

Memorandum

TO: COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

FROM: Jacky Morales-Ferrand

SUBJECT: UPDATE ON HOMELESSNESS RESPONSE INITIATIVES

DATE: June 13, 2017

Approved

Kin Walsh

Date

June 19, 2017

RECOMMENDATION

Accept the staff report to:

- 1) Provide the current number, type, and location of temporary and permanent homes for formerly homeless residents in San José, as well as other deed-restricted affordable housing; and,
- 2) Temporarily pause implementation of the City's current Dispersion Policy applying to individual residential developments, pending update of the Dispersion Policy to align with the General Plan and with Federal and State guidance on fair housing.

OUTCOME

Acceptance of this report will result in an updated and accurate understanding of the number of homes for formerly homeless residents in San José, and of the overall number and locations of all deed restricted affordable housing ("affordable housing") in the City. This will provide baseline data so that the impact of new initiatives can be tracked. It will also inform Committee members on the City's existing Dispersion Policy, and on the need for the City to update this Policy.

BACKGROUND

This memorandum clarifies both the types of housing for formerly homeless residents and for other extremely vulnerable populations. This clarification is in response to incorrect data that community members presented to the City Council on October 16, 2016. The item before the City Council was approval of actions pertaining to the development of an Interim Housing Community to house formerly homeless individuals at the City-owned Evans Lane site. This memorandum gives correct data for the location of affordable housing throughout the City. It also provides a definition of the different types of temporary and supportive housing solutions and details on the distribution of affordable housing serving formerly homeless households.

A major strategy of the Envision San Jose 2040 General Plan is to focus new growth capacity in specifically identified Growth Areas, which include Urban Villages, Downtown, North San Jose and other areas with completed specific plans or area development plans. As part of the Four-Year Review of the General Plan conducted in 2015-2016, changes were made to facilitate the production and preservation of affordable housing, particularly in Urban Villages. With its adoption of General Plan text amendments on December 13, 2017, the City Council created a new goal, IP 5.1.7. This new goal establishes an Urban Village-wide goal that, with full build-out of the planned housing capacity of the given Village, 25% or more of the newly built units would be affordable housing, with 15% of the units targeting households with income below 30% of Area Median Income.

The development of affordable housing, including those for community members experiencing homelessness, will be a future emphasis in San José due to the County's landmark Measure A. In November 2016, Santa Clara County voters approved Measure A, which will generate \$950 million to support new affordable housing. At least \$750 million of the \$950 million of the Measure A funds will be directed to creating housing opportunities for extremely low-income residents, including households experiencing homeless and other vulnerable populations.

Analysis of the number and location of affordable units also informs the need to update San José's Affordable Housing Dispersion Policy ("Dispersion Policy" or "Policy"). This update is also identified in workplan item 32 of the City's Housing Element, and as item 5.5 in the City's Analysis of Impediments to Fair Housing.

The foundation for the City's Dispersion Policy was developed three decades ago. In 1988, shortly after the formation of the Housing Department, the City Council approved "San José: A Commitment to Housing," the Final Report of the Mayor's Task Force on Housing. One of the policy statements adopted as a part of that approval was the Dispersion Policy, which encouraged the development of affordable housing throughout the City and in every Council District to promote economic integration. Under this policy, "no area of the City should be arbitrarily precluded from consideration as a site for affordable housing." The City Council amended the Dispersion Policy in 1997. Housing staff presented possible amendments to this Policy to the Community and Economic Development Committee ("CEDC") and to the Housing and Community Development Commission ("HCDC") in 2009, in the context of the City's nascent General Plan 2040.

The City Council amended the Dispersion Policy in 1997 to add a provision that housing affordable to lower-income households should be funded in 11 "impacted" Census Tracts in Council Districts 3 and 5 only after careful consideration. "Impacted" Census Tracts were defined as those in which more than 50% of the households are very low- or low-income. As of November 2004, there were 22 impacted census tracts and 16 tracts that were adjacent to impacted tracts. The impacted tracts were in Council Districts 3 (13 tracts), 7 (4 tracts), 5(2 tracts), 6 (2 tracts) and 2 (1 tract). The current version of the Affordable Housing Dispersion Policy is in **Attachment A**.

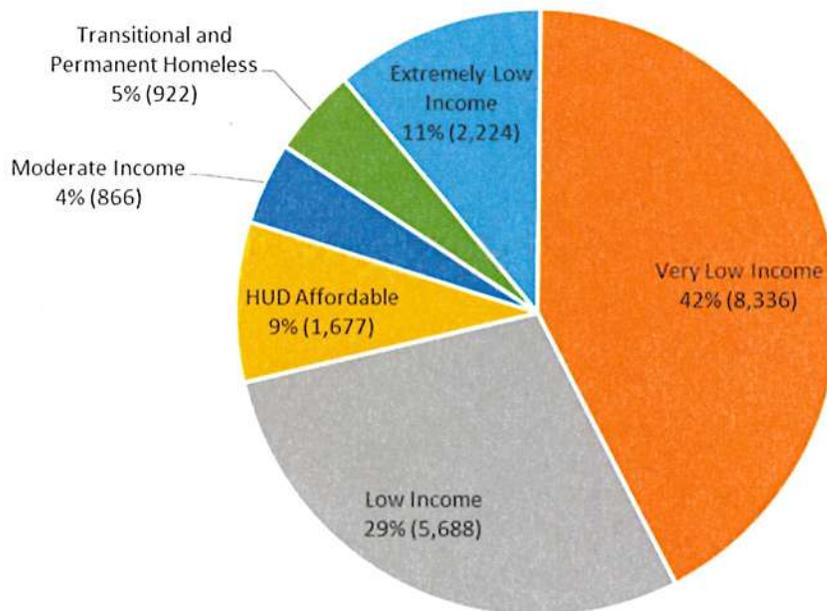
ANALYSIS

Below is an analysis of the City's total number of affordable homes, and of the subset for formerly homeless residents. Also included are the pipelines for future affordable housing and considerations relating to the update of the City's Dispersion Policy.

Affordable Housing Supply

Since the early 1980's, the City has funded or facilitated the development of approximately 18,000 affordable rental apartments, most of which were subsidized by redevelopment funds. As the pie chart below demonstrates, almost three-quarters of the City's recorded restrictions set rent and income affordability at very low-income ("VLI") and low-income ("LI") levels. San José's affordable apartment inventory contains only 2,224 apartments restricted for extremely low-income ("ELI") households. Although 888 apartments are available for the homeless population, only 415 of these apartments are permanent housing with no time limitations.

Affordable Housing in San José, 2017



In San José, 38% of the City's households have incomes that qualify them as ELI, VLI or LI. Only 6% of the City's current housing inventory, however, has restricted-affordable rents and

tenant income requirements.¹ Table 1 lists the type and quantity of existing affordable apartments in each Council District. The proportion of affordable homes in each council district ranges from 1% to 12%. Council Districts 3, 5, and 7 have the highest percentages of affordable housing. Council Districts 1, 8, and 10 have the lowest proportions.

Table 1: Existing Affordable Housing as a Percentage of the City's Housing Stock, by Council District²

Council District	2010 Housing Units	ELI Units	ELI % of Total	VLI Units	VLI % of Total	LI Units	LI % of Total	Add'l HUD Units	Total Affordable Units	Afford. % of Total
1	36,182	141	0.4%	220	0.6%	492	1%	322	1,175	3%
2	28,681	130	0.5%	750	2.6%	433	2%	0	1,313	5%
3	34,021	413	1.2%	2,224	6.5%	994	3%	115	3,746	11%
4	33,039	49	0.1%	671	2.0%	394	1%	161	1,275	4%
5	22,533	221	1.0%	944	4.2%	351	2%	489	2,005	9%
6	39,181	390	1.0%	937	2.4%	1,367	3%	218	2,912	7%
7	26,793	696	2.6%	1,288	4.8%	1,012	4%	214	3,210	12%
8	27,363	0	0.0%	24	0.1%	163	1%	0	187	1%
9	34,212	184	0.5%	808	2.4%	336	1%	158	1,486	4%
10	32,033	0	0.0%	470	1.5%	146	0%	0	616	2%
TOTAL	314,038	2,224	0.7%	8,336	2.7%	5,688	1.8%	1,677	17,925	6%

This table illustrates that the vast majority of San José's income-restricted housing serves VLI and LI households. These affordability levels typically support working households with 2016 incomes up to \$50,250 (family of two) and up to \$60,300 per year (family of three). ELI housing currently comprises less than 1% of the City's overall housing stock. ELI apartments typically support low-wage earners, seniors, and other at-risk residents with annual incomes up to \$23,450 (family of two) or \$26,800 (family of three).³

Housing for Homeless and Extremely Vulnerable Populations

The vast majority of affordable housing in San José is still outside the economic means of people experiencing homelessness. On any given night, over 4,000 individuals are homeless in San

¹ Includes households with incomes less than 80% of Area Median Income adjusted for family size. Excludes homeless shelters and temporary housing. (CHAS 2007-2011)

² Excludes shelter beds and permanent supportive housing.

³ Most of the City's restricted-affordable apartments resulted from the use of redevelopment funds. The City's Income Allocation Policy detailed how much of the Housing Department's funds should be spent on homes for residents at different affordability levels. However, this policy is no longer valid given the dissolution of the redevelopment agency, as State legislation regarding the use of redevelopment loan repayments conflicts with the City's policy. Therefore, Housing staff follows State code and no longer administers the City's previous Income Allocation Policy.

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José, most of whom are unsheltered. Several programmatic approaches have been developed to provide both immediate interventions and long-term solutions to address homelessness.

The following section defines the four main types of affordable housing available to the homeless population: shelter beds; transitional housing; apartments for referred tenants; and, permanent supportive apartments.

1. Temporary Housing: Shelter Beds

Shelter is defined as providing temporary residence to homeless individuals and families for a period of no more than 90 days per person. There are eight homeless shelters in San José that provide temporary housing to 600 homeless residents on any given night. HomeFirst provides services for up to 250 single men and women at its shelter in District 7. Family Supportive Housing operates a family shelter with 122 beds available in District 3. There are also six other shelters in District 3 offering a total of 228 beds. Three domestic violence shelters provide 48 beds to single females and parents with children. The locations of domestic violence shelters are confidential to protect the safety of survivors.

Table 2: Existing Shelters by Council District

Council District	Shelter	Total Beds
3	City Team: Rescue Mission	50
3	Salvation Army: Emmanuel House	22
3	LifeMoves: Georgia Travis House (Commercial Street Inn)	51
3	Family Supportive Housing: SJ Family Shelter	122
3	LifeMoves: Julian Street Inn	61
3	LifeMoves: Montgomery Street Inn	38
3	Salvation Army: Volunteer Recovery	6
	Subtotal District 3	350
7	HomeFirst: Boccardo Reception Center	250
	Subtotal District 7	250
	TOTAL ALL DISTRICTS	600

In addition, the City has seasonal warming centers that are activated during cold weather. In 2016, four warming centers located in community centers provided up to 100 total nightly beds during periods of life-threatening inclement weather. In 2016, several religious institutions also rotated providing temporary Assembly Shelters for a total over 100 individuals each night. Their locations were in Districts 2, 3, 6, 8 and 10 as detailed in Table 3.

Table 3: Assembly Shelters by Council District

Council District	Shelter	Type
2	St. Julie Billiard Parish	Temporary shelter
3	First Presbyterian	Temporary shelter
3	First United Methodist	Temporary shelter
3	St. Paul's United Methodist	Temporary shelter
6	St. Martin of Tours	Temporary shelter
6	Willow Glen United Methodist	Temporary shelter
6	Cathedral of Faith	Warming center
8	Most Holy Trinity	Temporary shelter
8	St. Francis of Assisi	Temporary shelter
10	Holy Spirit	Temporary shelter
10	Episcopal Church in Almaden	Warming center
10	Almaden Hills United Methodist	Warming center

2. Temporary Housing: Transitional Housing

Transitional housing provides temporary accommodations and appropriate supportive services to homeless populations for a time-limited duration. The intention of transitional housing is to stabilize residents so that they can live independent of assistance after rental subsidies expire. They could transition into affordable housing or a market-rate apartment. There are 529 transitional residences in the City. Most of these (288) are located in 10 facilities in Council District 3. The largest transitional housing site in San José is in District 5, which provides 125 beds for male veterans.

Existing Temporary Housing: Shelters and Transitional

Table 4 shows that existing temporary housing for those experiencing homelessness makes up less than 0.5% of the total housing stock in San José. Council Districts 3, 5, and 7 have the most transitional housing facilities, while Council Districts 1, 8, 9, and 10 have no transitional housing.

This distribution of temporary housing for homeless households has been shaped by the City’s zoning code, which has traditionally supported development of shelters in industrial areas. Shelters are generally difficult to site and national best practice standards have shifted away from shelter provision as an effective tool for addressing homelessness. Now, as federal funding has shifted away from emergency shelters and regional strategies on housing homeless populations

do not support creation of new shelter facilities, this distribution is unlikely to change significantly in the future.

Table 4: Existing Temporary Homeless Housing by Council District

Council District	2010 Total Homes	Temporary: Transitional	% of Total Citywide
1	36,182	0	0.0%
2	28,681	5	0.0%
3	34,021	288	0.8%
4	33,039	35	0.1%
5	22,533	125	0.6%
6	39,181	29	0.1%
7	26,793	20	0.1%
8	27,363	0	0.0%
9	34,212	0	0.0%
10	32,033	0	0.0%
TOTAL	314,038	502	0.2%

Pipeline Temporary Housing

The Housing Department is currently in the process of developing or funding up to 323 temporary homeless housing opportunities. A brief description of these developments is provided in the narrative below.

The City is currently renovating the Plaza Hotel (District 3) to create temporary housing for formerly homeless individuals. The Plaza will house 48 individuals for the next five years.

The City is also exploring the use of manufactured housing on the Evans Lane site near the Almaden Expressway (District 6). This temporary development could provide approximately 100 bedrooms with shared bathrooms, kitchens, laundries, and meeting spaces for formerly homeless individuals. It is anticipated that households will stay no longer than 24 months at a time.

The recently enacted AB 2176 allows for the creation of emergency bridge housing. As a result, the City is currently exploring a pilot program to create small clusters of specially designed sleeping cabins on 10 sites across the City. These clusters would function as studios with a separate facility that will include shared bathroom, kitchen, laundry, and meeting spaces. It is estimated that between 150 and 200 cabins will be developed for emergency housing; however, due to limited site availability and developer/operator partner capacity to develop and open all 10 sites simultaneously, staff may seek to open on 2-3 sites initially to pilot the project to gain a better sense of cost and impacts. Further, while staff is seeking sites in each Council District, the

City may want to prioritize siting AB 2176 communities in Districts that have no temporary housing for people experiencing homeless or in Districts where the most feasible sites are currently available.

Table 5: Pipeline of Temporary Homeless Housing

District	Apts.	Development	Status
3	48	The Plaza	C
6	100	Evans Lane	P
All	175	AB 2176 bridge housing	P
	323	Total pipeline temporary homes	

*Note: C = under construction or rehabilitation, P = predevelopment.

3. Permanent Housing: Referral Program

The Referral Program is a housing program model in which a homeless client or household obtains housing through a lease in their own name located in an affordable housing development. The City is given the opportunity to refer an eligible household into the apartment. Residents receive supportive services and rental assistance for between one and two years. This model is intended to target individuals and families who have recently become homeless with a goal to move them into permanent housing as quickly as possible. Typically, these households do not need the intensive case management that a permanent supportive housing development would provide.

Table 6: Referral Apartments for Homeless Residents

District	Apts.	Development	Status
4	10	Creekview Inn	A
1, 5, 6, 8, 9, 10	44	HIP Scattered Site	A
2	8	Eden Palms	A
5	9	Fairways Apts.	A
8	9	Metropolitan South	C
	80	Total referred homes	

*Note: A= active, C = under construction or rehabilitation.

There are currently a total of 71 households participating in this program, with another 9 opportunities expected to become available in 2018 at the Metropolitan South Apartments. The City will continue to negotiate for more referral apartments in its existing affordable housing portfolio as opportunities arise. Measure A will fund approximately 1,600 to 1,800 homes county-wide, all of which will accommodate referred tenants through the County's rapid rehousing programs.

4. Permanent Housing: Supportive Housing Apartments

Permanent Supportive Housing (“PSH”) developments are physically like typical multifamily developments, but also provide tenants with on-site access to supportive services that they may need to live independently. Such services often include health care, behavioral health, independent living classes, and other services that may be appropriate or needed by the community. There is no defined length of stay in a PSH apartment. There are 353 PSH apartments currently in operation and an additional 533 PSH apartments planned for development.⁴ In 2016, Santa Clara County voters approved Measure A which could fund approximately 1,800 to 2,000 new PSH apartments throughout the County.

Table 7: Permanent Housing for Homeless Residents by Council District

Council District	2010 Total Homes	Permanent: Supportive	% of Total Citywide
1	36,182	0	0.00%
2	28,681	36	0.13%
3	34,021	103	0.30%
4	33,039	0	0.00%
5	22,533	60	0.27%
6	39,181	104	0.27%
7	26,793	50	0.19%
8	27,363	0	0.00%
9	34,212	0	0.00%
10	32,033	0	0.00%
TOTAL	314,038	353	0.11%

Table 7 shows that existing permanent homeless housing makes up approximately 0.11% of the total housing stock in San José. Council Districts 3 and 6 have the most permanent supportive homes, while Council Districts 1, 8, 9, and 10 have the fewest.

Pipeline Permanent Supportive Housing

The following permanent supportive housing developments for formerly-homeless residents are in construction or predevelopment stages. Note that some developments are 100% permanent supportive housing, while others blend both supportive housing with non-supportive affordable apartments.

⁴ This count does not include over 2,000 tenant-based vouchers deployed at apartments throughout the County.

Table 8: Pipeline Permanent Supportive Homes

District	Apts.	Development	Status*
3	134	Second Street Studios	C
3	55	North San Pedro	P
3	83	Villas on the Park	P
	272	<i>subtotal</i>	
5	20	Quetzal Gardens	P
6	20	Park Avenue Seniors	C
6	25	Laurel Grove Family	C
6	16	Vermont House	C
6	20	Leigh Avenue Seniors	P
	81	<i>subtotal</i>	
7	160	Renascent Place	P
	533	Total pipeline PSH apartments	

*Note: C = construction or rehabilitation, P = predevelopment.

Summary

In total, there are 1,535 existing housing opportunities for formerly-homeless households in San José. Of these, 23% provide permanent housing. In addition, there are 323 temporary and 533 permanent supportive housing opportunities in process.

Dispersion Policy Update

The number and locations of restricted-affordable apartments should be considered in context of the City's overall housing stock and neighborhood contexts. The data in this memorandum illustrates that many Council Districts offer little to no homeless housing, and have a generally low proportion of affordable housing for non-homeless residents. The Dispersion Policy is a tool to consider desirable locations for new restricted-affordable developments, given existing neighborhood contexts.

An updated Dispersion Policy could help the City to achieve the following objectives: 1) align the location of future affordable housing with residential growth areas identified in the Envision 2040 General Plan; 2) maximize access to transit, retail, services, and employment opportunities for lower-income residents of affordable housing; and, 3) facilitate the creation of diverse, balanced, and complete communities throughout the City.

An update of the Dispersion Policy in the near future would be timely. Developments that will include 100% affordable housing may now move forward in Urban Villages during any Development Horizon. These developments will likely seek Measure A funds, which will become available for award in mid-2017. Given these events, new affordable housing development proposals are starting to materialize.

However, the City's Dispersion Policy update must be carefully considered. Additional guidance on affirmatively furthering fair housing is expected in the near-term from the federal government. This guidance must be integrated into any update of the Policy. Further, to the extent that properties funded by Measure A also obtain federal housing vouchers from the Housing Authority of the County of Santa Clara ("HACSC"), federal guidelines on deconcentration of poverty must be followed. The federal framework is similar in concept to the City's existing Dispersion Policy, and staff has already employed these guidelines through issuance of its interagency Notice of Funding Availability with HACSC and the County in July 2016.

Given these conditions and that the current Policy is inconsistent with the goals and objectives of the City's General Plan, staff recommends to temporarily pause on implementation of the Dispersion Policy for individual projects and begin the development of a work plan to update the Policy.

EVALUATION AND FOLLOW-UP

Housing Department staff plan to seek policy guidance on possible amendments to the Dispersion Policy from HCDC, CEDC, and the City Council starting in 2018.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the Community and Economic Development Committee Agenda for June 26, 2017.

COORDINATION

This memorandum has been coordinated with the Department of Planning, Building, and Code Enforcement, the City Manager's Budget Office, and the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

This memorandum analyzes the City's current affordable housing stock for general populations and for formerly homeless households. These priorities are derived from: the City's 2015-20

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HUD Consolidated Plan goal to create affordable housing for very low- and extremely low-income households; the *Community Plan to End Homelessness* approved by the City Council in February 2015; and, the City's *Housing Element* Workplan and the City's *Analysis of Impediments to Fair Housing*, both of which identify as a priority the update of the City's Dispersion Policy.

COST SUMMARY/IMPLICATIONS

Not applicable.

CEQA

Not a Project, File No. PP10-069 (a), Staff Report.

/s/

JACKY MORALES-FERRAND
Director, Department of Housing

For questions, please contact Ray Bramson, Division Manager, at (408) 535-8234.

Attachment

