

Exhibit G Long-term Effect
[City of San José]

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What permanent, long-term effects will your proposal have? What outcomes do you expect?

Long Term Effect

San José will develop a responsive subsidy process for housing preservation. There are multiple long lasting outcomes that will result from the deliverables related to this proposal including:

- Preservation of NOAH Units
- Preservation Policy
- Streamlined Rehabilitation Process
- Local Involvement in Preservation
- Tenant engagement

Success will look like a robust system of supporting tenants through a preservation process that counters displacement and builds community connections. This will be achieved by reforming existing practices to incorporate a new set of affordable housing actors that counteract the market forces that are making our region less economically and culturally diverse.

Tracking Impact

SJHD will develop an annual tracking report that draws on information collected through developer partners, community groups, and the rental registry. This will give our community an unprecedented look into ongoing displacement and the effect of the new process and policy for supporting housing preservation. Few communities in the country are able to provide this level of detailed information, therefore this effort will serve as a model for other communities to replicate and improve.

There are several expected outcomes from the activities suggested in this proposal including:

- **Reduced Displacement** – Tracking population change to understand where tenants are moving. The quantitative measure will be the population of low income minority households in San José with a particular emphasis on Latino/a/x, African American and Southeast Asian residents. The qualitative measure will be annual feedback from community organization partners through our continued engagement process.
- **Increased Community Involvement:** Measure the number of community groups involved in preservation and the specific service they provide.
- **Tenant Engagement:** Measure the number of tenant education programs and opportunities for building input as reported by developer partners. This will be followed up with qualitative feedback from community based organizations and tenant advocacy groups about the efficacy of these programs.
- **Reduced Housing Cost Burden:** The activities will reduce housing cost burden of individual residents by limiting the increase in rent over time as well as setting clear requirements for new tenants to income qualify at 80 percent or less of AMI. Full set of activities are also likely to alter the overall housing cost burdened rate, which will be

closely monitored to understand the impact of the new investments, partners, and policies.

- **Access to Opportunity:** The location of the investments will be closely tracked to demonstrate that they are proximity to existing opportunities. At the same time, the direct impact will be measured by the opportunities at the site through the involvement of community groups.

Promoting Community Resilience

The City's most recent Assessment of Fair Housing concluded that the San José's most pressing climate risks came from flood hazards concentrated in the center and center-east parts of the city, where this proposal's activity is likely to be concentrated. As the report stated, "These areas overlap with the concentration of R/ECAP neighborhoods as well as areas of higher risk of economic displacement and lower resources per the TCAC/HCD opportunity maps." This proposal is designed to advance the city's sustainability and resilience initiatives within these high-risk communities. Rehabilitating existing apartments may offer opportunities to incorporate hazard-resistant building materials where applicable, particularly exterior building components, such as vinyl, concrete, and ceramic tile, which can better withstand flood damages. Furthermore, certain mid-density apartments eligible for the proposed acq/rehab program may have opportunities to reduce the share of impervious surface on their lots. SJHD will additionally explore all avenues to integrate energy-efficient building materials, appliances, and design standards that mitigate the impacts of extreme heat, often a heightened threat in lower-income communities of color across U.S. cities.

Furthermore, community resilience includes multiple social dimensions, as noted by several comprehensive measures of community resilience (Baseline Resilience Indicators for Communities, from the University of South Carolina; Community Resilience Indicator Analysis, initially conducted by FEMA). Countering displacement pressures in San José's vulnerable communities, and allowing longstanding social networks and social capital to remain intact, will promote community resilience with San José's lower-income communities of color at an elevated risk of displacement.

Potential Roadblocks & Remedies

Given that that these activities will require developing a new process there are several potential roadblocks that might occur that San José has considered as follows:

- **Limited Funding from Measure E:** If the economy continues to struggle, there is potential for matching funds to decrease. This can be overcome by shifting the share of Measure E devoted to the program. It is also expected that if the economy continues to struggle there will be more opportunities to acquire existing multifamily buildings at lower prices which will require fewer resources.
- **Rising Costs:** The cost of outbidding market rate value add investors for existing buildings could continue to rise making it difficult to provide sufficient gap financing. This can be mitigated through accessing other sources of gap financing available in San José through philanthropic sources. Furthermore, recent market indications show that multi-family pricing peaked approximately a year ago and there is a large scale price correction on-going that is likely to reduce gap financing needs for preservation, even as gaps for new construction rise due to steady increases in construction costs.

- **Developer Bankruptcy:** Despite careful underwriting, it is possible that developers face financial issues that are beyond the project. This will be partially mitigated through the affordability covenant that requires that the agreement survives current ownership. The City would also work with the developer to find another mission oriented develop.

Scaling

The outcomes of the activities will serve as a model for communities in the region, state and nation. The reform process contemplated in this proposal go far beyond the traditional program that relies on one-time bond financing or philanthropic funding, to create an annually recurring process, with supporting policy and permitting reforms.

The most immediate impact will be to other communities in the County and Region. The Bay Area Council of Governments recently approved a regional housing financing authority. One of the three pillars of that authority is preservation, therefore all of the documentation and experience from this proposal will be shared through that platform. In fact, if a voter proposed bond passes in 2024 it is likely that the initial outcomes of this program will inform the design of the preservation funding process for the entire region.

As experience grows with the new subsidy process, other cities and counties across the state will be able to learn from the progress reports, policy documents, and community groups with recurring preservation experience. The California Department of Housing and Community Development can help San José share its experience.

Finally, as noted earlier the annual report on preservation and displacement will serve as an example for communities across the country addressing this issue.

Impact on Segregation

Research within the Bay Area shows that, within the last two decades, displacement of low-income households of color has led to re-segregation, rather than disrupting historical concentrations of populations along racial and ethnic lines. The City's 2020 Anti-Displacement Strategy contains a review of this research. To summarize, a Turner Center study ('Disparities in Departure', October 2018) reviewed American Community Survey data for the Bay Area, and found that 1.5 million Bay Area residents moved out of the Bay Area between 2010 and 2016 (roughly one-fifth of the area's present-day population). For every high-income household (earning more than \$200,000 a year) that moved out, six low-income households (earning less than \$50,000 a year) did. The study found that these low-income out-movers from the Bay Area were disproportionately Black and Hispanic. These out-movers, furthermore, tended to relocate to the Central Valley of California, and reported reduced access to employment, education, and healthcare relative to their prior neighborhoods. A second 2018 study, produced by the California Housing Partnership and the Urban Displacement Project, reviewed displacement and segregation trends across the Bay Area from 2000 to 2015. Despite being displaced from communities with high levels of segregation, historically, the study found that displacement did not ameliorate segregation. Instead, the number of Bay Area households living in high-poverty, high segregation neighborhoods increased by 15% for Black households and 100% for Hispanic households between 2000 and 2015.

By executing this proposal as planned, SJHD can help to stem this trend of re-segregation among households displaced from San José neighborhoods, and help ensure that the next 15 years of household location do not continue the trends observed between 2000 and 2015 across the Bay Area.