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

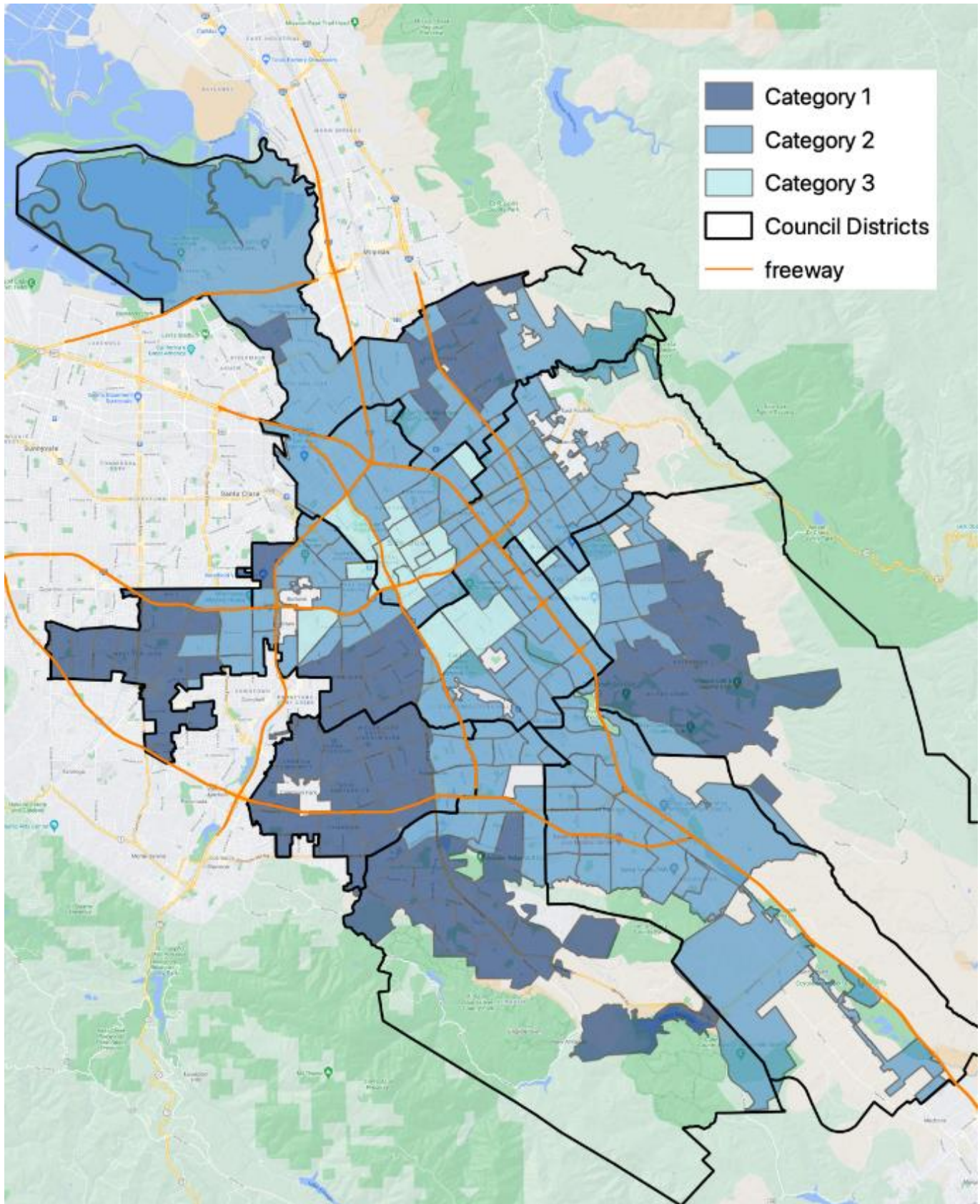**Figure 1**. Neighborhood Categories to Inform the Siting Policy

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