacts of the Siting Policy on lower-income neighborhoods will be tracked over time.

E. Strategies for Implementation of the Affordable Housing Siting Policy

An implementation plan with specific actions will be developed to achieve the goals of the Siting Policy. The section below outlines the recommended workplan items needed to support the policy.

Increasing Affordable Housing in Category 1 Neighborhoods

The City will explore a range of strategies to increase affordable housing production in Category 1 neighborhoods in alignment with the Siting Policy's high-level goals, including but not limited to the following:

- Provide capacity-building, predevelopment and acquisition funding to nonprofit developers seeking to create affordable housing in Category 1 neighborhoods.
- Potentially engage a consultant to identify available sites in Category 1 neighborhoods for future affordable housing development.

- Complete an assessment of potential barriers to achieving the Siting Policy's high-level goals for Category 1 neighborhoods.
- Use the Housing Element update process and other upcoming planning processes to ensure adequate supply of residential sites in Category 1 neighborhoods that would allow development of affordable housing.

Increasing Resources in Category 3 Neighborhoods

The City will explore a range of strategies to increase resources in Category 3 neighborhoods, including but not limited to the following:

- Explore partnering with affordable housing developments in Category 3 neighborhoods seeking City funding to explore ways to incorporate additional measures to support the wellbeing of its residents and the surrounding community within the affordable housing development.
- The Housing Department will coordinate with other City efforts to focus investments in Category 3 neighborhoods in order to increase opportunity areas while avoiding displacement of low-income residents.

Alignment with Other Policies

The City will coordinate with other policies and work towards their alignment with the Siting Policy, as described below:

- Establish an agreement with Santa Clara County and the Santa Clara County Housing Authority to make funding decisions that align with the City's high-level Siting Policy goals.
- Coordinate with Anti-Displacement policies as they are developed and implemented.
- Explore potential changes to the City's bond policy to align the Siting Policy goals.
- Update the Affordable Housing Investment Plan to reflect the priorities for funding by neighborhood categories.
- Update the Notice of Funding Availability (NOFA) to reflect the distribution of funds based on the Siting Policy. Include in the NOFA scoring criteria points awarded for specific target populations in under-represented neighborhood categories as described earlier in the memo.

These recommendations aim to advance the City's Siting Policy goals to redistribute affordable housing across the City, ultimately leading to providing choice and opportunity for lower income households to have access to more areas of the City.

F. Policy Evaluation

Key performance indicators will be tracked on an annual basis which may lead to adjustments to the funding priorities. Performance indicators will include the following:

1. *High-level goals*: Progress toward high-level Siting Policy goals for each neighborhood category;
2. *Affordable housing populations*: Representation of each affordable housing development type (family, senior, special needs, other) in each neighborhood category, noting where affordable housing populations are over- or under-represented;
3. *Cost and Density*: Tracking development costs and densities in Category 1 neighborhoods relative to costs in other parts of San José;
4. *Race and ethnicity*: Tenancy data to ensure homes across the City are serving residents who reflect San José's racial and ethnic demographics;
5. *Non-City funded developments*: Location of developments that do not require funding from the City, so that the City can adjust its funding priorities in accordance with high-level Siting Policy goals for each neighborhood category; and
6. *Map changes*: Substantial changes to the Siting Policy map resulting from data updates reflecting neighborhood-level changes.

An annual update will be brought to the Community and Economic Development City Council Committee to evaluate the Siting Policy. An evaluation of the Siting Policy's interim phase (Phase One) will be commissioned before Phase Two begins. The purpose of the evaluation is to assess progress and recommend changes in implementation in order to achieve the policy's high-level goals during the second phase.

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 affordable housing throughout the City, preventing displacement, and promoting affordable housing choice throughout the entire City.

EVALUATION AND FOLLOW-UP

The Housing Department will develop a workplan to ensure that implementation items are completed and will return in 2022 with a progress report on the workplan. The City of San José Housing Department announced the selection results of the \$75 million Notice of Funding Availability (NOFA) released in June of 2021. One new affordable housing development applied and was selected to move forward to City Council for a funding commitment. Following the approval of the Siting Policy, a second round of funding will be released through the NOFA process.

CLIMATE SMART SAN JOSE

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

PUBLIC OUTREACH

The Housing Department and consultant team hosted eleven listening sessions with more than 250 residents, advocates, developers, and affordable housing residents across the City between February and May 2021 to solicit input on the Siting Policy. Details of these outreach meeting can be viewed in Table 8. Specific questions raised in the community meetings and associated responses are included in this report and may be found in **Attachment E**.

Table 8: *Summary of Public Outreach Meetings*

Meeting Date and Audience	Attendees
March 4, 2021 – Developers	35
March 3, 2021 – Advocates	20
March 3, 2021 – District 5	10
March 3, 2021 – District 7	14
March 4, 2021 – District 3 – Spartan Keyes Community Members	14
March 4, 2021 – District 3	7
March 10, 2021 – Broad Community	75
April 1, 2021 – Affordable Housing Residents	22
May 3, 2021 – Broad Community	79
May 10, 2021 – Community Meeting	15
August 16, 2021 - Community Meeting	51
August 25, 2021 – Community Meeting	TBD
<u>TOTAL</u>	342

*Some attendees have attended more than one meeting.

Overall, feedback received from developers and stakeholders include the following:

- The Siting Policy should address inequality and promote access to affordable housing.
- It is important to provide affordable housing in both high-income and low-income areas in the City in order to increase access to opportunity areas.
- Prevent displacement as formerly low-income neighborhoods undergo change.
- Provide quality affordable housing in areas where many low-income people already live.
- The Siting Policy could help to address inequalities and promote access for residents of San José.

- It is important to understand the dynamics of those moving from high-poverty neighborhoods when moved into another community – loss of support systems and cultural aspects.
- City Council should consider neighborhoods' characteristics before and after developments proceed.
- Affordable Housing Developers were concerned about phase-in of the new Policy, as some have already invested in existing sites located in Category 3 neighborhoods.

On May 13, 2021, the Housing Staff presented the draft of the Affordable Housing Siting Policy to the Housing and Community Development Commission and the public. The primary concerns expressed from the members of the community who participated in the commission meeting included:

- The policy combines affordable housing with supportive housing. A differential distinction of the two should be explicit in the siting report.
- The capacity of the current neighborhood should be taken into account when considering supportive housing.
- Siting Policy is supposed to support equitable placement of affordable housing.
- The Siting Policy doesn't have the verbiage to address over concentration of a specific type of housing.
- The concentration of services and facilities for the chronically homeless and the synergy of problem behaviors can overwhelm the carrying capacity of a neighborhood. When that carrying capacity is reached, the economic demographics begin to deteriorate and, ultimately, a struggling community emerges.
- The report only supports on impact on property value, not on quality of life, like school test score, impact on services, food resources, affordable childcare, after school programs, items that impact the quality of life of the residences of the facility and the community etc.
- The community also raised concerns regarding future affordable housing development and the associated development of parking and parks.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office 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 (HCDC) 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 workplan to create an Affordable Housing Siting Policy for the location of

subsidized restricted-affordable housing developments. Below are the motions made by the HCDC 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**

POLICY ALTERNATIVES

Policy Alternative: Expand Category 3 neighborhoods to include the gang task force hot spots (as defined in the 2019).

Pros: The Siting Policy is designed to improve the outcomes for low-income households throughout the City. Placing long-term affordable housing in areas identified by the City as hot spots for gang activity may present challenges for the low-income individuals and families that move into these new developments. The Gang Prevention Task Force uses data plus public input to inform the locations. There is a concern that vulnerable populations do not report crimes to the Police Department and therefore their experiences are left out of the analysis. The Gang Prevention Task Force includes this on the ground reality check.

Cons: The hot spot areas are revisited every two years and change over time. As intervention efforts are made, hot spots may move and evolve over a number of years. Affordable housing developments are designed and built to serve a community for 55 years or more. The gang hot spots may move in and out of a neighborhood multiple times during the lifetime of an affordable housing development. Additionally, the Siting Policy will be updated periodically, but would be required to be updated every two years to follow updated to the hot spot mapping. This type of change will reduce predictability to affordable housing developers seeking sites throughout the City using multi-year timelines.

Reason for not recommending: Including gang task force hot spots in Category 3 neighborhoods will require frequent updates to the Siting Policy and associated maps, resulting in lost predictability for affordable housing developers seeking sites for new affordable housing development. In addition, this would further limit where affordable housing could be sited and is inconsistent with a data-driven approach.

HONORABLE MAYOR AND CITY COUNCIL

August 20, 2021

Subject: Approve the Affordable Housing Siting Policy

Page 22

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 of the 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, adopted by City Council on May 5, 2015, to provide homes for very low- and extremely low-income households.

CEQA

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

/s/

JACKY MORALES-FERRAND
Director, Housing Department

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

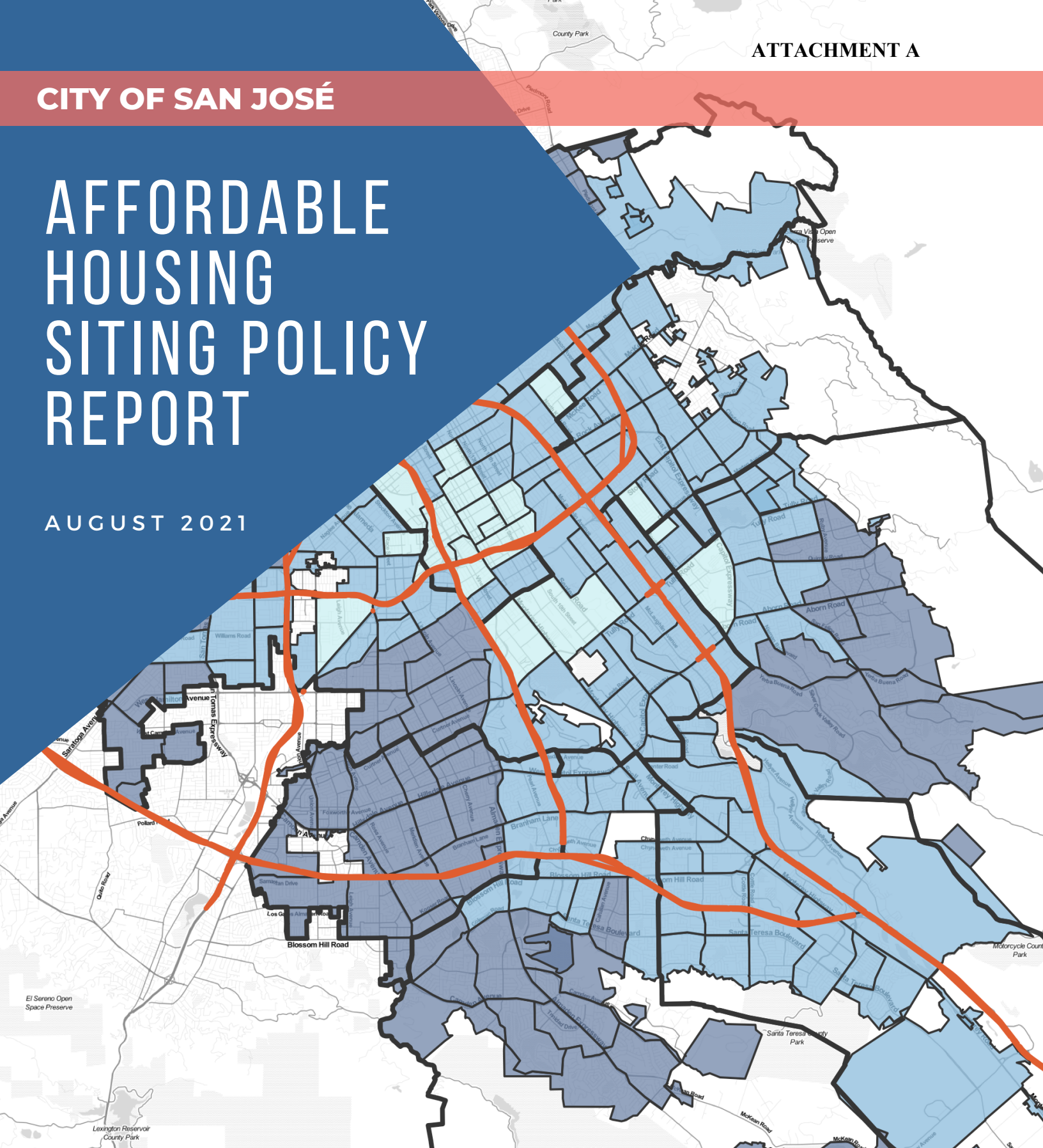
ATTACHMENTS:

- **Attachment A** - Affordable Housing Siting Policy Report
- **Attachment B** - Affordable Housing Siting Policy
- **Attachment C** - Affordable Housing Siting Policy Maps
- **Attachment D** - Affordable Housing Siting Policy Briefing Sheet
- **Attachment E** - Community Questions & Concerns

CITY OF SAN JOSÉ

AFFORDABLE HOUSING SITING POLICY REPORT

AUGUST 2021



**California
Housing
Partnership**
California's Experts on Affordable
Housing Finance, Advocacy & Policy



**Othering
& Belonging
Institute**

TABLE OF CONTENTS

Introduction	3
Background.....	3
Process for Developing the Siting Policy Recommendations	4
Categorizing San José’s Neighborhoods for the Affordable Housing Siting Policy	5
Neighborhood Characteristics to Inform the Siting Policy	5
Proposal for Neighborhood Categories	9
Neighborhood Demographics	14
Availability of Land for Affordable Housing Development	16
Recommendations for the Affordable Housing Siting Policy	18
High-Level Goals	18
Implementation Approach.....	21
Progress Tracking and Course Correction	22
Increasing Affordable Housing in Category 1 Neighborhoods.....	24
Increasing Resources and Opportunity in Category 3 Neighborhoods.....	26
Alignment With Other Policies.....	26
Appendix A: Additional Demographic and Housing Indicators	28
Appendix B: Data Sources and Methodology	39
Data Sources	39
Methodology	39

TABLES AND FIGURES

MAIN REPORT

Table 1: Neighborhood Characteristics to Inform the Siting Policy.....	5
Figure 1: Neighborhood Categories to Inform the Siting Policy	10
Table 2: Distribution of Affordable Homes in Existing and Pipeline Affordable Developments across Neighborhood Categories	11
Figure 2: Share of Each Census Block Group’s Total Homes that are Deed-Restricted Affordable Homes..	13
Figure 3: Racial and Ethnic Demographics in San José (All Incomes)	14
Figure 4: Residential Location of Households in San José with Annual Incomes Below \$75,000	15
Table 3: Distribution of Residential Land that Allows Affordable Housing across Neighborhood Categories	17
Figure 5: Siting Policy High-Level Goals	20

APPENDIX

Table A: Distribution of Residents and Census Tracts across Neighborhood Categories.....	28
Table B: Racial and Ethnic Composition of Each Neighborhood Category (All Incomes).....	28

Table C: Racial and Ethnic Demographics in San José by Household Income and Neighborhood Category	29
Table D: Median Household Income by Race and Ethnicity and Neighborhood Category	30
Table E: Share of Renter Households in Each Neighborhood Category by Race and Ethnicity	30
Table F: Resident-Based Housing Indicators by Neighborhood Category	30
Table G: Characteristics of Each Neighborhood Category	31
Table H: Distribution of Existing and Pipeline Affordable Housing across Neighborhood Categories	31
Figure A: Household Median Income in San José Census Tracts.....	32
Figure B: Share of Census Tract Population that is Asian	33
Figure C: Share of Census Tract Population that is Black.....	34
Figure D: Share of Census Tract Population that is Latinx.....	35
Figure E: Share of Census Tract Population that is White.....	36
Figure F: Block Groups with High Concentration of Affordable Housing.....	37
Figure G: Siting Policy Map Showing All of the Diridon Station Area Plan as Category 2.....	38

ABOUT THE AUTHORS

The California Housing Partnership and the Othering & Belonging Institute at UC Berkeley completed this report for the City of San José under a contract to conduct analysis and propose recommendations for design and implementation of an affordable housing siting policy.

About the California Housing Partnership

The California Housing Partnership is a state-created, nonprofit technical assistance organization that helps to preserve and expand the supply of homes affordable to low-income households in California. The Partnership does this by providing technical assistance, training and policy research to nonprofit and government housing organizations throughout the state. The Partnership’s efforts have helped partner organizations leverage approximately \$20 billion in private and public financing to preserve and create more than 75,000 affordable homes for low-income households. For more information, visit chpc.net/about-us.

About the Othering & Belonging Institute

The Othering & Belonging Institute at UC Berkeley 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. We are a diverse and vibrant hub 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. For more information, visit belonging.berkeley.edu.

INTRODUCTION

This report contains recommendations and supporting analysis for an Affordable Housing Siting Policy for the City of San José.

BACKGROUND

Beginning in 1988, the Housing Department at the City of San José (“the City”) applied a Dispersion Policy to the City’s investments in affordable housing. This policy, which evolved over time, sought to achieve balance in locating affordable housing across the city.

The City paused its Dispersion Policy in 2017 in order to begin development of a new siting policy better suited to San José’s evolving planning and development climate and with new state and federal affirmatively furthering fair housing (AFFH) requirements related to the siting of affordable housing. AFFH law requires the City to take meaningful actions to reverse patterns of segregation, increase access to opportunity, and transform racially and ethnically concentrated areas of poverty into areas of opportunity. Affordable housing is one of several policy areas critical for advancing AFFH at the local level.

In its new Affordable Housing Siting Policy (“Siting Policy”) the City seeks to affirm the value affordable housing provides in all San José neighborhoods—including both higher- and lower-income communities¹—while advancing the following specific objectives:

1. Aligning with Federal and State affirmatively furthering fair housing (AFFH) laws and obligations;
2. Increasing affordable housing in higher opportunity neighborhoods of choice;
3. Mitigating displacement; and
4. Creating a Siting Policy that is easily administered by City staff and understood by developers.

The Siting Policy would apply to most activities that increase the stock of permanent affordable housing in San José, including: new construction affordable housing created with public financing, including but not limited to developments directly funded by the City and those financed with tax-exempt bonds regardless of the issuer; acquisition and rehabilitation of existing market-rate housing that is converted to affordable housing; and affordable housing created through the City’s Inclusionary Housing Ordinance when a developer elects to build this housing off-site. However, the Siting Policy would not apply to

¹ The literature on affordable housing has demonstrated that its impact is primarily on the residents themselves, including effects on critical life outcomes from lower housing costs, improved housing quality and stability, reduced overcrowding, access to supportive services, and the characteristics of the neighborhood where the housing is located. Studies have generally found that affordable housing financed with Low Income Housing Tax Credits—which comprises nearly all new affordable housing created in San José—has minimal and often positive effects on surrounding property values, poverty rates, and crime rates. See, for example: Diamond, Rebecca and McQuade, Tim (2019). “Who Wants Affordable Housing in Their Backyard? An Equilibrium Analysis of Low-Income Property Development.” *Journal of Political Economy* 2019 127:3, 1063-1117; Ellen, et al (2016). “Poverty concentration and the Low Income Housing Tax Credit: Effects of siting and tenant composition.” *Journal of Housing Economics*, Vol 34, Pages 46-59; and Freedman, Matthew and Owens, Emily G. (2011). “Low-income housing development and crime.” *Journal of Urban Economics*, Vol 7, Issue 2-3, Pages 115-131.

acquisition and rehabilitation of existing deed-restricted affordable housing, 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).

PROCESS FOR DEVELOPING THE SITING POLICY RECOMMENDATIONS

The Siting Policy recommendations included in this report are aligned with the City's goals and were informed by data and policy analysis, stakeholder engagement, and input from the Housing Department, as described below.

Data and Policy Analysis. The consultant team completed the following analysis to inform the Siting Policy recommendations:

- A review of academic research related to shaping affordable housing siting patterns in alignment with AFFH goals, and a review of policies in comparably sized cities across the country that have sought to advance these goals.
- An assessment of citywide and spatial data on demographic (e.g., race and ethnicity, income) and housing indicators (e.g., rent burden, overcrowding, home values) in San José.
- An assessment of citywide and spatial data on existing and planned affordable housing (e.g., by population served) and market-rate housing in San José.
- A review of academic research on neighborhood characteristics that affect resident outcomes and other factors related to the City's siting policy goals, and a proposal for organizing the city's neighborhoods into categories based on these characteristics.
- An assessment of availability of land and parcels zoned at density that would allow development of affordable housing across the city's neighborhoods.

Much of the data included in these areas of analysis are presented in this report, and all of it ultimately informed the enclosed recommendations for the Siting Policy. Definitions and data sources used in this analysis are listed and described in Appendix B.

Stakeholder Engagement. The Housing Department and consultant team has also hosted eleven listening sessions with more than 250 residents, advocates, developers, and affordable housing residents across the city in February through May 2021 to solicit input on the Siting Policy and identify additional areas of analysis.

Themes in feedback received during listening sessions included: addressing inequality and promoting access to affordable housing across all San José neighborhoods; mitigating displacement of low-income people and communities; potential challenges low-income families could face when moving out of high-poverty neighborhoods, including loss of support systems and culture; the importance of increasing affordable housing in high-opportunity neighborhoods; the importance of continuing to support affordable housing development in low-income communities; encouraging the Siting Policy to consider neighborhood characteristics and existing affordable housing investments, including instances of high concentrations of affordable housing; concerns about phasing in the new policy since developers have already invested in acquiring sites; and transparency in implementation of the siting policy.

Housing Department Input. Staff from the Housing Department helped shape the analysis and recommendations in this report. The proposed Siting Policy thus reflects the Department’s vision for the policy and the reality of its operating environment for implementing the policy in partnership with developers, other City departments, and affordable housing residents.

CATEGORIZING SAN JOSÉ’S NEIGHBORHOODS FOR THE AFFORDABLE HOUSING SITING POLICY

A proposal for organizing San José’s neighborhoods into categories to guide the Siting Policy is presented below, along with information on the academic research that informed these categories and data on how the city’s residents and existing affordable housing are currently distributed across neighborhood categories.

NEIGHBORHOOD CHARACTERISTICS TO INFORM THE SITING POLICY

Proposed neighborhood characteristics to inform categorization of neighborhoods for the Siting Policy were selected based on the strength of the literature demonstrating their association with critical outcomes for affordable housing residents and their relevance to the Housing Department’s goals for the Siting Policy. They were also informed by input from the Housing Department and feedback provided in listening sessions with residents, affordable housing developers, and advocates.²

Proposed criteria are listed in Table 1 and described in further detail below:

TABLE 1: NEIGHBORHOOD CHARACTERISTICS TO INFORM THE SITING POLICY

Characteristic	Share of City
Resource-Rich	73 census tracts, comprising 34% of tracts citywide
High-Poverty	9 census tracts, comprising 4% of tracts citywide
Highest Rates of Violent Crime	11 census tracts, comprising 5% of tracts citywide

Resource-Rich Areas. Resource-rich neighborhoods have characteristics shown through research to be associated with upward mobility, educational attainment, physical and mental health, and other positive outcomes, particularly for children.³ Seventy-three census tracts meet this definition in San José, comprising 34 percent of tracts citywide.

² The vast majority of research on neighborhood effects has been conducted using census tract-level data as a proxy for neighborhoods. As a result, opportunity mapping efforts almost always use tract-level data, except in rare cases such as in rural areas, where block group-level data may more accurately capture neighborhood-level dynamics due to the size of tracts in these areas. For this reason, neighborhood criteria presented here are for the most part tract-level measurements other than cases where other measurements are more appropriate, such as in measuring proximity to transit.

³ Chetty, Raj, John N. Friedman, Nathaniel Hendren, Maggie R. Jones, Sonya R. Porter. (2020). “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility.” Opportunity Insights. Website: https://opportunityinsights.org/wp-content/uploads/2018/10/atlas_paper.pdf.

Tracts are defined as resource-rich if they are categorized as High Resource or Highest Resource in the TCAC/HCD Opportunity Map, meaning they rank in the top 40 percent of non-rural tracts in the nine-county San Francisco Bay Area region according to an index of evidence-based indicators shown to be associated with critical economic, educational, and health outcomes for residents.⁴ This definition aligns with the one state agencies use to inform incentives to develop affordable housing in resource-rich areas. Using the State's definition of resource-rich neighborhoods in the Siting Policy acknowledges the reality that affordable housing developers must account for incentives in state programs in order to be competitive for funding necessary to create this housing in San José.

High-Poverty Areas. High-poverty areas are neighborhoods with poverty rates above 20 percent, which is the threshold at which point research has demonstrated negative effects on critical outcomes for people of all ages begin to appear.⁵ Accordingly, tracts are defined as high-poverty if the share of the population living below the federal poverty line is above 20 percent.⁶ Nine census tracts meet this definition, comprising four percent of tracts citywide.

Highest Rates of Violent Crime Areas. Highest rates of violent crime areas are neighborhoods where exposure to violent crime is especially high relative to the rest of the San José. Research has shown that proximity to violent crime negatively affects a range of critical outcomes, particularly for children.⁷ Tracts are defined as having highest rates of violent crime if they rank above the 95th percentile in violent crime rate per 1,000 people in San José from 2018-2020⁸ for the four violent crime categories tracked by the San José Police Department—rape, homicide, robbery, and aggravated assault—which align with the Federal Bureau of Investigation's Uniform Crime Reporting (UCR) program and most studies examining the association between violent crime and resident outcomes: rape, homicide, robbery, and aggravated assault.⁹ Eleven census tracts meet this definition, comprising five percent of tracts citywide.

⁴ The TCAC/HCD Opportunity Map and methodology are available at www.treasurer.ca.gov/ctcac/opportunity.asp.

⁵ Galster, George, Roberto G. Quercia, Alvaro Cortes, Ron Malega. (2003). "The Fortunes of Poor Neighborhoods." *Urban Affairs Review*, Volume: 39 issue: 2, page(s): 205-227.

⁶ The American Community Survey's tract-level poverty rate estimates are based on those living in occupied housing units, including those living in shelters, missions, and group homes. Some group quarters categories aren't included in poverty rate estimates, including correctional facilities, nursing homes, mental hospitals, dorms, and military housing. Those experiencing street homelessness are also not accounted for in these estimates.

⁷ See, for example: Sharkey, Patrick, Amy Ellen Schwartz, Ingrid Gould Ellen, and Johanna Lacoe. (2014). "High stakes in the classroom, high stakes on the street: The effects of community violence on students' standardized test performance." *Sociological Science*. 1: 199-220; and Sharkey, Patrick and Gerard Torrats-Espinosa. (2017). "The Effect of Violent Crime on Economic Mobility." *Journal of Urban Economics* 102: 22-33.

⁸ The threshold for highest rates of violent crime was selected based on an 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.

⁹ Data provided by the San José Police Department Crime Analysis Unit on January 21, 2021. Analysis shows a substantial difference in violent crime rates between these eleven census tracts and the remainder of the city's

Criteria for Prioritization Within Neighborhood Categories. Proposed criteria for prioritization within neighborhood categories are presented below. These criteria are relevant to Siting Policy goals but were determined to be more appropriate as priorities for siting affordable housing across all neighborhoods than as factors determining categorization of neighborhoods in the policy (i.e., resource-rich, high-poverty, and highest rates of violent crime). These criteria were informed by a review of the literature, input from the Housing Department, and feedback provided in listening sessions with residents, affordable housing developers, and advocates.

Transit-Accessible Areas. Transit-accessible areas are neighborhoods within walking distance of high-frequency transit, upon which low-income people are more likely to rely than those with higher incomes, and access to which has been linked to improved health.¹⁰ Areas are considered transit-accessible if they are located within ½-mile of an existing major transit stop (rail or ferry) or high-quality transit stop (bus stop with 15-minute headways during peak hours).¹¹ Transit-accessible areas comprise 41 percent of the city's land area, intersecting with 167 census tracts comprising 77 percent of tracts citywide.

Displacement and Exclusion Risk Areas. Displacement and exclusion risk areas are neighborhoods where low-income households are experiencing displacement, are at high risk of displacement, or where they already represent a small share of the population. Tracts are defined as displacement and exclusion risk areas if they are categorized in the UC Berkeley Urban Displacement Project map as any tract other than "Low-Income/Susceptible to Displacement," which are defined as low-income areas where displacement and gentrification have not been documented, or if tracts are categorized as having "High Student Population" or "Unavailable or Unreliable Data."¹² All other tracts in the city are defined as areas experiencing ongoing displacement of low-income households, at risk of or experiencing gentrification, stable moderate/mixed income, or areas identified as exclusionary or at risk of becoming exclusionary to lower income households; these categories represent areas where low-income residents are at highest risk of displacement or

neighborhoods. Crime incidents in this data source include only those reported to the Police Department; as such, it may not fully capture violent crime rates in communities less likely to report these incidents. The consultant team understands City may wish to explore supplementing this methodology for identifying highest rates of violent crime areas with additional data, such as those collected by the Mayor's Gang Prevention Task Force.

¹⁰ See, for example: Center for Neighborhood Technology. (2015). "Income, Location Efficiency, and VMT: Affordable Housing as a Climate Strategy." <http://bit.ly/2LHUBg4>; Zhou, X and Zolnik, E. (2013). "Transit-Oriented Development and Household Transportation Costs." Transportation Research Record: Journal of the Transportation Research Board 2357: 86–94. <https://journals.sagepub.com/doi/10.3141/2357-10>; Saelens, Brian, Sallis, James, and Frank, Lawrence. (2016). "Environmental Correlates of Walking and Cycling: Findings from the Transportation, Urban Design, and Planning Literatures." Annals of Behavioral Medicine 25(2), 80–91. https://doi.org/10.1207/S15324796ABM2502_03.

¹¹ Data provided by the Santa Clara Valley Transportation Authority on January 5, 2021. This definition is consistent with state guidance on evaluating vehicle miles traveled impacts of developments near transit in alignment with SB 743. State of California Governor's Office of Planning and Research. (2018). "Technical Advisory on Evaluating Transportation Impacts on CEQA." Website: https://opr.ca.gov/docs/20190122-743_Technical_Advisory.pdf.

¹² Zuk, Miriam, et al. 2020. "The Urban Displacement Replication Project: A Modified Gentrification and Displacement Methodology." October. Website: https://www.urbandisplacement.org/sites/default/files/images/udp_replication_project_methodology_10.16.2020-converted.pdf.

exclusion. One hundred eighty-six (186) census tracts in the city, comprising 86 percent of tracts citywide, meet the displacement or exclusion risk criteria.

Growth Areas. Growth Areas are neighborhoods identified in the Envision San José 2040 General Plan as appropriate for concentrated jobs and housing growth. As directed by City staff, specific Growth Areas to be prioritized should include Urban Villages, the Downtown Growth Area, Specific Plan Areas, and the North San José Transit Employment Residential Overlay.

Criteria Considered but Not Included. Proximity to neighborhood amenities, particularly those of importance to the wellbeing of seniors and supportive housing populations—such medical clinics, community centers, libraries, and grocery stores—is already incentivized in state affordable housing funding programs upon which developments in San José rely. These incentives are strong enough that affordable housing developers in San José are essentially required to select sites located near relevant amenities for the given population. For this reason, amenities incentivized in state programs—apart from proximity to transit—are not proposed to be included as neighborhood criteria in the City’s Siting Policy. As described above, transit is separately proposed as a priority across neighborhood categories due to the literature supporting its importance to the wellbeing of many low-income households.

Accounting for Different Populations. Affordable housing serves a range of populations, including families with children, special needs populations such as those exiting homelessness, and seniors, among others. However, the proposed geographic criteria to be included in the Siting Policy do not vary by population served for several evidence-based and practical reasons.

From an evidence-based perspective, the proposed criteria generally apply to all populations served in affordable housing. For example, exposure to violent crime and concentrated poverty has been shown to negatively affect outcomes for both children and adults.¹³ Although the methodology used to identify resource-rich areas includes measures of school quality, which relate most directly to households with children, two thirds of the total score for each census tract determining whether it is categorized as resource-rich relates to neighborhood characteristics associated with outcomes for both children and adults, such as exposure to pollution and measures of economic resources and opportunity. Resource-rich neighborhoods are thus defined holistically, across several key dimensions of resources and opportunity, and for multiple populations. In addition, as noted above, other state incentives and requirements help ensure that developments are sited near resources and services of particular importance to the populations served.

From a practical perspective, applying a single set of neighborhood criteria to multiple populations aligns with state funding program incentives, which encourage both family-serving housing and special needs

¹³ For example, evaluators of the federal Moving to Opportunity experiment, which helped low-income families move to lower-poverty neighborhoods, hypothesized that increased feelings of safety and lower levels of stress among adults could have been “the key mechanisms” for substantial reductions in obesity and diabetes among adults who moved to lower-poverty areas, when compared to adults in families not offered this opportunity. Source: Sanbonmatsu, et al. (2011). “Moving to Opportunity for Fair Housing Demonstration Program: Final Impacts Evaluation.” Prepared for the U.S. Department of Housing and Urban Development, Office of Policy Development & Research. National Bureau of Economic Research.

housing in resource-rich neighborhoods. Aligning the Siting Policy with geographic incentives in state funding programs would help ensure competitiveness for resources, from states programs, upon which developers rely to create affordable housing in San José. In addition, using a single set of geographic criteria for all populations would help reduce complexity in administration of the Siting Policy, aligning with the City's goal for the policy to be "easily administered by City staff and understood by developers."

The City could consider modifications to the geographic criteria used in the Siting Policy in the future if, for example, new evidence emerges about the association of certain neighborhood characteristics with outcomes for different populations, or if state funding programs change to such a degree that they no longer align with the Siting Policy. In addition, as described in recommendation 4a later in this report, the City should ensure representation of each affordable housing development type (family, senior, special needs, other) in each neighborhood category.

PROPOSAL FOR NEIGHBORHOOD CATEGORIES

A proposal for categorizing San José's neighborhoods to guide the Siting Policy is presented below. Categories are presented in rank order based on their characteristics' association with positive outcomes for residents—meaning Category 1 neighborhoods have characteristics most associated with positive outcomes, followed by Categories 2 and 3, respectively.

Category 1. Category 1 areas are resource-rich areas. Transit-accessible areas and Growth Areas should be prioritized within this geography (all tracts in this category are displacement and exclusion risk areas). Thirty-four (34) percent of census tracts in San José are Category 1 areas.

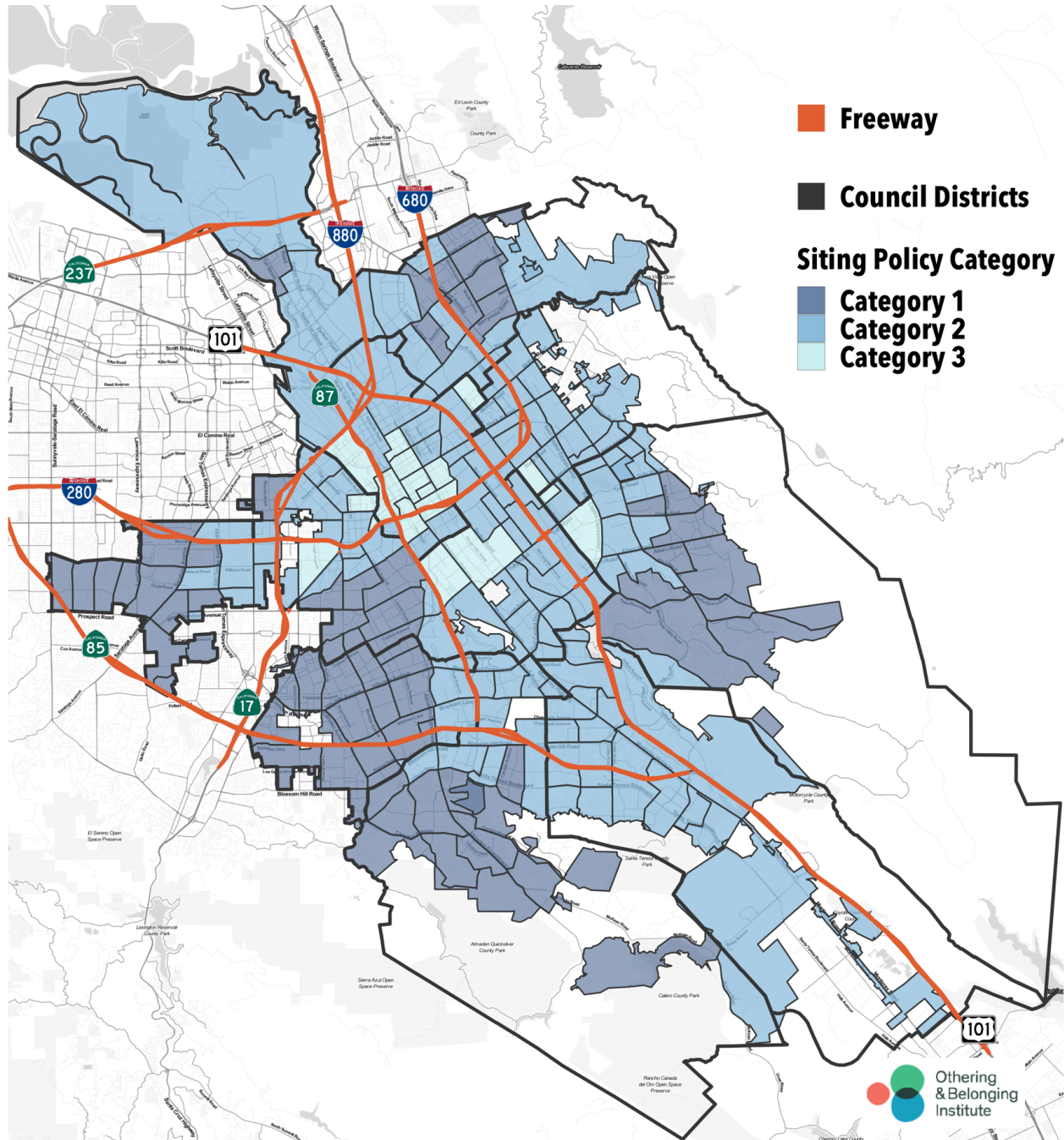
Category 2. Category 2 areas do not meet the criteria for resource-rich areas, but they are neither high-poverty nor highest rates of violent crime. Displacement and exclusion risk areas, transit-accessible areas, and Growth Areas should be prioritized within this geography. Fifty-nine (59) percent of census tracts in San José are Category 2 areas.¹⁴

Category 3. Category 3 areas are high-poverty, highest rates of violent crime, or both. Displacement and exclusion risk areas and Growth Areas should be prioritized within this geography (all tracts in this category are transit-accessible). Seven (7) percent of census tracts in San José are Category 3 areas.

A map of proposed neighborhood categories is shown in Figure 1 below.

¹⁴ Substantial planned investment in transit infrastructure, housing development, and office and commercial development in the Diridon Station Area Plan in the coming years could increase resources and opportunity for residents. The plan area currently falls into both Category 2 and Category 3 census tracts. Although the map informing the Siting Policy should be updated over time to account for underlying changes in neighborhood conditions (see Recommendation 4a), the City may wish to immediately classify the entire Diridon Station Area Plan boundary as Category 2 in anticipation of these future changes and to align the Siting Policy with current investment priorities for the area. A map of the Siting Policy categories with the Diridon Station Area Plan shown entirely as Category 2 is available in Appendix A.

FIGURE 1: NEIGHBORHOOD CATEGORIES TO INFORM THE SITING POLICY



DISTRIBUTION OF EXISTING AND PIPELINE AFFORDABLE HOUSING

The distribution of affordable homes in San José's existing and pipeline affordable developments¹⁵ across neighborhood categories is shown in Table 2 below. Only nine (9) percent of affordable homes are located in Category 1 neighborhoods, which comprise 34 percent of census tracts in San José.¹⁶ Although most affordable homes in Category 1 neighborhoods are in developments categorized by the Housing Department as serving families, homes in developments categorized as serving seniors have proportionally higher representation in these neighborhoods (17 percent) relative to the share of homes in senior developments across the entire City, when compared to the respective shares of affordable homes in family developments (8 percent) and special needs developments (1 percent) in these neighborhoods.¹⁷

The share of affordable homes in Category 2 neighborhoods (68 percent) is somewhat higher than the share of citywide tracts in this category (59 percent), though this varies by population served. The share of affordable homes in family developments located in Category 2 neighborhoods (71 percent) is higher than the shares for affordable homes in special needs developments (66 percent) and affordable homes in senior developments (61 percent). Although Category 3 neighborhoods comprise only seven (7) percent of tracts, they contain 23 percent of the City's affordable housing, including 33 percent of homes in special needs developments. Twenty-one (21) percent of affordable homes in family developments and 22 percent of affordable homes in senior developments are located in Category 3 neighborhoods.

TABLE 2: DISTRIBUTION OF AFFORDABLE HOMES IN EXISTING AND PIPELINE* AFFORDABLE DEVELOPMENTS ACROSS NEIGHBORHOOD CATEGORIES

Neighborhood Category	Share of Citywide Census Tracts	Total Affordable Homes		Affordable Homes in Family Developments		Affordable Homes in Senior Developments		Affordable Homes in Special Needs Developments	
		Homes	%	Homes	%	Homes	%	Homes	%
Category 1	34%	1,847	9%	1,073	8%	650	17%	21	1%
Category 2	59%	13,864	68%	9,736	71%	2,325	61%	1,766	66%
Category 3	7%	4,569	23%	2,833	21%	839	22%	897	33%

Data Source: City of San José Housing Department and California Housing Partnership Preservation Database. Totals do not sum because 140 affordable homes for the "Other" housing type are not shown in this table.

** Pipeline developments include those with funding commitments from the City and/or awards of Low Income Housing Tax Credits.*

¹⁵ Includes affordable housing created with local, state, and federal subsidy, which comprises the universe of housing that would be subject to the City's siting policy. Pipeline affordable housing includes developments with funding commitments from the City and/or awards of Low Income Housing Tax Credits.

¹⁶ Census tracts by definition have similar population sizes. For this reason, the share of San José's population in each neighborhood category is almost exactly the same as the share of citywide tracts in each category. For additional data, see Table A in Appendix A.

¹⁷ This analysis of the distribution of affordable homes by population served relies on how the Housing Department categorizes developments as a whole: family, senior, special needs, and other. Due to data limitations, this analysis does not account for a mixture of populations within developments, nor does it distinguish the small number of homes which are rapid re-housing from permanent homes.

CONCENTRATION OF EXISTING AND PIPELINE AFFORDABLE HOUSING

The underlying data informing the Siting Policy neighborhood categories already account for potential concentrations of poverty and other place-based characteristics that affect resident outcomes, as previously described. In addition, studies assessing the effects of affordable housing on surrounding neighborhoods have generally found it has minimal and often positive effects on poverty rates, crime, and property values (see footnote 1). However, concentration of affordable housing in individual neighborhoods could be concerning from the perspective of providing a meaningful range of location choices across the city's neighborhoods for affordable housing residents.

Concentration patterns. San José contains approximately 309,000 housing units, approximately 20,000 (six percent) of which are existing or pipeline deed-restricted and affordable to low-income households (for more detail, see Table H in Appendix A). Figure 2 below shows the share of each census block group in San José's housing stock that is deed-restricted affordable housing, both existing and pipeline.¹⁸ Assessment at the block group level allows a finer-grained approach to identifying possible instances of concentration than tract-level assessment, even if broad patterns of concentration are similar at the census tract level (see footnote 18).¹⁹

In a city where approximately 46 percent of existing households would qualify for affordable housing²⁰ and its draft Regional Housing Need Allocation would require planning for 23,775 new affordable homes for very low- and low-income households during the next planning cycle,²¹ 78 percent of block groups do not contain any existing or pipeline deed-restricted affordable homes. Affordable homes represent between one percent and 49 percent of the total housing stock in 19 percent of block groups (114) in San José. Only ten block groups, comprising two percent of block groups in the city, have 50 percent or more of its housing stock comprised of affordable homes.²²

¹⁸ Concentration of affordable housing is calculated by comparing the County Assessor's dataset of existing homes with the City's data on existing and pipeline affordable homes. The Assessor's data contains several developments with an ambiguous number of homes, such as "51-100 units." In all such cases, we use the minimum number (e.g., 51) in that development as the number of homes. Excluded from this analysis are all block groups with no housing – affordable or market-rate – according to the Assessor's and City's data

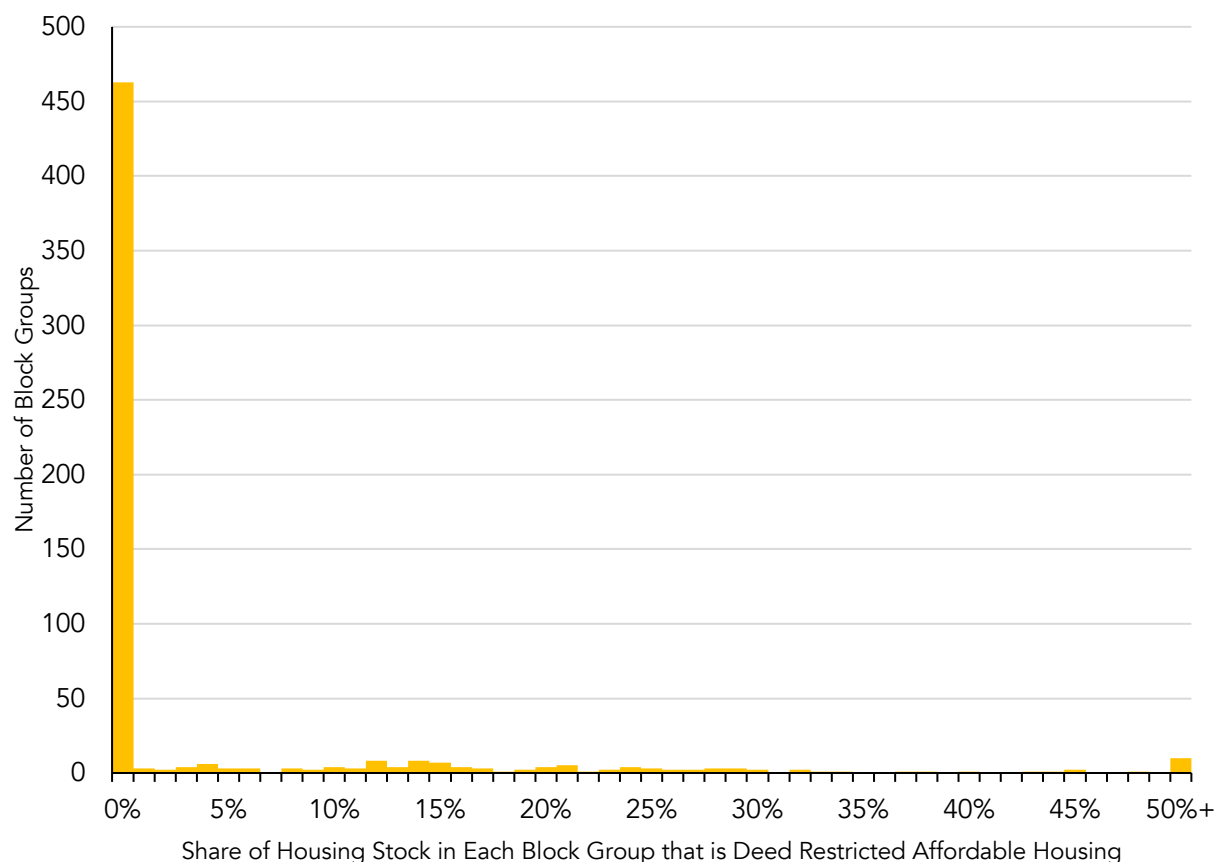
¹⁹ On average, each census tract in San José (including those only partially located within city limits) contains 2.8 block groups. The median population of tracts in San José is approximately 4,897 and the median population of block groups in San José is 1,658. In addition, the median number of homes in each census tract in San José is 1,295 and the median number of homes in each block group is 437.

²⁰ Income-qualifying households are defined as those annual income below \$100,000. \$100,000 is a proxy for Low-Income (LI) households in San José with incomes at or below 80 percent of area median income, whose income limits are \$100,950 and \$112,150 for three- and four-person households, respectively. Source: City of San José Housing Department Income and Rent Limit Tables, Effective Date: June 1, 2020.

²¹ Draft Regional Housing Needs Assessment for the City of San José. Source: Association of Bay Area Governments (2021) "Regional Housing Needs Allocation Draft Methodology: San Francisco Bay Area, 2023-2031." February. Website: https://abag.ca.gov/sites/default/files/documents/2021-02/ABAG_Draft_RHNA_Methodology_Report_2023-2031.pdf.

²² Broadly, these trends hold true for a census tract-level analysis of affordable housing concentration: the majority of tracts have less than 1% of its housing stock comprising deed restricted affordable housing and only 1% of tracts (2) have 50% or more of its housing stock comprised of affordable housing.

FIGURE 2: SHARE OF EACH CENSUS BLOCK GROUP'S TOTAL HOMES THAT ARE DEED-RESTRICTED AFFORDABLE HOMES



Source: City of San José Housing 2020; Office of the Assessor, County of Santa Clara, September 2020.

Defining areas of high concentration. The literature does not offer precedent for defining areas with high concentration of affordable housing. Based on the results of the concentration analysis above, and in an effort to use a threshold that is legible to Housing Department staff and to the public, areas of high concentration areas are defined in this analysis as block groups where 50 percent or more of the housing stock is deed-restricted affordable housing. In addition, to guard against block groups exceeding the 50 percent threshold partly due to low housing density (e.g., if market rate homes are predominantly detached single-family), high concentration is only considered to occur if at least 200 affordable homes are located in the block group. The median number of homes in block groups in San José is 437.

Location of areas of high concentration. Nine block groups, comprising two percent of all block groups in San José, currently meet the above definition of high concentration. Six of these block groups are located in Category 2 neighborhoods and three are located in Category 3 neighborhoods. Four of the high-concentration block groups (all in Category 2) are partially overlapping with Growth Areas, and one block group (in Category 3) is located entirely within a Growth Area. Three block groups, including two of the block groups partially within Growth Areas, are located within Displacement and Exclusion Risk areas (all in Category 2).

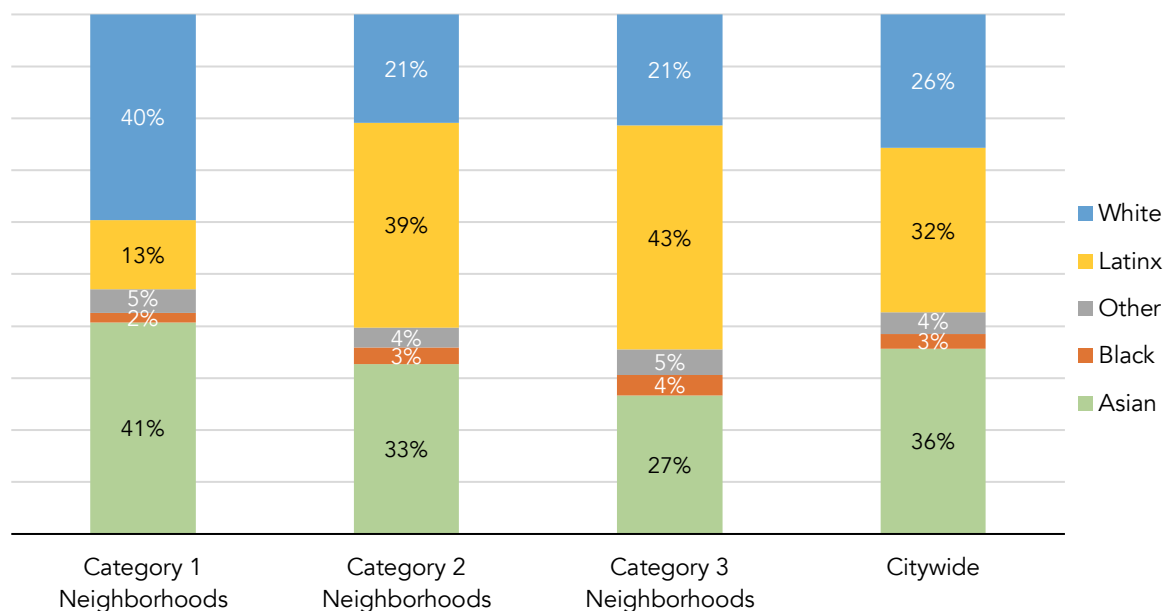
The five block groups that meet these criteria for high concentration and are not located within Displacement and Exclusion Risk areas or entirely within a Growth Area are places where it could be reasonable to be concerned about over-concentration from the perspective of providing a meaningful range of location choices to affordable housing residents. A map of these areas is included in Appendix A.

High concentration by housing type. The overwhelming majority of affordable homes in the nine block groups that meet the threshold for high concentration (including those located in Displacement and Exclusion Risk areas) are in developments categorized by the Housing Department as Family, Senior, or Other. Only three of these block groups contain any Special Needs housing, including both developments categorized as Special Needs and permanent supportive homes in developments not categorized as Special Needs. Of these three block groups, Special Needs/permanent supportive homes account for between 14 percent and 27 percent of the block's group total housing and between 18 percent and 38 percent of the block group's affordable homes. Overall, Special Needs housing does not disproportionately contribute to high concentration of affordable housing at the block group level in San José, as defined in this analysis.

NEIGHBORHOOD DEMOGRAPHICS

The racial and ethnic composition of San José as a whole, as well as for each proposed neighborhood category, is shown in Figure 3 below. White and Asian residents are overrepresented in Category 1 neighborhoods and underrepresented in Category 2 and 3 neighborhoods relative to their respective shares of the city's population, while the opposite is true for the city's Latinx and Black residents.

FIGURE 3: RACIAL AND ETHNIC DEMOGRAPHICS IN SAN JOSÉ (ALL INCOMES)

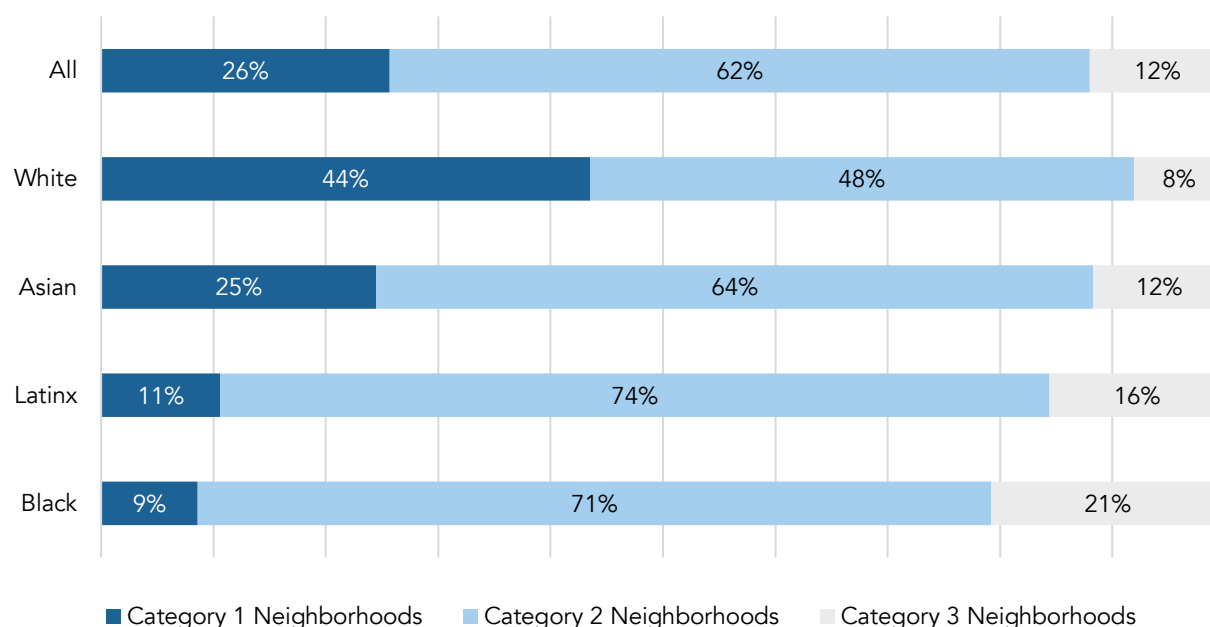


Data Source: American Community Survey 5-year Estimates, 2015-2019. White residents are non-Hispanic and Latinx residents are those of any race who identify as Latino or Hispanic ethnicity. Asian residents do not include Pacific Islander residents, who are included in the Other category (not displayed).

The residential location of households with annual incomes below \$75,000—a proxy for very low-income households with incomes below 50 percent of median income—is shown in Figure 4 below. Although the overall share of these households living in Category 1 neighborhoods (26 percent) is only somewhat lower than these neighborhoods’ share of citywide tracts (34 percent), trends diverge by race and income. Specifically, white low-income households live in Category 1 neighborhoods at substantially higher rates (44 percent) than low-income Latinx (11 percent) and Black (9 percent) households. Meanwhile, low-income Latinx and Black households are more likely to live in Category 3 neighborhoods (16 percent and 21 percent, respectively) than low-income white (8 percent) and Asian (12 percent) households.

These disparities could exist for several reasons, including discrimination in the housing market, information gaps about available affordable homes and neighborhood amenities in Category 1 neighborhoods among the City’s Latinx and Black low-income residents, fewer affordable housing opportunities in Category 1 neighborhoods, and a desire among some to remain in areas where they have stronger community networks.

FIGURE 4: RESIDENTIAL LOCATION OF HOUSEHOLDS IN SAN JOSÉ WITH ANNUAL INCOMES BELOW \$75,000*



Data Source: American Community Survey 5-year Estimates, 2014-2018. White households are non-Hispanic and Latinx households are those of any race who identify as Latino or Hispanic ethnicity. Asian households do not include Pacific Islander households. Due to data limitations, race or ethnicity of the head of household is assumed to apply to the entire household.

* \$75,000 is a proxy for Very Low-Income (VLI) households in San José, whose income limits are \$71,100 and \$78,950 for three- and four-person households, respectively. Source: City of San José Housing Department Income and Rent Limit Tables, Effective Date: June 1, 2020.

AVAILABILITY OF LAND FOR AFFORDABLE HOUSING DEVELOPMENT

Affordable housing siting patterns are shaped by regulations on building development defined in the general plan and zoning code, particularly the availability of residential land with allowable densities high enough to support feasibility of affordable housing and other multifamily housing.

Table 3 below shows the distribution of residential parcels across San José by neighborhood category, including those which allow densities high enough for affordable housing.²³ Sixty-one percent of the city's land allows for residential development, but only nine percent of that residential land is zoned at a density capacity that would allow affordable housing development. In addition, land that would allow affordable housing is not distributed evenly across the city, as only three percent of Category 1 residential land is zoned to allow development of affordable housing, compared to 43 percent in Category 3 neighborhoods.

The distribution of places where affordable housing is allowed is also represented in the number of land parcels, regardless of area. Although Category 1 neighborhoods contain 39 percent of the city's residential parcels, it only contains 14 percent of the city's parcels that would allow affordable housing. Category 2 neighborhoods contain 53 percent of the city's residential parcels and 64 percent of the city's parcels that are zoned to allow affordable housing; and Category 3 neighborhoods contain only eight (8) percent of city's residential parcels, but 22 percent of the city's parcels zoned to allow affordable housing.

As shown in Table 3, the citywide share of residential parcels that allow affordable housing in each neighborhood category are similar to the share of existing affordable housing in each category (see Table 2), suggesting that allowable density plays an important role in shaping siting patterns in San José.

²³ Minimum density for affordable housing development is defined in this analysis of allowing at least 30 homes per acre, which aligns with the State-mandated minimum density required for identifying low-income housing sites in the City's Housing Element. This analysis is intended to provide a broad sense of the distribution of multifamily housing sites across the city and does not assess whether parcels are available for affordable housing development or factors that could impact their likelihood to be developed (e.g., if they are vacant or for sale).

TABLE 3: DISTRIBUTION OF RESIDENTIAL LAND THAT ALLOWS AFFORDABLE HOUSING ACROSS NEIGHBORHOOD CATEGORIES

Land Area	Category 1		Category 2		Category 3		Citywide
	Share of Category	Share of City	Share of Category	Share of City	Share of Category	Share of City	
% of total land that is residential	81%	58%	45%	39%	41%	3%	61%
% of residential land area that allows AH	3%	19%	16%	67%	43%	14%	9%

Parcels	Category 1		Category 2		Category 3		Citywide
	Within Category	Share of City	Within Category	Share of City	Within Category	Share of City	
# of residential parcels	2,839	39%	3,905	53%	610	8%	7,354
# of residential parcels that allow AH	206	14%	909	64%	311	22%	1,426
% of residential parcels that allow AH	7%	14%	23%	64%	51%	22%	19%

Data source: City of San José Planning Department. Allowing affordable housing in this analysis is defined as allowing residential densities of at least 30 homes per acre, consistent with State requirements for identifying low-income housing sites in the city's Housing Element.

Data on additional demographic and housing indicators, both citywide and by neighborhood category, is provided in Appendix A. Highlights from this data include the following:

- Median household incomes and home values are substantially higher in Category 1 neighborhoods than in Category 2 and 3 neighborhoods;
- Category 3 neighborhoods have much higher shares of renters and rates of overcrowding when compared to the rest of the city; and
- Category 1 neighborhoods score substantially higher than Category 2 and 3 neighborhoods according to indices of school quality, environmental pollution, and economic opportunity.

RECOMMENDATIONS FOR THE AFFORDABLE HOUSING SITING POLICY

Siting Policy recommendations are presented below. These recommendations draw from the previously described data-driven analysis, stakeholder engagement, and input from the Housing Department. They also reflect the perspective that the City should support development of affordable housing in each of San José's neighborhoods, given the pressing need for quality affordable homes, the small share of the overall housing stock that affordable housing represents in each district (even where it is concentrated relative to other areas of the city),²⁴ and the benefits that this housing provides to its residents. Furthermore, low-income San José residents who participated in the listening sessions expressed the importance of providing affordable housing in both high-income and low-income areas in the city in order to simultaneously increase access to resource-rich neighborhoods, prevent displacement as formerly low-income neighborhoods undergo change, and provide quality affordable housing in areas where many low-income people already live.

However, given that such a small share of San José's affordable housing is located in its resource-rich neighborhoods where low-income families—particularly those who are Latinx and Black—are underrepresented, advancing the City's Siting Policy objectives will require a rebalancing of where affordable housing is developed in the city, ultimately leading to a greater balance in availability of quality affordable homes across the city's neighborhoods.

To achieve the City's Siting Policy objectives of affirmatively furthering fair housing, increasing access to opportunity, and mitigating displacement, the recommendations propose to do the following: establish goals for increasing the share of the city's future affordable housing in resource-rich neighborhoods relative to historical patterns, setting aside funding for this purpose, and making it easier to develop in these areas through zoning changes and developer incentives; tracking progress and adjusting course as needed during a transition period in order to increase success long-term; supporting affordable housing development in high-poverty and highest rates of violent crime neighborhoods in conjunction with other investments that bring resources and opportunity to these areas; and coordinating the Siting Policy with other policies within and outside of the City of San José. More detail on each recommendation is provided below.

HIGH-LEVEL GOALS

Recommendation 1: The City should adopt the following high-level goals for the Siting Policy, which identifies the share of future affordable homes created in San José that should be located in each neighborhood category to achieve the City's objective for the policy to promote housing choice and development of affordable housing throughout San José.

²⁴ As previously noted, studies have generally found that affordable housing financed with Low Income Housing Tax Credits has minimal and often positive effects on surrounding property values, poverty rates, and crime rates.

Phase One: During a three-year transition period, locate 30 percent of affordable homes in Category 1 neighborhoods, 50 percent in Category 2 neighborhoods, and 20 percent in Category 3 neighborhoods. During this period, prioritize developments with signed purchase agreements dated before September 24, 2019, when the City announced that affordable housing would be directed to Growth Areas until the City Council adopts the new Siting Policy.

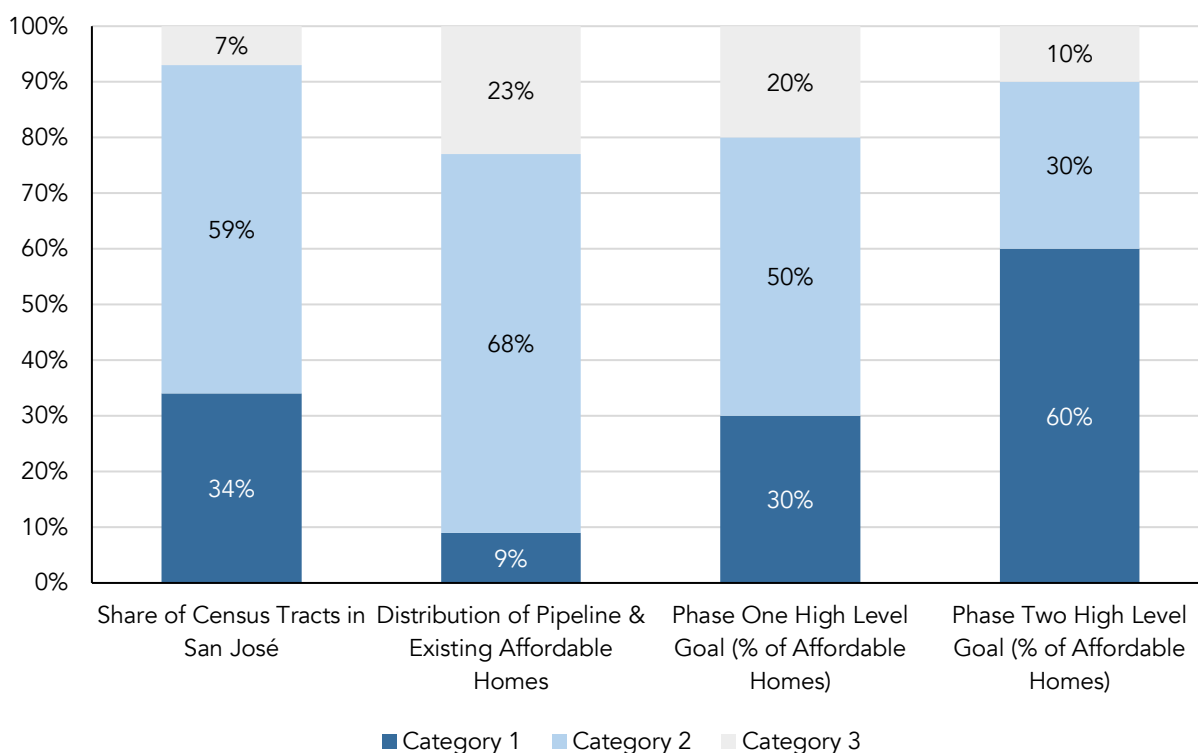
Phase Two: After Phase One concludes, locate 60 percent of affordable homes in Category 1 neighborhoods, 30 percent in Category 2 neighborhoods, and 10 percent in Category 3 neighborhoods.

Affordable homes should be counted in tracking progress toward high-level goals for each neighborhood category if they are located in developments that have met any of the following milestones: a City funding commitment; a bond issuance; a Low Income Housing Tax Credit Award; and/or a County funding commitment.

Background: The transition period high-level goals would increase the share of affordable homes in Category 1 neighborhoods when compared to historical patterns while also acknowledging that prospective affordable housing developments that have not yet received City funding awards or other critical state funding are currently concentrated in Category 2 and 3 neighborhoods, and that development pipelines would generally need time to adjust to the new Siting Policy. In many cases, developers have already invested substantial resources acquiring land and moving through the entitlement process in these areas. As described further below, the Phase One period would also allow the City to track progress, adjust course as needed, and implement supporting policy changes (such as in land use and zoning) in order to increase the likelihood of achieving the Siting Policy's high-level goals during implementation of the second phase.

The Phase Two high-level goals for each neighborhood category would represent a substantial shift from historical siting patterns in San José and reflect the desire among the Housing Department and many stakeholders who participated in listening sessions to dramatically increase access to resource-rich areas. Accordingly, the Phase Two high-level goals increase the share of affordable housing in Category 1 neighborhoods and reduces the share in Category 2 and 3 neighborhoods while continuing to support housing development in these areas. Figure 5 shows the Phase One and Phase Two high-level goals alongside the distribution of existing and pipeline affordable homes in San José and the share of citywide census tracts in each neighborhood category.

FIGURE 5: SITING POLICY HIGH-LEVEL GOALS



Note: As shown in Table A of Appendix A, the share of citywide census tracts in each neighborhood category corresponds almost exactly to the share of citywide population.

The following considerations contributed to formulation of Phase Two high-level goals:

- Despite the shift they would represent, the Phase Two high-level goals would need to be implemented over decades in order for affordable housing to be proportionally distributed across the city. If the Siting Policy's high-level goals were adopted and current funding levels were maintained,²⁵ it would still take 71 years for the share of affordable housing in Category 1 neighborhoods to be the same as the share of the city's tracts in these areas (34 percent). Even if 100 percent of future affordable housing were located in Category 1 neighborhoods moving forward, it would take 28 years for the share of affordable housing in Category 1 neighborhoods to be same as the share of the city's tracts these areas. The Housing Department also considered less aggressive high-level goals, including locating 50 percent of future affordable housing in Category 1 neighborhoods and 34 percent in these areas (to align with the share of citywide tracts). After reviewing modeling results, the Department expressed the most support for locating 60 percent of future affordable housing in Category 1 neighborhoods because it would take even longer for the share of affordable housing to match the proportion of tracts in each neighborhood category under these less aggressive scenarios.

²⁵ This modeling assumes \$35 million in City funding is available each year, and per-unit loan limits of \$125,000. The number of affordable homes created under these assumptions is conservative because it does not account for affordable housing created without City subsidy.

- Although the Phase Two high-level goals for Category 2 and 3 neighborhoods are smaller than historical shares for these areas, they would still comprise 40 percent of future affordable housing in San José—the relative reduction in share would be similar across Category 3 neighborhoods (10 percent goal compared to 23 percent historically) and Category 2 neighborhoods (30 percent compared to 68 historically). Listening sessions with residents and Housing Department staff have cited several reasons for the City to continue to fund and support development of affordable housing in these areas, including providing a range of location choices across San José for low-income households, preventing displacement as formerly low-income neighborhoods undergo change, and providing quality affordable housing in high-poverty areas where many low-income people live.

IMPLEMENTATION APPROACH

Recommendation 2: The City should set aside funding for each neighborhood category in proportion to the high-level goals and provide point-score incentives to locate affordable housing within each category's priority areas in the City's funding competition (as described in the "Proposal for Neighborhood Categories" section).²⁶ During Phase Two, these set-asides could occur at any point within five-year implementation periods, at the City's discretion (the implementation period during Phase One would be three years). Implementation periods during Phase Two would renew every five years.

Background: Funding set-asides would provide a strong incentive for developers to attempt to build affordable housing in Category 1 neighborhoods, where they may face greater barriers, such as availability of land, higher costs, and stronger local opposition than in other areas of San José. An alternate approach could be to provide point-score incentives to locate in Category 1 neighborhoods in the City's funding competition. However, this kind of incentive does less to guarantee the intended outcome when compared to set asides, as developers may continue to predominantly locate in Category 2 and 3 neighborhoods because they face fewer barriers in these areas.

Allowing the City flexibility to set aside funding amounts proportional to high-level goals at any point within five-year implementation periods is an acknowledgment that annual set asides in proportion to the high-level goals may not be possible given annual funding levels and per-development subsidy requirements. For example, if the Phase Two goal is to locate ten percent of affordable housing in Category 3 neighborhoods and \$35 million in funding is available annually, totaling \$175 million over the five-year implementation period, \$17.5 million (ten percent of \$175 million) should be set aside for Category 3 developments over the course of this period. However, this could happen over one or two funding rounds, rather than dividing this amount over five funding rounds, which may result in awards too small to support feasibility of individual developments. Re-starting implementation periods every five years would ensure availability of funding for affordable housing within each neighborhood category on a periodic basis.

²⁶ As described in the "Proposal for Neighborhood Categories" section, priority areas for each neighborhood category include transit-accessible areas (Category 1 and 2), displacement and exclusion risk areas (Category 2 and 3), Growth Areas (Categories 1, 2 and 3).

Providing point-score incentives to locate affordable housing within each category's priority areas in the City's funding competition would increase the likelihood that developments are located in these areas while advancing the Siting Policy's high-level goals.

Recommendation 3: To ensure affordable housing residents have a meaningful range of location choices across a broad set of neighborhoods, the City should consider limiting funding for future affordable housing developments in block groups where 50 percent or more of existing homes are deed-restricted affordable (existing + pipeline) and the block group contains 200 or more affordable homes, unless:

- The block group is located within a Displacement and Exclusion Risk census tract, where low-income people could struggle to remain (or move in) without the benefit of new affordable housing; or

The block group overlaps with a Growth Area (GA), where new housing production could reduce affordable housing's share of the overall housing stock over time. In these cases, potential limits on new funding for affordable housing should not apply to the portion of the block group that overlap with a GA.

A map of the five block groups that currently meet these criteria is included in Appendix A.

This policy should only apply to block groups that already meet these criteria and should not limit the size of new affordable housing developments in block groups that do not, even if they would lead to the block group exceeding the threshold for high concentration once placed in service. As with the rest of the Siting Policy mapping and data analysis, the mapping of areas of block groups with high concentration of affordable housing should be updated over time.

Background: The Siting Policy should be designed to ensure a meaningful range of location choices for affordable housing residents. Limiting City funding of future affordable housing development to areas where this housing is not already concentrated could help ensure developments are more geographically dispersed both within and across Siting Policy neighborhood categories.

PROGRESS TRACKING AND COURSE CORRECTION

Recommendation 4a: The City should track key Siting Policy performance indicators on an annual basis and adjust course based on results. Performance indicators should include, but not be limited, to the following:

1. *High-level goals:* The City should track progress toward high-level Siting Policy goals for each neighborhood category;
2. *Affordable housing populations:* The City should track representation of each affordable housing development type (family, senior, special needs, other) in each neighborhood category, noting where affordable housing populations are over- or under-represented;
3. *Costs:* The City should track affordable housing development costs in Category 1 relative to costs in other parts of San José;

4. *Race and ethnicity:* The City should track tenancy data to ensure affordable housing across the city is serving residents who reflect San José's racial and ethnic demographics;
5. *Non-City funded developments:* The City should track location of developments that do not require funding from the City (e.g., County-funded developments), so that the City can adjust its funding priorities in accordance with high-level Siting Policy goals for each neighborhood category; and
6. *Map changes:* The City should update the Siting Policy map over time and track whether neighborhood-level changes are contributing to substantial changes to map.

Recommendation 4b: City should commission an evaluation of the Siting Policy's transition phase (Phase One) before Phase Two begins to assess progress and recommend changes in implementation in order to achieve its high-level goals during the second phase.

Background: The high-level Siting Policy goals for both Phase One and Phase Two represent a substantial shift in the geographic distribution of affordable housing in San José. Successful implementation of the Siting Policy may require adjusting approaches over time based on performance. Background on each proposed performance indicator is included below:

- *High-level goals:* The City's progress toward high-level goals during Phase One and Phase Two represent perhaps the key indicator of success in implementation of the Siting Policy. Since high-level goals are percentages of total affordable homes and it is not possible to know at the outset of each implementation period exactly how many affordable homes will meet milestones necessary to be 'counted' in tracking progress toward high-level goals, the City will need to generate an estimate (e.g., based on projected available funding) and adjust course over time if conditions change.
- *Affordable housing populations:* High-level Siting Policy goals apply to all affordable homes and not to individual populations or development types, in order to provide modest flexibility to the City in implementing the policy. However, the City should ultimately aim to achieve proportional representation for all affordable housing populations and development types across neighborhood categories to the degree possible. To this end, the City may wish to impose stricter requirements, such as point-score incentives to serve specific populations in specific neighborhood categories, if certain populations are over- or under-represented in specific neighborhood categories.
- *Costs:* Development costs may be higher in Category 1 neighborhoods—perhaps due to higher land costs—and could prove to be an impediment to financially feasible development in these areas. If costs prove to be higher, the City could explore remedies such as ensuring per-unit loan limits are sufficiently sized to support financial feasibility.
- *Race and ethnicity:* Increasing the share of affordable housing in Category 1 neighborhoods would not automatically ensure these homes would be occupied by San José's low-income Latinx and Black households, who are concentrated in Category 2 and 3 neighborhoods. If these groups are underrepresented among Category 1 affordable housing residents, the City may consider remedies such as: 1) adjustments to its forthcoming online application portal to ensure residents

have access to timeline information about affordable housing opportunities in Category 1 neighborhoods; and 2) providing priority access to a share of affordable homes in Category 1 neighborhoods to residents of Category 3 neighborhoods.

- *Non-City funded developments:* Affordable housing that can be developed without the City acting as funder should be welcomed in San José considering the need for this housing far outstrips supply. However, in order to advance the Siting Policy objectives, the City should track the location of these developments and adjust its funding targets in response. For example, it may wish to establish lower targets for Category 1 neighborhoods if bond-only developments are concentrated in these areas. In addition, depending on results, the City may wish to explore modification to its policy for the issuance of multifamily housing revenue bonds in order to align with Siting Policy goals (see Recommendation 7b).
- *Map changes:* The City should update the Siting Policy map as more recent data becomes available, which may result in some tracts changing categories. The TCAC/HCD Opportunity Map upon which the Category 1 definition is based is updated on an annual basis, indicators underlying the high-poverty and highest rates of violent crime designations could be updated either annually or a less frequent basis, and other indicators such as transit proximity and displacement and exclusion risk could be updated when more recent data becomes available.

If a substantial number of tracts shift categories as the Siting Policy map is updated over time, the City may consider adjusting high-level goals to reflect these changes. For example, if poverty rates in Category 3 neighborhoods continue to drop and many fewer census tracts meet the definition of high-poverty, the City may consider lowering the high-level goal for Category 3 neighborhoods.

To avoid situations where a developer acquired a site and then the underlying tract changed categories as a result of a map update, jeopardizing access to funding and feasibility of the development, the City should take the same approach as the California Tax Credit Allocation Committee and allow developers flexibility to claim the tract category either at the time site control was obtained or at the time of application for funding.

INCREASING AFFORDABLE HOUSING IN CATEGORY 1 NEIGHBORHOODS

Recommendation 5: The City should explore a range of strategies to increase affordable housing production in Category 1 neighborhoods in alignment with the Siting Policy's high-level goals, including but not limited to the following:

Recommendation 5a: The City should complete an assessment of potential barriers to achieving the Siting Policy's high-level goals for Category 1 neighborhoods.

Background: Developers may face challenges creating affordable housing in Category 1 neighborhoods at a scale necessary to achieve the Siting Policy's Phase One and Phase Two high-level goals, which represent a substantial increase in the share of San José's affordable housing created in these areas when compared to historical siting patterns. For example, developers may face difficulty acquiring land and moving through the entitlement process in Category 1 neighborhoods, which are relatively affluent and contain many fewer sites that allow affordable

housing when compared to the rest of the city, as described elsewhere in this report. The City's assessment should identify potential barriers and solutions for overcoming them, including but not limited to Recommendations 5b and 5c below.

Recommendation 5b: The City should use the Housing Element update process to ensure adequate supply of residential sites in Category 1 neighborhoods that would allow development of affordable housing.

Background: As described earlier in this report, the share of residential land and parcels in Category 1 neighborhoods zoned to allow affordable housing is substantially lower than in Category 2 and 3 neighborhoods. San José's Housing Element update for the 2023-2031 planning period, which is required to be completed by January 2023, will provide an opportunity to increase allowable density in Category 1 neighborhoods so that the City can meet its Siting Policy objectives while accommodating its Regional Housing Needs Allocation. The California Department of Housing and Community Development's new guidance around incorporating AFFH in Housing Element updates generally encourages affordable housing sites to be located in high-opportunity areas, such as those which would qualify as Category 1 in the Siting Policy.²⁷

Recommendation 5c: The City should support nonprofit developers seeking to create affordable housing in Category 1 neighborhoods by providing access to predevelopment funding and capacity-building grants.

Background: As noted above, developers may face difficulty creating substantially higher amounts of affordable housing in Category 1 neighborhoods when compared to historical patterns. Given these potential challenges, developers seeking to create affordable housing in these neighborhoods may benefit from additional support in the form of predevelopment funding and capacity-building grants. The City could provide access to this funding, potentially in partnership with other funders, by establishing a new fund through an outside entity, such as the Housing Trust of Silicon Valley.²⁸ The predevelopment funding could be structured to provide grant funding to developers seeking to create affordable housing in Category 1 neighborhoods up to a specified amount or share of total predevelopment costs (e.g., 50 percent).

²⁷ California Department of Housing and Community Development, "Affirmatively Furthering Fair Housing: Guidance for All Public Entities and for Housing Elements (April 2021 Update)." *Website:* https://hcd.ca.gov/community-development/affh/docs/affh_document_final_4-27-2021.pdf.

²⁸ Predevelopment funding could be structured as a grant that converts to a 0 percent loan under the Low Income Housing Tax Credit partnership agreement, similar to the California Department of Housing and Community Development's Infill Infrastructure Grant (IIG) program. Capacity grants could be modeled on similar grants recently provided by Destination:Home to help developers create pipelines of permanent supportive housing developments in Santa Clara County.

INCREASING RESOURCES AND OPPORTUNITY IN CATEGORY 3 NEIGHBORHOODS

Recommendation 6: The City should explore a range of strategies to increase resources and opportunity in Category 3 neighborhoods, including but not limited to the following:

Recommendation 6a: The City should explore requiring affordable housing developments in Category 3 neighborhoods to incorporate additional measures to support the wellbeing of its residents and the surrounding community.

Background: Category 3 neighborhoods by definition have high rates of poverty and/or violent crime, and for this reason may benefit from additional investments and services which support wellbeing and provide opportunity for both affordable housing residents and those who live nearby. The City could allow developers to choose from a menu of options to fulfill this requirement, potentially including: providing space for a neighborhood nonprofit or community serving business and providing on-site services that meet the City's standards established in its Education and Digital Literacy Strategy (EDL).²⁹ To avoid imposing undue cost on affordable housing developments, the City should consider limited uses of Measure E and Community Development Block Grant funding, when appropriate, to support the cost of these requirements.

Recommendation 6b: The Housing Department should work with other City agencies to coordinate investments in Category 3 neighborhoods in order to increase resources and opportunity while avoiding displacement of low-income residents.

Background: The duty to AFFH requires the City to actively reverse patterns of segregation, increase access to opportunity, and transform racially and ethnically concentrated areas of poverty into areas of opportunity. As such, the City should both increase access to existing resource-rich neighborhoods—through the Siting Policy and other measures—as well as increase resources and opportunity in Category 3 neighborhoods and other low-income communities of color in San José. The latter strategy should involve coordinated investments across City agencies as well as other public entities such as school districts and transit agencies.

ALIGNMENT WITH OTHER POLICIES

Recommendation 7: The City should coordinate with other policies and ensure their alignment with the Siting Policy, as described below:

Recommendation 7a: Establish an agreement with the County to make funding decisions that align with the City's high-level Siting Policy goals.

Background: As referenced in Recommendation 3d, the City should account for County-funded developments in tracking progress toward Siting Policy high-level goals. Ideally, the County would make funding decisions that already align with the Siting Policy (e.g., 60 percent of

²⁹ For more information, see the website for the Education and Digital Literacy Strategy: www.sjpl.org/education

affordable housing in Category 1 neighborhoods) so the City can avoid having to course correct in response to these decisions.

Recommendation 7b: The City should explore whether modifications to its policy for the issuance of multifamily housing revenue bonds are both needed and feasible in order to advance Siting Policy goals.

Background: As previously noted, the Siting Policy high-level goals would apply to new construction affordable housing created with public financing, including developments financed with tax-exempt bonds issued by the City as well as other issuers. If tracking data over time shows these developments to be spatially distributed in a way that does align with Siting Policy goals (see Recommendation 4), the City should explore whether these patterns could be modified through changes to its policy for the issuance of multifamily housing revenue bonds.

APPENDIX A: ADDITIONAL DEMOGRAPHIC AND HOUSING INDICATORS

TABLE A: DISTRIBUTION OF RESIDENTS AND CENSUS TRACTS ACROSS NEIGHBORHOOD CATEGORIES

	Category 1	Category 2	Category 3	Citywide
Population	379,037	666,698	86,037	1,027,690*
Share of Population	33%	59%	8%	100%
Share of Census Tracts	34%	59%	7%	100%

Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019.

** Category 1, 2, and 3 data in this row do not sum to the citywide total because they include data from census tracts that fall partly outside the city boundary. For more information on census tract-level analysis, see Appendix B.*

TABLE B: RACIAL AND ETHNIC COMPOSITION OF EACH NEIGHBORHOOD CATEGORY (ALL INCOMES)

Race and Ethnicity	Category 1	Category 2	Category 3	Citywide
Asian	41%	33%	27%	36%
Black	2%	3%	4%	3%
Latinx	13%	39%	43%	32%
White	40%	21%	21%	26%
All Other Racial Groups	5%	4%	5%	4%
Total	100%	100%	100%	100%

Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019. White residents are non-Hispanic and Latinx residents are those of any race who identify as Latino or Hispanic ethnicity. Asian residents do not include Pacific Islander residents, who are included in the All Other Racial Groups category.

TABLE C: RACIAL AND ETHNIC DEMOGRAPHICS* IN SAN JOSÉ BY HOUSEHOLD INCOME AND NEIGHBORHOOD CATEGORY

Income	Race/Ethnicity	Share of Group Living in Category 1	Share of Group Living in Category 2	Share of Group Living in Category 3	Share of Citywide Households
Household Income Under \$45,000**	Asian	22%	64%	14%	32%
	Black	10%	63%	27%	5%
	Latinx	10%	71%	19%	30%
	White	44%	47%	9%	31%
	All	25%	61%	14%	100%
Household Income Under \$75,000**	Asian	25%	64%	12%	29%
	Black	9%	71%	21%	5%
	Latinx	11%	74%	16%	33%
	White	44%	48%	8%	31%
	All	26%	62%	12%	100%
Household Income Under \$100,000**	Asian	26%	64%	11%	29%
	Black	11%	72%	18%	5%
	Latinx	12%	74%	14%	33%
	White	44%	48%	8%	31%
	All	27%	62%	11%	100%

Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019. White households are non-Hispanic and Latinx households are those of any race who identify as Latino or Hispanic ethnicity. Asian households do not include Pacific Islander households. Due to data limitations, race or ethnicity of the head of household is assumed to apply to the entire household.

** Due to sample size constraints, data is not available for every race and ethnic group. Therefore, columns do not perfectly sum to 100%.*

*** \$45,000 is a proxy for Extremely Low-Income (ELI) households in San José with incomes at or below 30 percent of area median income, whose income limits are \$42,650 and \$47,250 for three- and four-person households, respectively; \$75,000 is a proxy for Very Low-Income (VLI) households in San José with incomes at or below 50 percent of area median income, whose income limits are \$71,100 and \$78,950 for three- and four-person households, respectively; and \$100,000 is a proxy for Low-Income (LI) households in San José with incomes at or below 80 percent of area median income, whose income limits are \$100,950 and \$112,150 for three- and four-person households, respectively. Source: City of San José Housing Department Income and Rent Limit Tables, Effective Date: June 1, 2020.*

TABLE D: MEDIAN HOUSEHOLD INCOME BY RACE AND ETHNICITY AND NEIGHBORHOOD CATEGORY

Race and Ethnicity	Category 1	Category 2	Category 3	Citywide
Asian	\$172,188	\$125,187	\$44,083	\$133,853
Black	\$99,731	\$66,185	\$39,789	\$70,123
Latinx	\$105,198	\$75,898	\$52,956	\$78,734
White	\$147,582	\$114,991	\$98,095	\$123,708
All	\$148,973	\$102,053	\$74,756	\$109,593

Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019. White households are non-Hispanic and Latinx households are those of any race who identify as Latino or Hispanic ethnicity. Asian households do not include Pacific Islander households. Due to data limitations, race or ethnicity of the head of household is assumed to apply to the entire household.

TABLE E: SHARE OF RENTER HOUSEHOLDS IN EACH NEIGHBORHOOD CATEGORY BY RACE AND ETHNICITY

Housing Indicator	Category 1	Category 2	Category 3	Citywide
Asian	27%	40%	71%	37%
Black	78%	83%	96%	69%
Latinx	54%	59%	77%	60%
White	26%	39%	63%	34%
All	30%	47%	72%	43%

Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019. White households are non-Hispanic and Latinx households are those of any race who identify as Latino or Hispanic ethnicity. Asian households do not include Pacific Islander households. Due to data limitations, race or ethnicity of the head of household is assumed to apply to the entire household.

TABLE F: RESIDENT-BASED HOUSING INDICATORS BY NEIGHBORHOOD CATEGORY

Housing Indicator	Category 1	Category 2	Category 3	Citywide
Median Rent	\$2,292	\$2,030	\$1,873	\$2,107
Median Home Values	\$1,145,123	\$737,978	\$731,240	\$864,600
% Rent Burdened Households	44%	52%	58%	52%
% Overcrowded Households	11%	17%	18%	16%
Median Rent as a Percentage of Income	29%	31%	34%	31%

Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019.

TABLE G: CHARACTERISTICS OF EACH NEIGHBORHOOD CATEGORY

Housing Indicator	Category 1	Category 2	Category 3	Citywide
Highest Rates of Violent Crime Areas	0%	0%	69%	5%
High-Poverty Areas	0%	0%	56%	4%
Displacement & Exclusion Risk Areas	100%	81%	63%	86%
% Residential Land That Allows Affordable Housing	3%	16%	43%	9%
% Tracts That Contain Areas Which Are Transit-Accessible	51%	90%	100%	77%
Resource-Rich Areas	100%	0%	0%	34%
TCAC/HCD Opportunity Map Economic Score	72	41	33	51
TCAC/HCD Opportunity Map Education Score	82	37	28	51
TCAC/HCD Opportunity Map Environmental Score	29	18	15	22

Data Sources: Violent crime data provided by the San José Police Department Crime Analysis Unit on January 21, 2021. Crime categories included as "violent crime" include rape, homicide, robbery, and aggravated assault. Rates are calculated as violent crimes per 1,000 people from 2018 to 2020. Displacement & Exclusion Risk Areas data source: Urban Displacement Project SF Bay Area – Gentrification and Displacement map: <https://www.urbandisplacement.org/san-francisco/sf-bay-area-gentrification-and-displacement>. Transit accessibility data source: data provided by the Santa Clara Valley Transportation Authority on January 5, 2021. Resource-Rich Areas and TCAC data source: TCAC/HCD Opportunity Map: <https://www.treasurer.ca.gov/ctcac/opportunity.asp>.

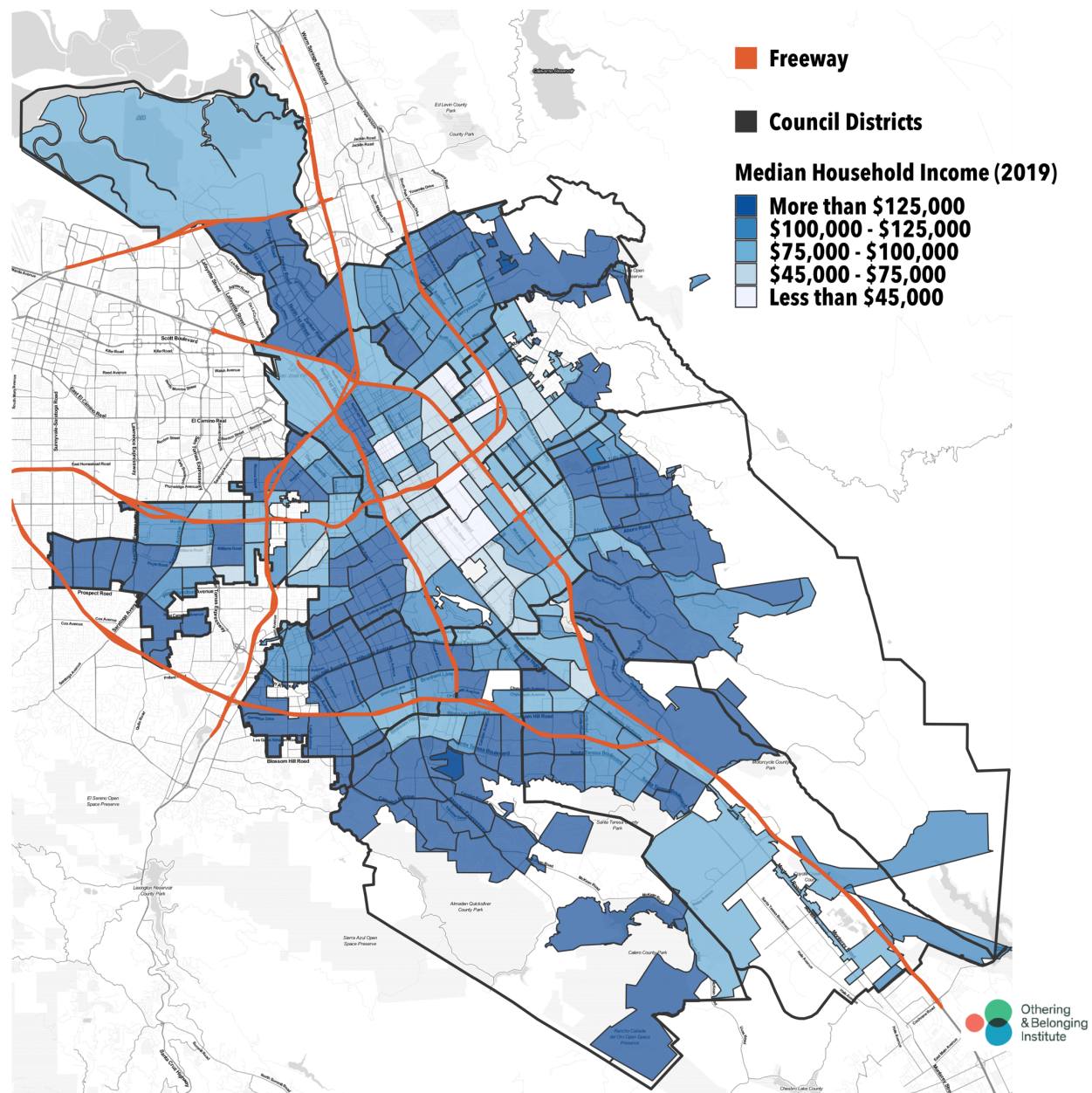
TABLE H: DISTRIBUTION OF EXISTING AND PIPELINE AFFORDABLE HOUSING ACROSS NEIGHBORHOOD CATEGORIES

Housing Indicator	Category 1		Category 2		Category 3		Citywide
Total Homes (County Assessor Data)	104,692	34%	178,887	58%	25,583	8%	309,162
Total Existing Affordable Homes	1,759	10%	12,024	71%	3,148	19%	16,931
Extremely Low-Income Homes*	161	9%	1,118	60%	576	31%	1,855
Very Low-Income Homes*	1,042	13%	5,554	68%	1,520	19%	8,116
Low-Income Homes*	306	5%	4,539	78%	965	17%	5,810
Total Pipeline Affordable Homes	88	3%	1,840	55%	1,421	42%	3,349
Total Existing & Pipeline Affordable Homes	1,847	9%	13,864	68%	4,569	23%	20,280

Data Sources: City of San José Housing Department. California Housing Partnership Preservation Database, April 2021.

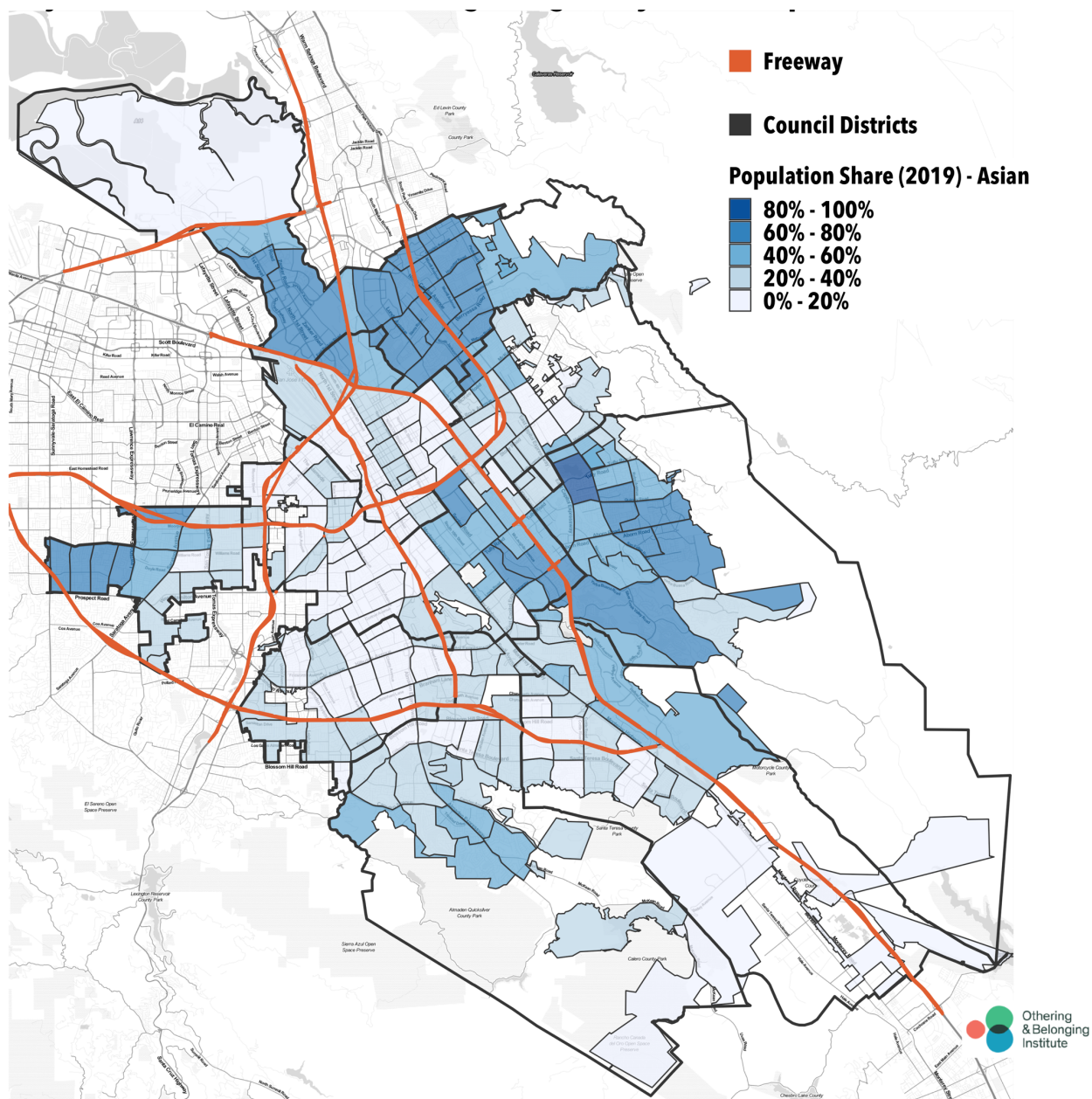
** 1,150 existing affordable homes in the Housing Department's data do not have an identified income limit. For this reason, affordable homes for Extremely Low-Income, Very Low-Income, and Low-Income households do not sum to the total for existing affordable homes.*

FIGURE A: HOUSEHOLD MEDIAN INCOME IN SAN JOSÉ CENSUS TRACTS



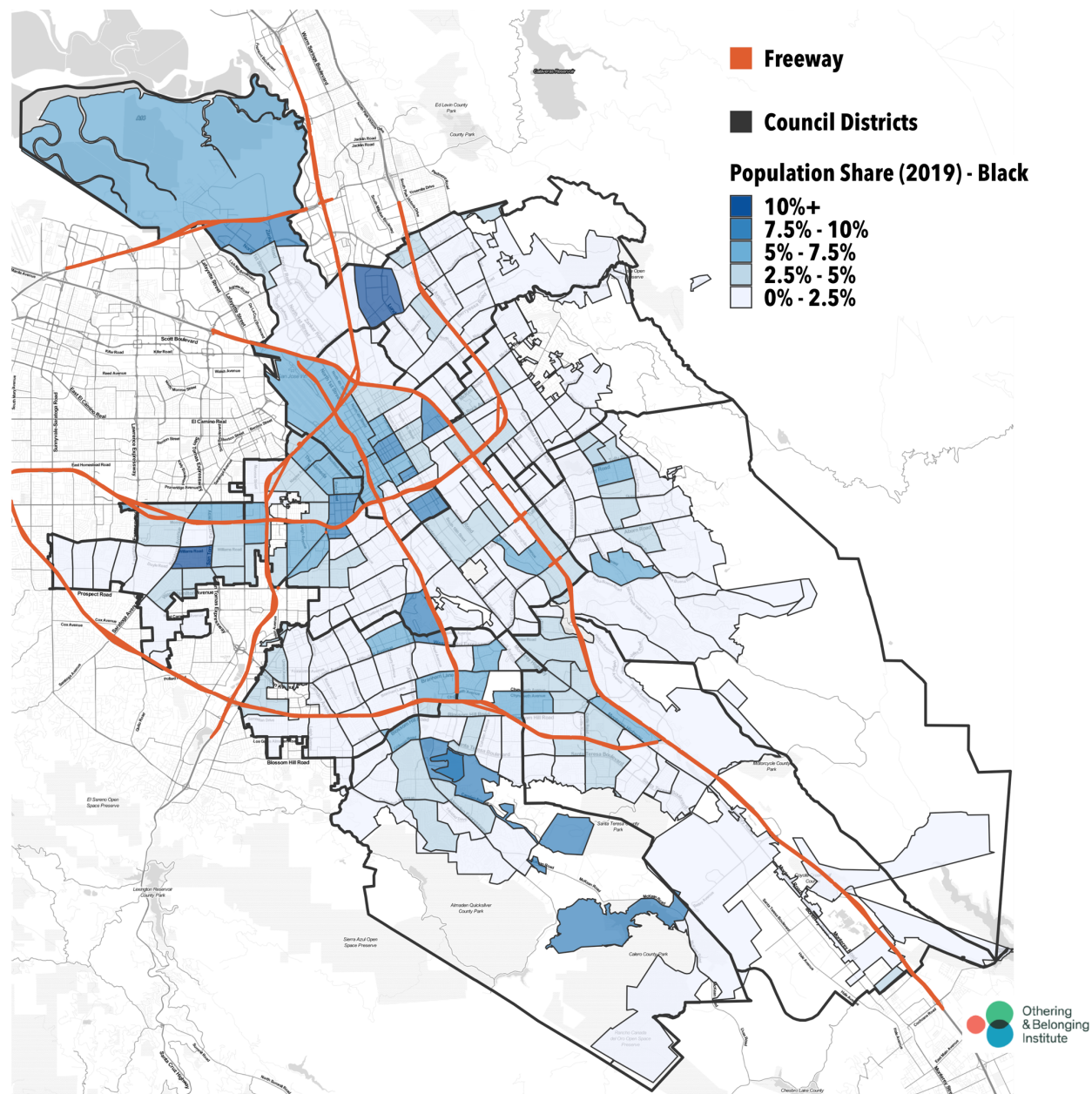
Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019.

FIGURE B: SHARE OF CENSUS TRACT POPULATION THAT IS ASIAN



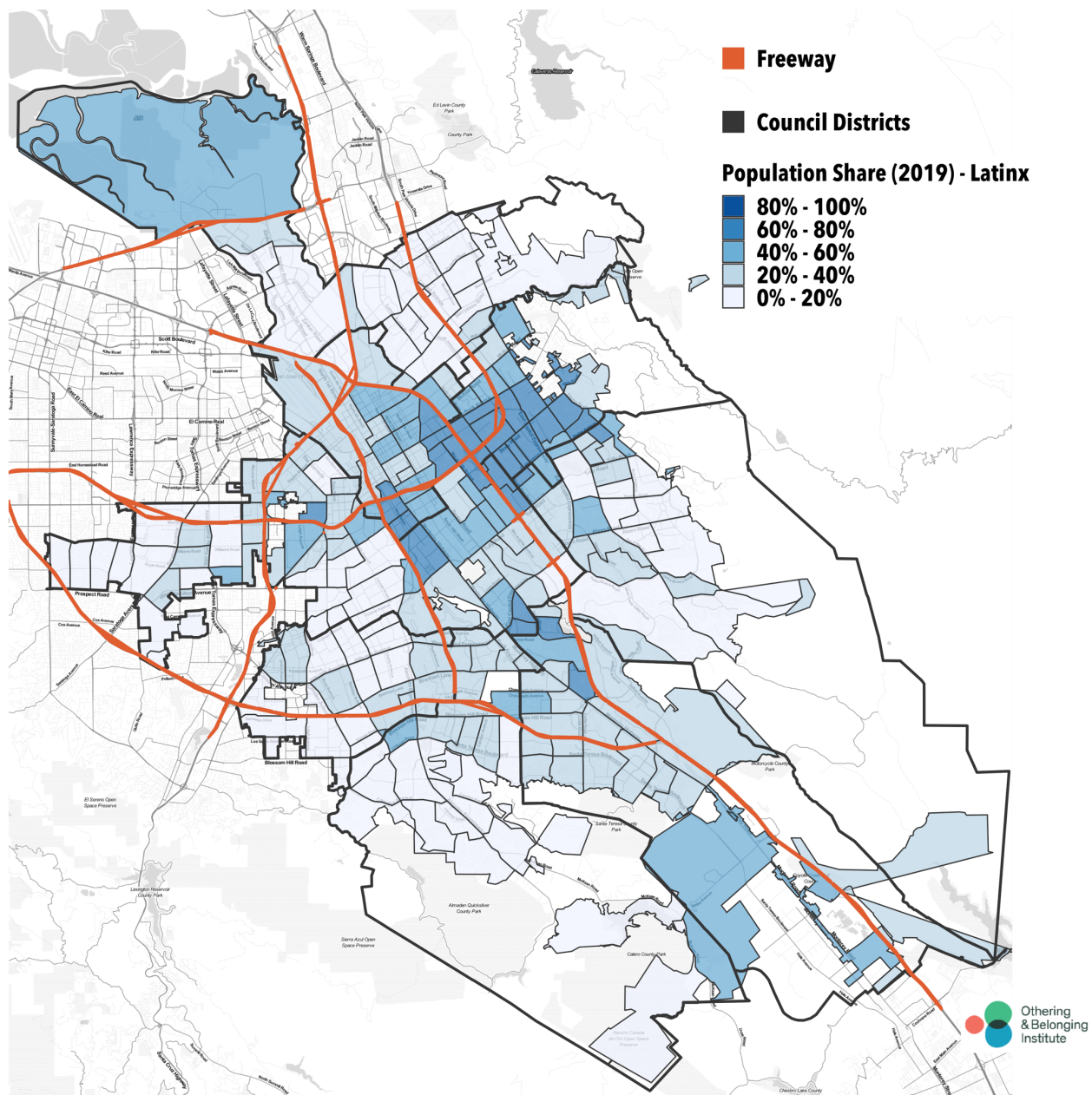
Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019. Pacific Islander residents are not included in the Asian category.

FIGURE C: SHARE OF CENSUS TRACT POPULATION THAT IS BLACK



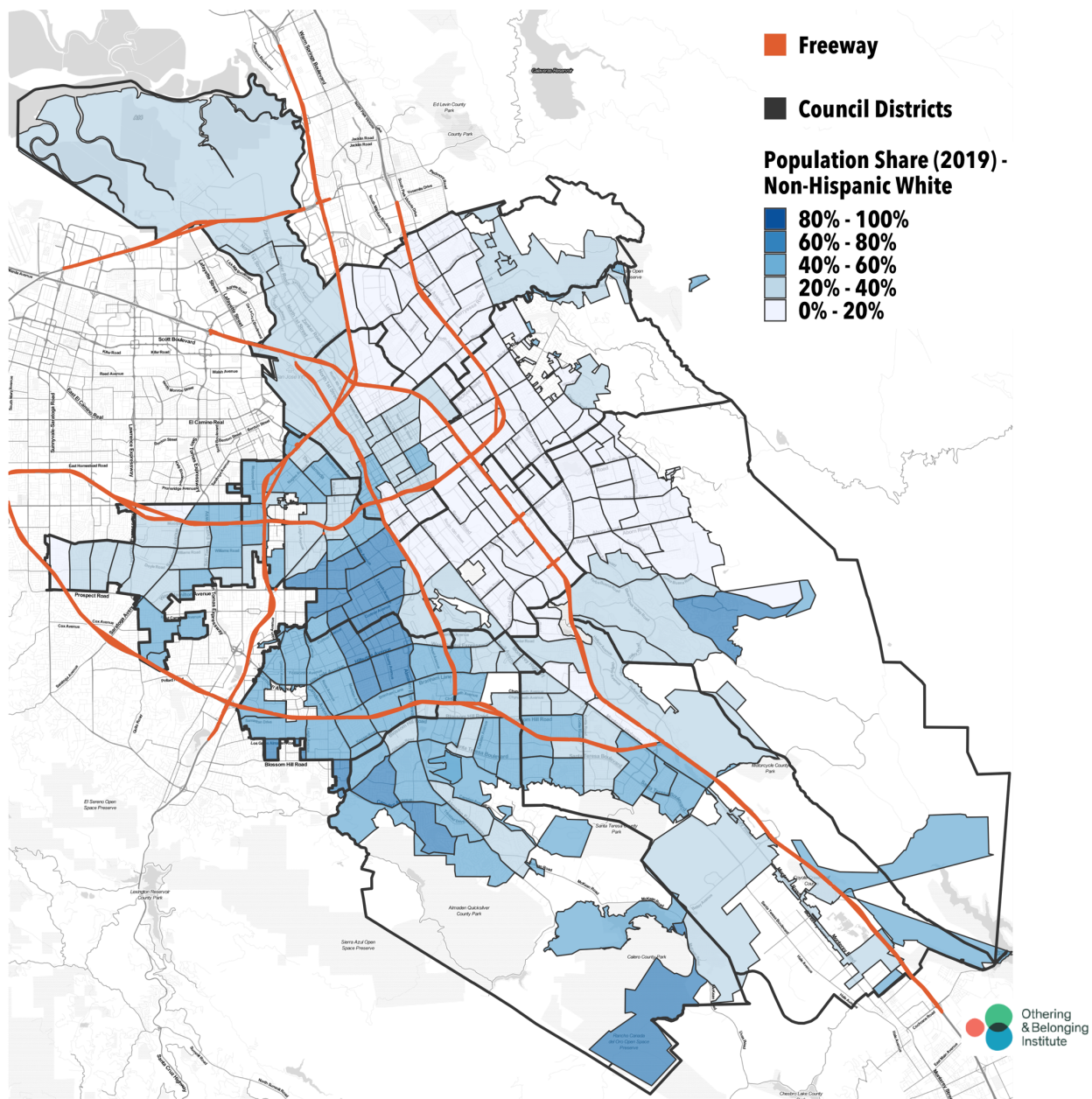
Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019.

FIGURE D: SHARE OF CENSUS TRACT POPULATION THAT IS LATINX



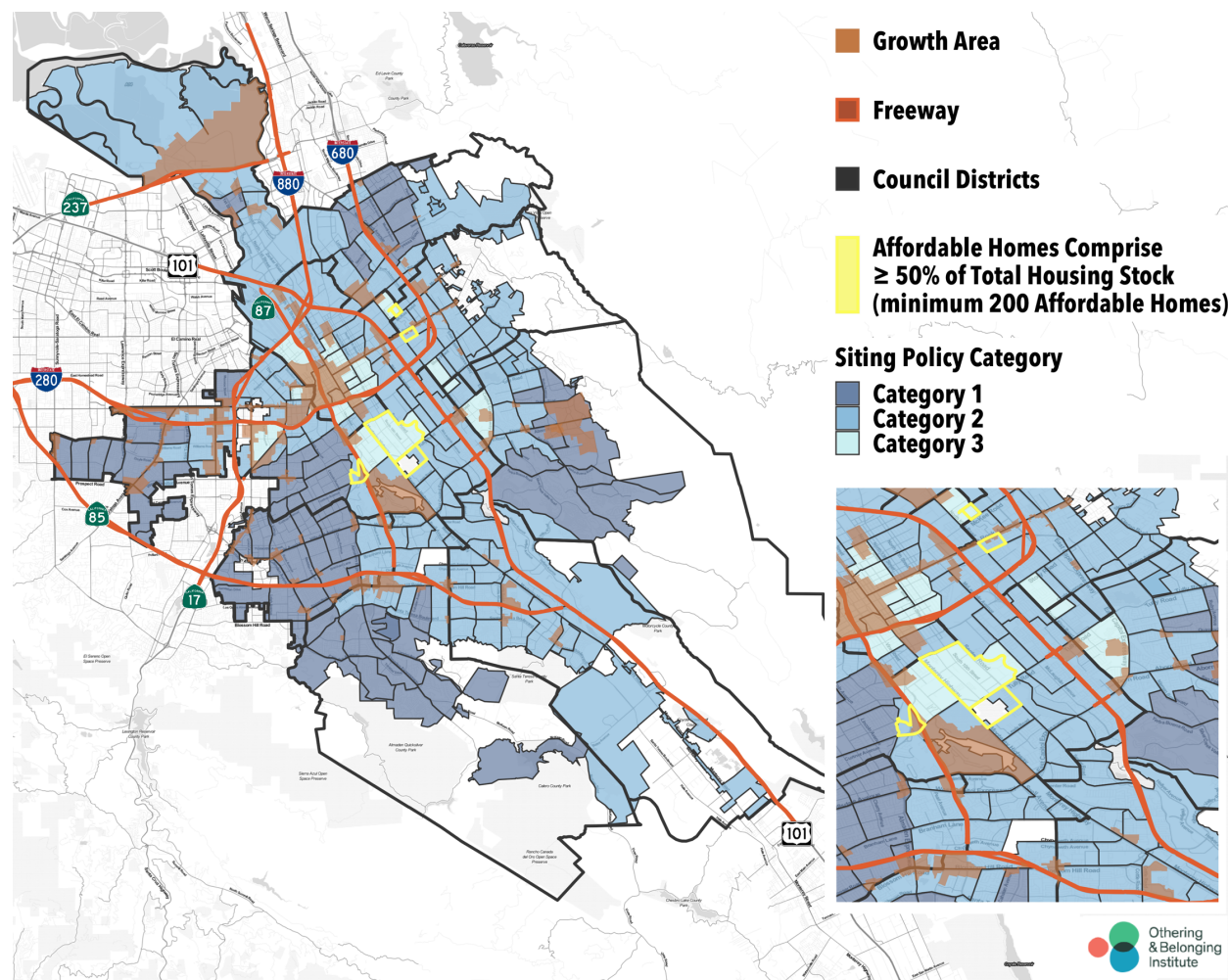
Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019. Latinx residents are those of any race who identify as Latino or Hispanic ethnicity.

FIGURE E: SHARE OF CENSUS TRACT POPULATION THAT IS WHITE



Data Source: Analysis of American Community Survey 5-year Estimates, 2015-2019. White residents are non-Hispanic.

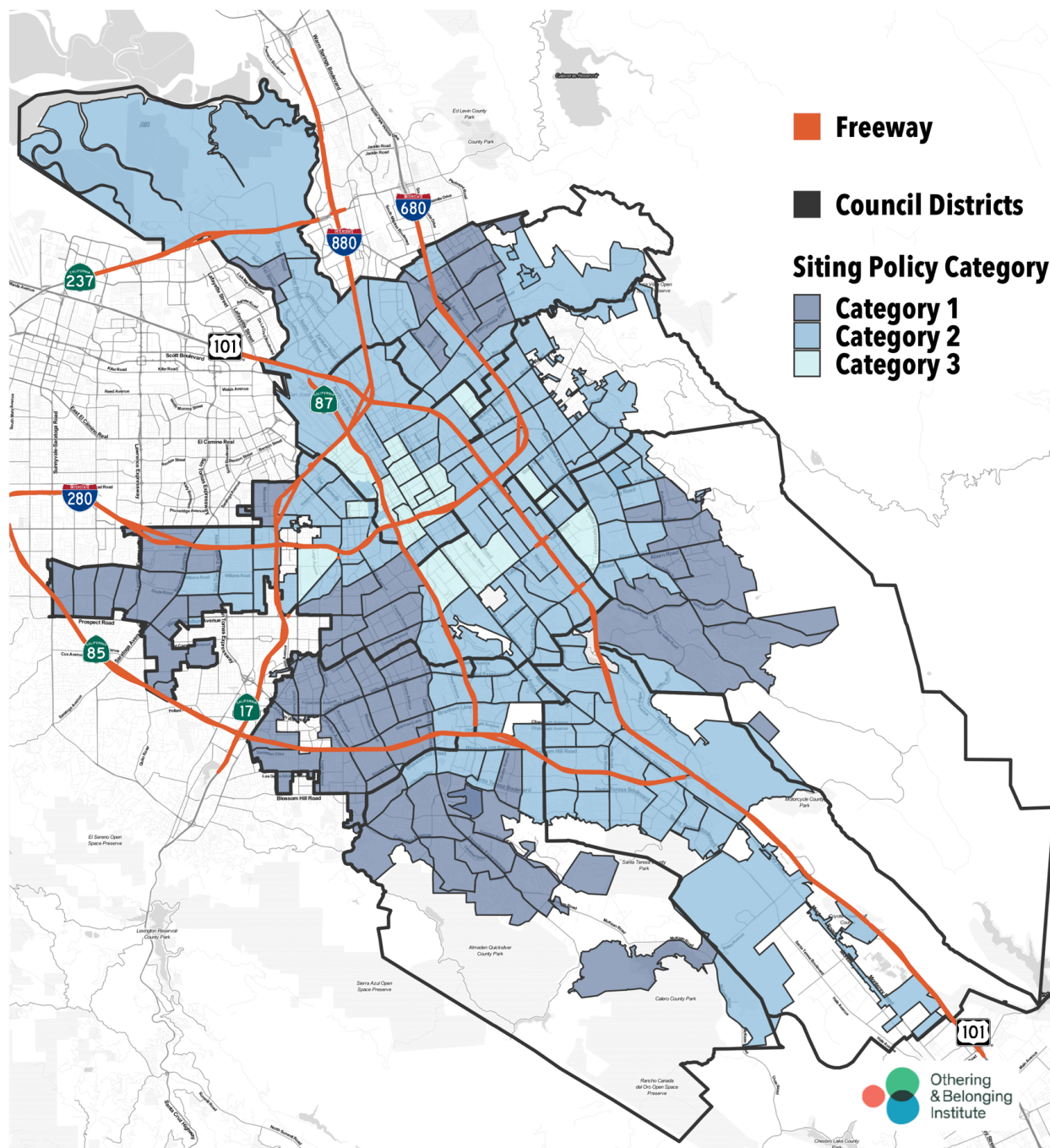
FIGURE F: BLOCK GROUPS WITH HIGH CONCENTRATION OF AFFORDABLE HOUSING



Data Sources: Analysis of American Community Survey 5-year Estimates, 2015-2019; City of San José Housing Department; and California Housing Partnership Preservation Database, April 2021.

Note: Block groups that meet the threshold for high concentration of affordable housing located entirely within Displacement and Exclusion Risk areas or Growth Areas are not shown.

FIGURE G: SITING POLICY MAP SHOWING ALL OF THE DIRIDON STATION AREA PLAN AS CATEGORY 2



APPENDIX B: DATA SOURCES AND METHODOLOGY

DATA SOURCES

Data sources used in the analysis for this report are included below.

AFFORDABLE HOUSING DATA

- *Existing and pipeline affordable homes:* City of San José Housing Department and California Housing Partnership Preservation Database.
- *Prospective affordable homes:* City of San José Housing Department.

DEMOGRAPHIC AND HOUSING INDICATOR DATA

- American Community Survey 5-year Estimates, 2015-2019.

DATA ON ALLOWABLE HOUSING DENSITY

- City of San José Planning Department.

NEIGHBORHOOD CHARACTERISTIC DATA

- *Highest rates of violent crime areas:* San José Police Department Crime Analysis Unit, provided on January 21, 2021.
- *Displacement and exclusion risk areas:* Urban Displacement Project SF Bay Area – Gentrification and Displacement map, available at <https://www.urbandisplacement.org/san-francisco/sf-bay-area-gentrification-and-displacement>.
- *High-poverty areas:* American Community Survey 5-year Estimates, 2015-2019.
- *Resource-rich areas* and *TCAC/HCD Opportunity Map* scores: 2021 TCAC/HCD Opportunity Map, available at www.treasurer.ca.gov/ctcac/opportunity.asp.
- *Transit-accessible areas:* Santa Clara Valley Transportation Authority, provided on January 5, 2021.

METHODOLOGY

A summary of the methodology used in the analysis for this report is included below.

ERROR THRESHOLD IN AMERICAN COMMUNITY SURVEY DATA

Because American Community Survey (ACS) data is a representative survey based on population samples, some data reported by ACS for smaller geographic areas, such as census tracts, have high margins of error due to small sample size. The U.S. Census Bureau recommends data users apply a reliability

threshold to ensure that interpretations between two measures are valid and significant.³⁰ This analysis applied a sample size minimum threshold of 100 observations per indicator. All census tract variable estimates that are derived from samples of less than 100 observations are removed from analysis, and not included in analysis across neighborhood categories (e.g., Category 1 tract demographics). Measures reported here for citywide demographics rely on census place estimates and not the sum of tract-based estimates and are therefore not affected by this data reliability threshold.

CENSUS TRACTS INCLUDED IN THIS ANALYSIS

Census tract boundaries do not perfectly align with the jurisdictional boundary for San José. A census tract is included in the analysis if it overlaps with the city boundary and the population-weighted centroid (the spatial average point of population distribution) falls within the city boundaries. If the population-weighted centroid falls within city boundaries, all of the tract population and corollary demographic data is included in this analysis. All census tracts included in this analysis contain the census block groups included in the analysis of affordable housing concentration.

AFFORDABLE HOUSING DESIGNATIONS

Affordable housing data was primarily provided by the City of San José Housing Department and supplemented with data provided by the California Housing Partnership's Preservation Database, and separated into three categories, as described below: Existing, Pipeline, and Prospective.

- *Existing:* Affordable homes in developments that are currently in operation, have converted to permanent housing but are not yet in operation, or which have completed construction.
- *Pipeline:* Affordable homes in developments with City funding commitments, Low Income Housing Tax Credit awards, or which are under construction.
- *Prospective:* All other affordable housing not yet under construction, which the Housing Department has deemed prospective.

Existing and pipeline affordable homes are designated by the Housing Department by population served: Family, Senior, Special Needs, and Other.

AVAILABILITY OF LAND FOR AFFORDABLE HOUSING DEVELOPMENT

To isolate areas where affordable housing can legally be developed in the city, we referred to the city of San José's General Plan designations and density limits by parcel, on the Planning Department's direction that General Plan regulations are more up-to-date and supersede the zoning code. Specific Urban Village plan designations and densities were applied to parcels within Urban Village boundaries if they differed from the General Plan, based on the current Urban Village plans provided by the Planning Department. "Residential Land" was defined as any parcel with a use designation that allows for housing, including Residential Neighborhood, Rural Residential, Mixed Use, Downtown and Agriculture. "Allowing Affordable Housing" land was defined as any residential parcel with a maximum density capacity of 30 homes per

³⁰ United States Census Bureau (2020). "Understanding and Using American Community Survey Data: What All Data Users Need to Know." Issued September 2020.

acre, which aligns with the State-mandated minimum density required for low-income housing sites in the City's Housing Element generally reflects the minimum density needed for developments financed with Low Income Housing Tax Credits to be financially feasible.

RACE AND ETHNICITY

Due to sample size constraints in census tract-level analysis using ACS data described above, reliable data is not available for every race and ethnic group in the City of San José. For this reason, data is only presented for the following individual groups: Asian, Black, Latinx, and White. Data for all other racial and ethnic groups available in the ACS—American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander, and Other Race and Multiple Races—are combined in an “Other” category. We use the gender-inclusive term Latinx in place of the ACS category of “Hispanic or Latino of any race.”

Groups are non-overlapping in analysis that does not account for income, meaning data is shown for non-Latinx members of a given group (e.g., Asian alone/non-Latinx). In analysis that accounts for both race/ethnicity and income at the tract level, only White alone/non-Latinx is available in the ACS, meaning data for other races includes those who also identify as Latinx. For household-level data, race or ethnicity refers to that of the householder (the person who answered the ACS).

AFFORDABLE HOUSING SITING POLICY

1. POLICY

The purpose of the Affordable Housing Siting Policy (“Siting Policy”) is to align affordable housing siting patterns in San José with affirmatively furthering fair housing (AFFH) principles, including increasing access to higher opportunity neighborhoods, mitigating displacement, and reducing disparities in resources between communities. The Siting Policy applies to all restricted rents 80% Area Median Income and below housing in the City of San José.

2. APPLICABILITY

The Siting Policy applies to permanent deed-restricted affordable housing financed by the City of San José, except acquisition and rehabilitation of existing deed-restricted affordable homes. For the purposes of policy evaluation (Section 6), the evaluation will include all permanent deed-restricted affordable housing in the City of San José restricted rents at 30% of 80% AMI and below, regardless of how it was financed.

The Siting Policy would not apply to 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).

3. OBJECTIVES

The policy’s objective is to consider the long-term success and stability of low-income households residing in affordable housing developments in San José. Research shows that increasing access to affordable housing is the most cost-effective strategy for reducing childhood poverty and increasing economic mobility in the United States.

3.1. The four primary Siting Policy Objectives are:

1. Aligning with Federal and State affirmatively furthering fair housing (AFFH) laws and obligations;
2. Increasing affordable housing availability in opportunity areas;
3. Mitigating displacement of low-income residents; and
4. Creating a Siting Policy that is easily administered by City staff and understood by developers.

3.2. Neighborhood Categories

The Siting Policy identifies three neighborhood categories organized according to their characteristics listed in order of the greater number of positive outcomes for residents.

Category 1 Neighborhoods are resource-rich areas identified as High or Highest Resource Areas in the Tax Credit Allocation Committee (TCAC)/Housing and Community Development (HCD) Opportunity Map. The criteria for Opportunity Areas in the TCAC/HCD Opportunity Map have characteristics associated with upward mobility, educational attainment, physical and mental health, and other positive outcomes, especially for children.

Category 2 Neighborhoods do not meet the criteria for resource-rich areas, but they are neither high-poverty nor highest rates of violent crime.

Category 3 Neighborhoods are high-poverty, highest rates of violent crime, or both. High poverty areas are defined as census tract areas where more than 20% of the households living in the area fall below the federal poverty line. Highest Violent Crime Areas are neighborhoods where exposure to violent crime is especially high relative to the rest of the San José. Areas are defined as highest violent crime if they rank above the 95th percentile in violent crime rate per 1,000 people in San José.

4. SITING POLICY GOALS

- 4.1. The goal of the Siting Policy is to evenly distribute affordable housing units across all three neighborhood categories at the same rate as the share of census tracts within each neighborhood category area. The long-term goal of the Siting Policy is to achieve a distribution of affordable housing units as follows:

Category 1 Neighborhoods	34% of affordable units
Category 2 Neighborhoods	59% of affordable units
Category 3 Neighborhoods	7% of affordable units

In order to achieve this goal, the Siting Policy incentivizes the distribution of affordable housing units in Category 1 and 2 neighborhoods over time. The policy is broken into two phased periods where “Phase One” is the first three-years of the policy (September 2021 to June 30, 2024) and “Phase 2” is the following five-year period (July 1, 2024 to June 30, 2029).

- 4.2. Phase One – During the initial three-year period, the Siting Policy will allocate funding based on the distribution of affordable units as follows:

Category 1 Neighborhoods	30% of affordable units
Category 2 Neighborhoods	50% of affordable units
Category 3 Neighborhoods	20% of affordable units

- 4.3. Phase Two – During the second five-year period, the Siting Policy will allocate funding based on the distribution of affordable units as follows:

Category 1 Neighborhoods	60% of affordable units
Category 2 Neighborhoods	30% of affordable units
Category 3 Neighborhoods	10% of affordable units

For Phase 1 and 2 of the Siting Policy, the goals should be met at the end of each phases and do not need to be met on an annual basis.

5. LIMITED FUNDING FOR NEW AFFORDABLE HOUSING DEVELOPMENTS IN HIGH- CONCENTRATION NEIGHBORHOODS

- 5.1. The City will consider limiting funding allocation for future affordable housing developments in census block groups where 50 percent or more of existing homes are deed-restricted affordable and the census block group contains 200 or more affordable housing, unless:
- The block group is located within a Displacement and Exclusion Risk census tract, which is defined as where low-income people could struggle to remain (or move in) without the benefit of new affordable housing; or
 - The block group overlaps with a Growth Area, where new housing production could reduce affordable housing's share of the overall housing stock over time.
 - In these cases, affordable housing should continue to be allowed in the portion of block group that overlap with a Growth Area, and the City should in the meantime assess the capacity and feasibility of future affordable and market-rate development within the Growth Area.

Exceptions those listed in 4.1 funding for new affordable housing developments in high concentration neighborhoods will require City Council approval.

6. IMPLICATIONS FOR THE INCLUSIONARY HOUSING ORDINANCE

- 6.1. The Inclusionary Housing Ordinance includes an option for market rate developers to meet their obligation under the ordinance by developing affordable housing through the offsite construction option (Municipal Code Section 5.08.510). This option allows the developer to provide 20% of the number of market rate homes as affordable inclusionary housing homes on an offsite location. Where the Inclusionary Housing Ordinance requires these to be in located in the same "Opportunity Area" as the market rate homes, the criteria for that Ordinance shall mean that offsite location must be in the same or lower neighborhood category as defined by the Siting Policy. For example, if the market rate housing development was built in a Category 2 neighborhood, the offsite affordable housing development must be built in either a Category 2 or a Category 1 neighborhood to comply with the Siting Policy.

7. POLICY EVALUATION

- 7.1. The City will track performance indicators on an annual basis and periodically adjust the Siting Policy based on the results. In addition, the City will commission an evaluation of the Siting Policy's transition phase (Phase One) before Phase Two begins to assess progress and recommend changes in implementation in order to achieve its high-level goals during the second phase.

Performance indicators to track on an annual basis will include, but not be

limited, to the following:

- High-level goals: Progress toward high-level Siting Policy goals for each neighborhood category;
- Affordable housing populations: Representation of each affordable housing development type (family, senior, special needs, other) in each neighborhood category, noting where affordable housing populations are over- or under-represented;
- Costs: using development costs in Category 1 neighborhoods relative to costs in other parts of San José;
- Race and ethnicity: Tenancy data to determine whether homes across the city are serving residents who reflect San José's racial and ethnic demographics;
- Non-City funded developments: Location of developments that do not require funding from the City, so that the City can adjust its funding priorities in accordance with high-level Siting Policy goals for each neighborhood category; and
- Map changes: Substantial changes to the Siting Policy map resulting from data updates reflecting neighborhood-level changes.
- An evaluation of the Siting Policy's interim phase (Phase One) will be commissioned before Phase Two begins. The purpose of the evaluation is to assess all progress and recommend changes in implementation in order to achieve the Policy's high-level goals during the second phase.

8. MAPS

- 8.1. The initial Siting Policy Maps, attached hereto as Exhibit A, are incorporated in this policy. The Siting Policy will be updated periodically when neighborhood-level data changes or becomes available that may result in census tracts changing categories requiring updated Siting Policy Maps.

9. CHANGES TO THE POLICY

- 9.1. The Director of Housing may update the Siting Policy maps and post the updated maps on the Housing Department website. Any changes to the Siting Policy will be made by resolution of the City Council.

Exhibit A. Affordable Housing Siting Policy Maps

FIGURE 1. Siting Policy Map Showing All of The Diridon Station Area Plan as Category 2

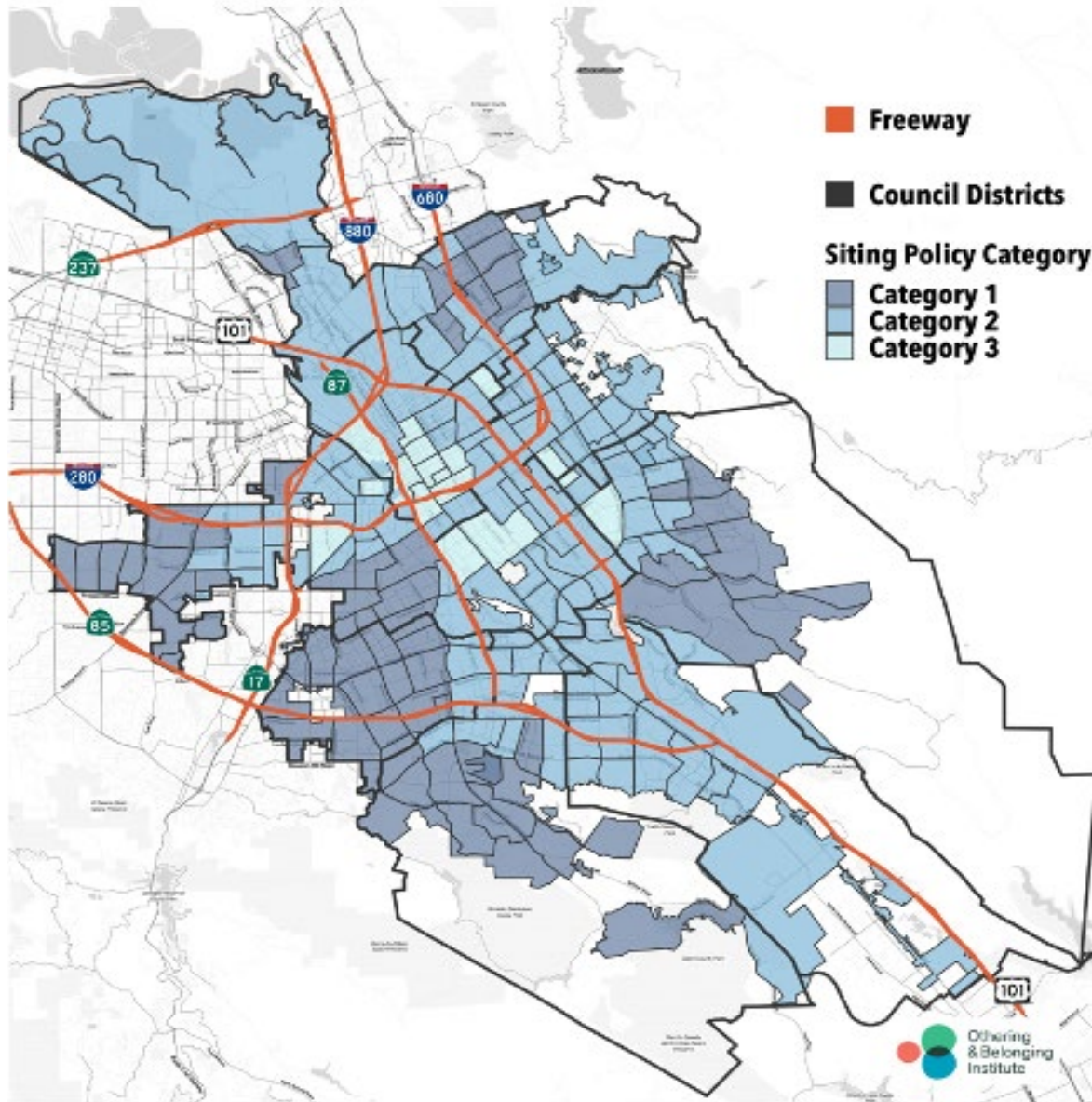
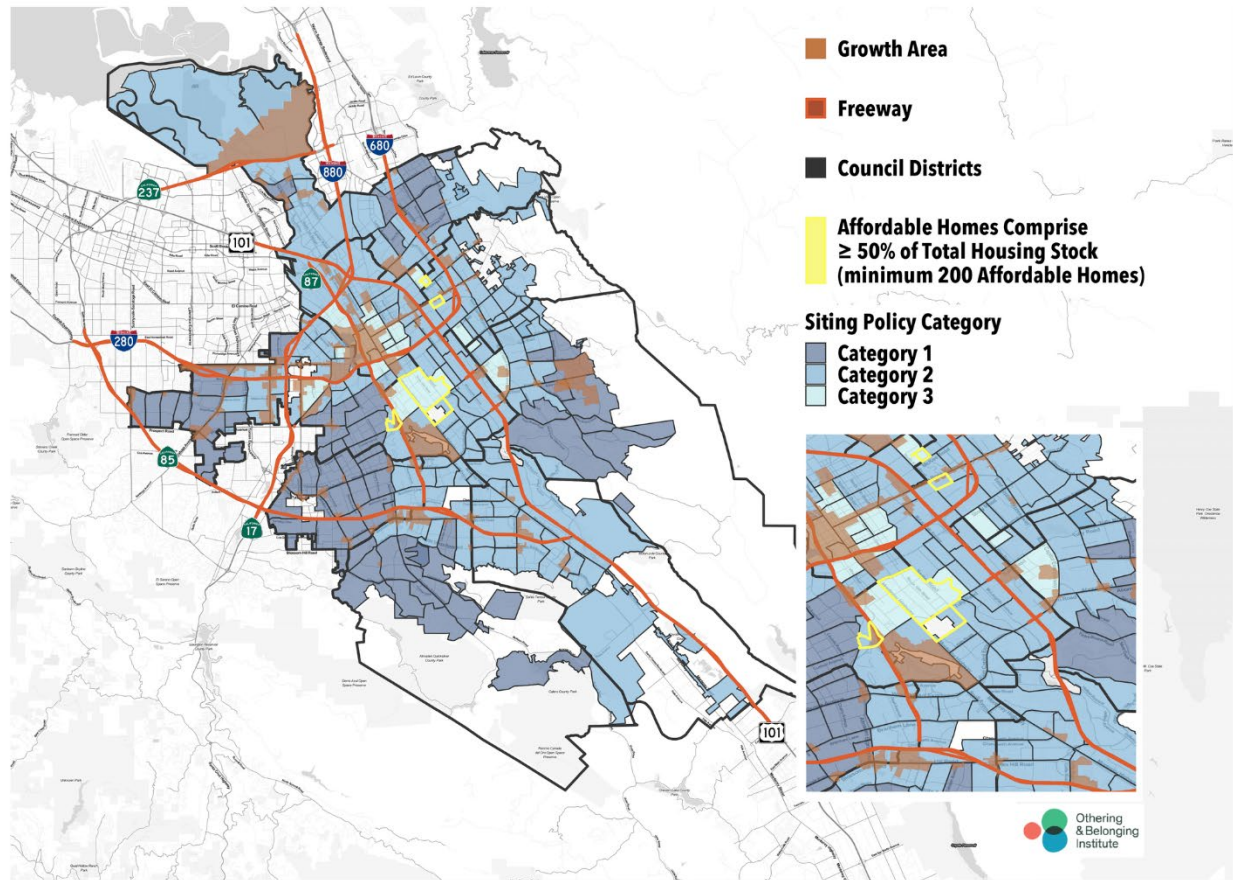


FIGURE 2. Census Block Groups with High Concentration of Affordable Housing



AFFORDABLE HOUSING SITING POLICY MAPS

FIGURE 1. Siting Policy Map Showing All of The Diridon Station Area Plan As Category 2

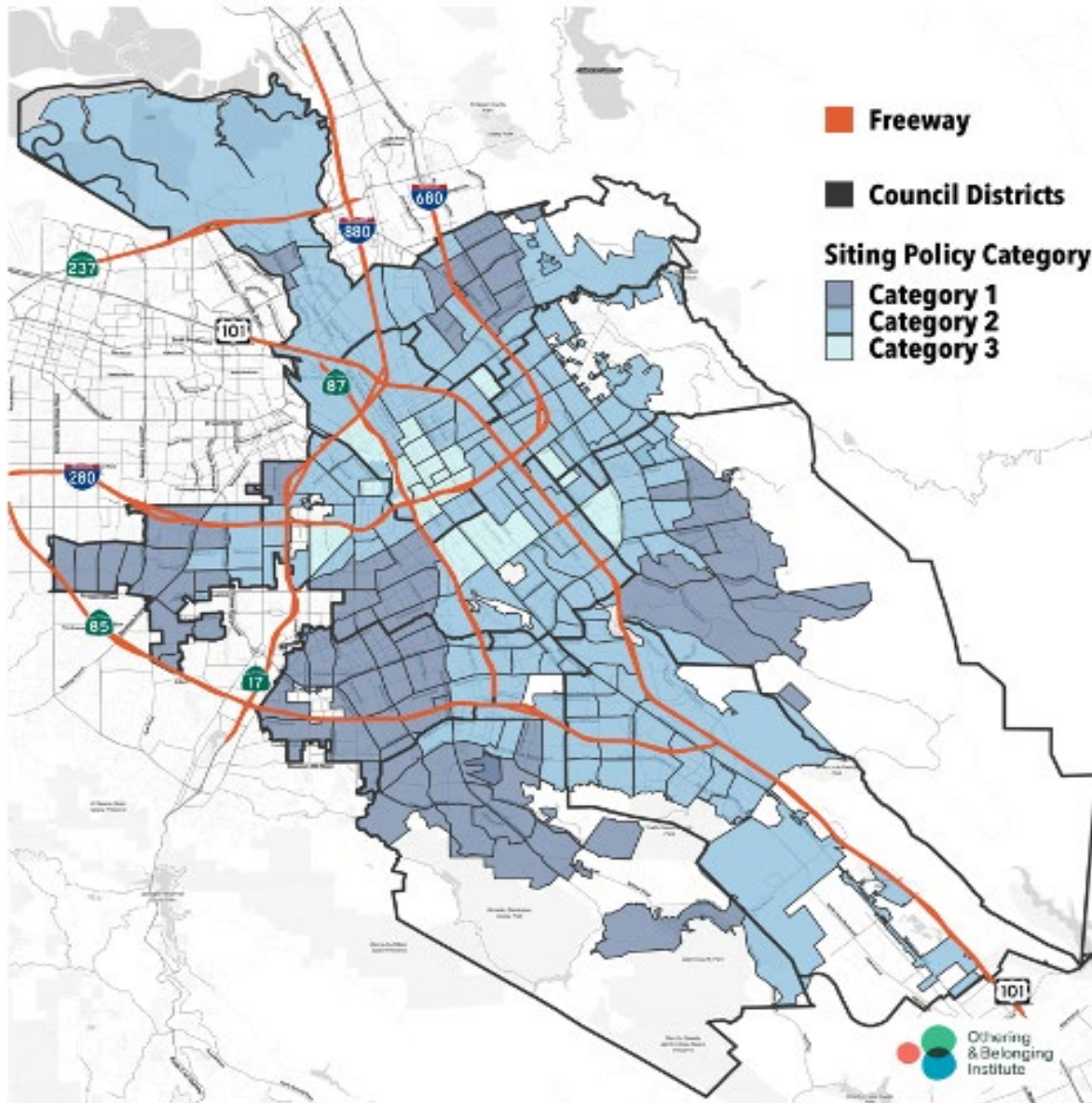
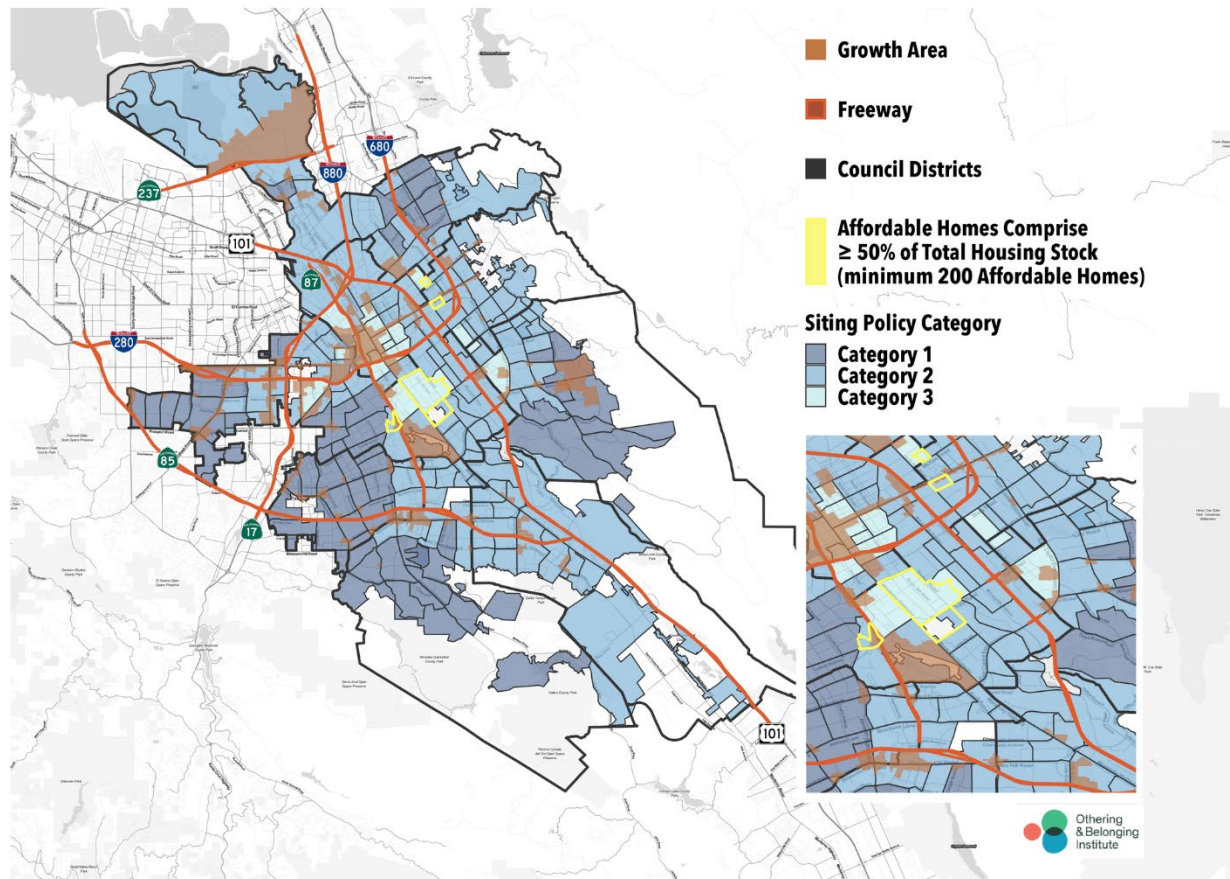


FIGURE 2. Census Block Groups with High Concentration Of Affordable Housing



BRIEFING SHEET

Affordable Housing Siting Policy

Background

The City paused its Dispersion Policy in 2017 to develop a new siting policy aligned with San José's General Plan and with new state and federal affirmatively furthering fair housing (AFFH) requirements.

Policy Objective

The policy's objective is to consider the long-term success and stability of low-income households residing in affordable housing developments in San José. Research shows that increasing access to affordable housing is the most cost-effective strategy for reducing childhood poverty and increasing economic mobility.

Applicability

Applies to Inclusionary Housing Ordinance Off-Site units and to units that meet all of the following criteria including, 1) site is located in the City of San José; 2) will receive funding from the City; 3) will have an affordable housing restriction recorded by the City; and 4) Will have rents that do not exceed 30% of 80% of the Area Median Income or below.

Affordable Housing Siting Policy Recommendations

Neighborhood Categorizations	Description	Percentage of the City	Current Distribution	Phase I Distribution	Phase II Distribution
Category 1	Resource-rich Areas which is defined as Transit-accessible areas and Growth Areas.	34%	9%	30%	60%
Category 2	All other areas that are not resource rich or high poverty or high crime	59%	68%	50%	30%
Category 3	High poverty or highest violent crimes areas	7%	23%	20%	10%
High Impacted Census Block Groups	50% percent or more of existing homes are deed-restricted; (200+ homes) Exceptions: Displacement risk and growth area	N/A	2%	Limit	Limit

Policy Evaluation

The City will track key Siting Policy performance indicators on an annual basis and adjust course based on results. Performance indicators should include, but not be limited, to the following:

1. Distribution of units across Neighborhood Categories
2. Distribution of Affordable Housing Populations across neighborhood categories including supportive housing, family, senior, and special needs
3. Cost of Development in Category 1 Neighborhoods and density of the developments
4. Race and ethnicity of affordable housing residents
5. Non-City funded developments including those funded by the County, Housing Authority, and Bond-only Affordable Housing
6. Map changes as underlying data changes

An annual evaluation will be brought to the Community and Economic Development City Council Committee.

Challenges to the Affordable Housing Siting Policy

- Potential increase to the cost of developing affordable housing. There is a concern that building affordable housing in these areas may increase the cost of affordable housing production. Current data on land costs indicates that building in Category 1 neighborhoods will not increase costs. Continue to track costs.
- Fewer parcels may be available for affordable housing development making it difficult to achieve the goal. Additional data is needed. Establish a predevelopment and land acquisition fund with a CDFI to assist developers in locating sites in Category 1 neighborhoods.
- Lack of investment in low-income neighborhoods and the potential to restrict transformative developments in areas in need of improvement. Developments will still be funded in Category 3 neighborhoods. Developments that provide greater benefit to tenants and the neighborhood will be prioritized for funding.

Workplan to Support Policy

- Update the Affordable Housing Investment Plan
- Update NOFA consistent with the Policy. Include incentives to site family and PSH in Category 1 neighborhoods. Deduct points for PSH in Category 3 neighborhoods.
- Engage a consultant to identify sites in Category 1 neighborhoods
- Coordinate with the County and Housing Authority
- Explore impact on City's bond policy
- Track anti-displacement efforts
- Update the Notice of Funding Availability (NOFA) to reflect the distribution of funds

Next Steps

- Issue a Request for Proposals to select a partner for the site acquisition fund management
- Release the updated Notice of Funding Availability in fall 2021

Figure 1. Neighborhood Categories to Inform the Siting Policy

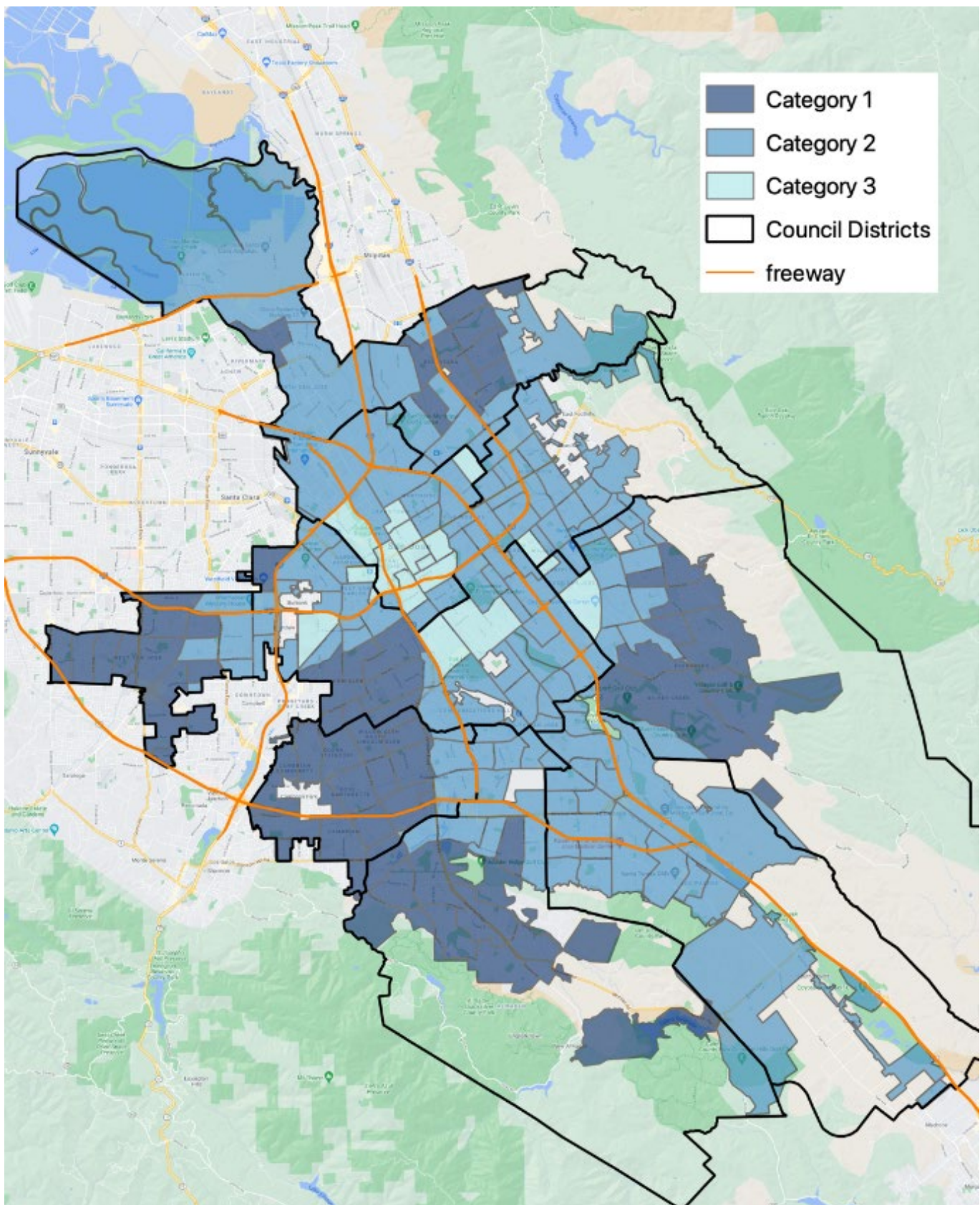
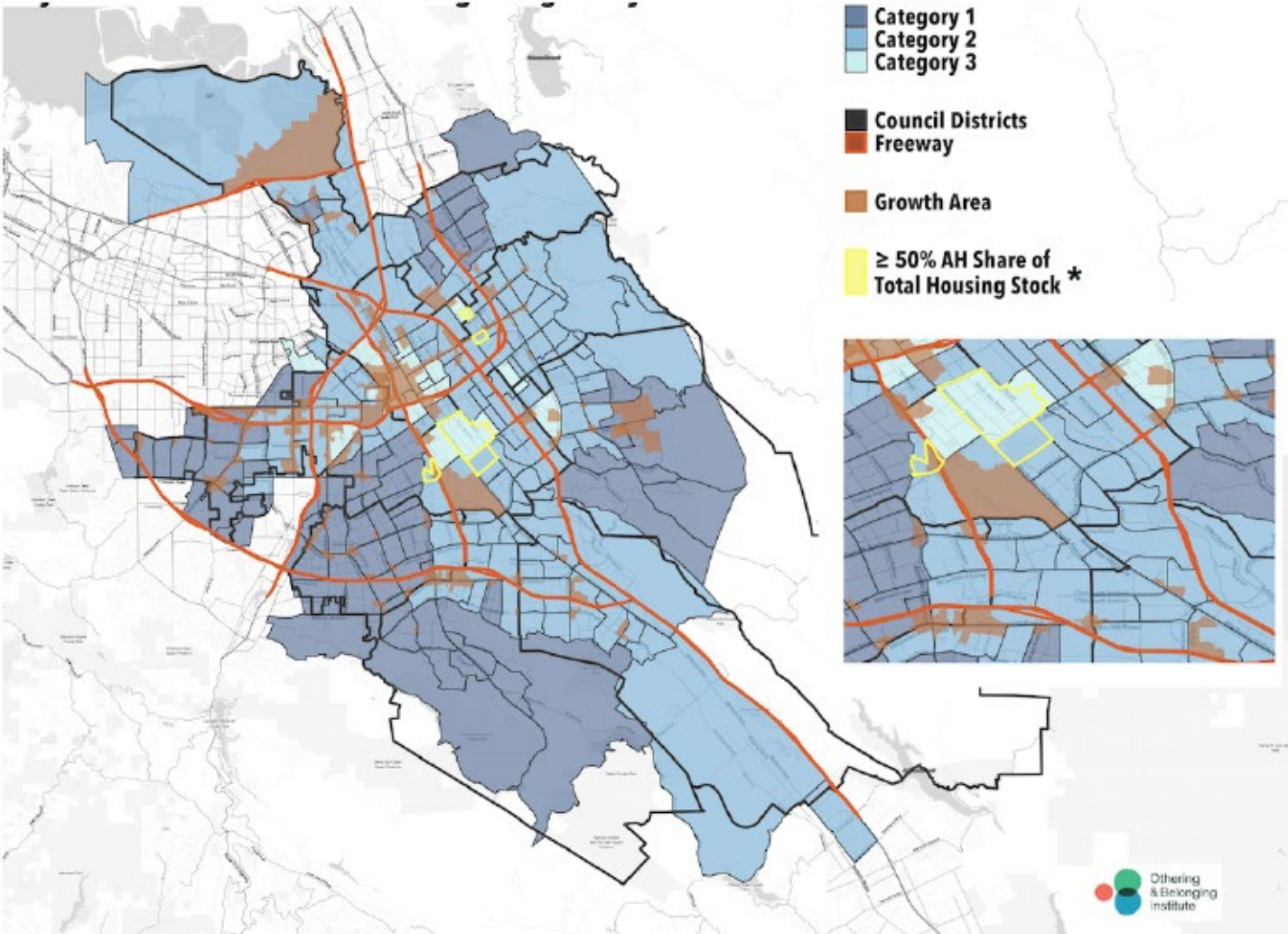


Figure 2. Census Block Groups with High Concentration of Affordable Housing



Questions and Concerns Raised During Outreach Process

Throughout the process of developing the Siting Policy, several critical questions and issues were raised by community members.

Is Affordable Housing Concentrated in Some San José Neighborhoods?

There are only nine census block groups within the City of San Jose that have more than 50% of the homes in the block restricted-affordable housing. In order to determine concentration of affordable housing, the consultants assessed concentration at the census block group level, which allows a finer-grained approach to identify possible instances of concentration than census tract-level measurement. Concentration of affordable housing is calculated by comparing the County Assessor's dataset of current homes with data on current and pipeline of affordable housing.¹

Only nine block groups, comprising two percent of block groups in the city, have 50 percent or more of its housing stock comprised of affordable housing and more than 200 existing affordable housing (the median number of homes in block groups in San José is 437). Six of these block groups are located in Category 2 neighborhoods and three are located in Category 3 neighborhoods. Four of the over-concentrated block groups (all in Category 2) are partially overlapping with Growth Areas, and one block group (in Category 3) is located entirely within a Growth Area. Three block groups, including two of the block groups partially within Growth Areas, are located within Displacement and Exclusion Risk areas (all in Category 2).

It is important to note, in a city where approximately 46 percent of existing households would qualify for affordable housing and its draft Regional Housing Need Allocation would require planning for 23,775 new affordable housing for very low- and low-income households during the next planning cycle, 78 percent of block groups do not even contain any existing or pipeline deed-restricted affordable housing. Affordable housing represents between one percent and 49 percent of the total housing stock in 19 percent of block groups (114) in San José.

Do Affordable Housing Developments Negatively Impact Neighborhoods?

Recent literature has found affordable housing and/or permanent supportive housing does not depress or negatively impact property values or the surrounding communities. There is no reason to believe that new supportive or affordable housing developments will negatively impact property values. A 10-year research study including 122 new low-income housing developments in the City of San José showed that the value of homes within 2,000 feet of new housing increased at the same rate as homes further away.²

Research further provides developing affordable housing or permanent housing within impoverished neighborhoods has a positive impact to the already vulnerable community. In the City of San José Homeless Census & Survey Comprehensive Report 2019, of the homeless

¹ <https://www.sccassessor.org/index.php/component/k2/item/493-annual-report-2010-2021>

² <https://www.sccgov.org/sites/opa/newsroom/Documents/Myths.pdf>

people surveyed 83% of respondents reported having lived in Santa County, and among these respondents, 71% had lived in Santa Clara County for five or more years, while 14% had lived in Santa Clara County for less than one year.³

Pinpointing the causation of homelessness is difficult; however, research shows providing affordable housing is one of the most cost-effective ways to address homelessness and prevent homelessness; specifically, for those who need the most help. Public services cost about \$62,000 per person per year for the most vulnerable individuals when living on the streets.⁴

One study concluded that “the effect of supportive housing might vary, for example, depending upon the concentration of supportive housing buildings – there might be some threshold number of developments sited near each other that may begin to negatively affect surrounding property values.” New supportive housing is designed to improve the quality of life for the entire community. Often, crime statistics may capture the reality of neighborhoods, however there is no conclusive evidence that supportive or affordable housing increase neighborhood crime.⁷ For each dollar invested in affordable housing, the local economy is boosted by leveraging public and private resources to generate income—including resident earnings and additional local tax revenue—and support job creation and retention.⁵

Who Lives in Affordable Housing?

Critical services workers call affordable housing their home. The overwhelming majority of the City’s affordable housing stock is restricted to incomes over 30% of the Area Median Income (AMI) with the majority of restrictions between 50% and 60% of the AMI. Many workers such as Healthcare Support (annual average income of \$37,834), Janitors (\$38,473) to Elementary School Teachers (\$88,202) can barely afford rents. The annual income needed to afford average rent for a one-bedroom apartment is \$82,240, for a two-bedroom, a household would need to make \$103,560 annually to afford an apartment.⁶ San José housing affordability levels typically support working households with maximum incomes of up to \$58,000 - \$69,600 (one person) and up to \$82,850 – \$99,420 (family of four). Less than 1% of the total housing stock is income restricted affordable housing for Extreme Low Income (ELI) households. ELI homes typically house low-wage and minimum wage earners, seniors, and other at-risk residents (such as formally homeless) with annual incomes of up to \$34,800 (one-person) and up to \$49,700 (family of four).⁷ The City has also recently prioritized the development of permanent supportive housing which provides homes for our most vulnerable residents. The majority of these developments serve people with disabilities.

³ <https://www.sanjoseca.gov/home/showpublisheddocument/47511/637116587121970000>

⁴

<https://housingtoolkit.sccgov.org/sites/g/files/exjcpb501/files/Evidence%20That%20Supportive%20Housing%20Works.pdf>

⁵ <https://nlihc.org/explore-issues/why-we-care>

⁶ <https://www.sanjoseca.gov/home/showpublisheddocument/72579/637562458382430000>

⁷ <https://www.sanjoseca.gov/home/showpublisheddocument/72579/637562458382430000>

What are the Positive Outcomes for Low-Income Households in Opportunity Areas?

Opportunity areas, referred to as resource-rich areas in the Siting Policy, have characteristics shown through research to be associated with upward mobility, educational attainment, physical and mental health, and other positive outcomes, particularly for children. Based on the Siting Policy recommendations 73 census tracts meet this definition in San José, comprising 34 percent of tracts citywide. Research further shows, adults living in lower-poverty neighborhoods experience overall better mental and physical health and are more likely to be employed and to have earnings above the federal poverty level. Additionally, youth living in lower-poverty and opportunity areas are exposed to greater educational opportunities and are also more likely to have attended college¹². This is also consistent with the Assessment of Fair Housing that requires cities to proactively take meaningful action to foster choice in opportunity areas.

What is supportive housing?

Supportive housing looks like any other housing, but includes individualized support services to help residents remain housed and live productively within our community. Supportive housing is a proven strategy to reintegrate chronically homeless and other vulnerable homeless families and individuals into the community by first addressing their basic housing need and then providing ongoing support to help address other life issues and remain housed⁸.

Is supportive housing the same as a homeless shelter?

Homeless shelters (emergency shelters) provide a temporary place to sleep for people experiencing homelessness, usually limited to six months or less. By contrast, supportive housing provides residents with permanent homes and wraparound support services to ensure people are able to stay in housing.

Providing housing is actually one of the most cost effective ways to address homelessness, specifically for those needing the most help. According to Home Not Found: The Cost of Homelessness in Silicon Valley, public services cost about \$62,000 per year for each of the most vulnerable homeless individuals when they are on the streets. After moving them into supportive housing, that cost is reduced to \$20,000.⁹

Will supportive housing become a magnet for homeless individuals in my neighborhood?

Most developers of supportive housing in our community have been successfully building affordable housing in the region for decades. These developers, property managers and supportive service providers implement effective approaches that benefit the entire community and do not typically become magnets for homeless individuals. In Santa Clara County, supportive housing developments do not offer drop-in services (providing food, clothing or emergency shelter, for example) for people experiencing homelessness who do not live there.¹⁰

⁸ <https://housingtoolkit.sccgov.org/tools/frequently-asked-questions#3925188384-655111879>

⁹ <https://housingtoolkit.sccgov.org/tools/frequently-asked-questions#3925188384-655111879>

¹⁰ <https://housingtoolkit.sccgov.org/tools/frequently-asked-questions#3925188384-655111879>

Will the Siting Policy apply to other types of housing such as group homes, shelters or affordable developments financed by outside agencies?

The Siting Policy will apply to permanent affordable housing funded by the Housing Department located in the City of San José with affordability restrictions limiting rents to 80% of the Area Median Income.

The Siting Policy does would **not** apply to:

1. Acquisition and rehabilitation of existing deed-restricted affordable housing because these units already are included in the existing count. These units are included in the evaluation of the overall distribution goal.
2. Bridge Housing Communities and Emergency Interim Housing because these are time-limited and are governed by a separate policy. More recently, these units have been developed in response to the pandemic and have been approved by the City Council. These units are not included in the evaluation of the overall distribution goal because they are not permanent housing.
3. Affordable units or affordable homes developed provided under the City's inclusionary housing ordinance because these homes are required under the Zoning Code as part of an integrated mixed-income development. The Policy will apply in cases where the developer elects to build their affordable units off-site. All inclusionary units at or below 80% of the Area Median Income will be included in the evaluation of the overall distribution goal.
4. Group homes are not funded by the City. They are not permanent deed-restricted affordable housing. Temporary homeless shelters are not permanent deed-restricted affordable housing. Additionally, restriction of the siting of these uses is often limited by state and federal law including fair housing laws protecting the disabled. These uses are not included in the evaluation of the overall distribution goal.
5. Permanent affordable housing that is not funded by the City because the Housing Department is not funding the development. The City, as a lender, can decide where to fund new construction, however the State Planning Act Planning and Zoning Law prohibits the City, in its planning capacity, from imposing conditions on affordable housing that are not imposed on market rate housing. Staff will work with other funders and request they align their funding with the City Siting Policy. These units will be included in the evaluation of the overall distribution goals.