



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: October 20, 2017

Approved

Date

10/23/17

SUPPLEMENTAL

SUBJECT: WORKLOAD ASSESSMENT ON PRIORITIZATION FOR TENANTS OF AFFORDABLE HOUSING

REASON FOR SUPPLEMENTAL

This Supplemental Memorandum provides additional information, including voting results from the Housing and Community Development Commission (“HCDC”) on October 12, 2017, and information on needs of each listed subpopulation.

BACKGROUND

On October 12, 2017, HCDC held its regular monthly public meeting. Prioritization for tenants of affordable housing (“Tenant Preferences”) was one item on its agenda. Staff gave a brief overview of the definition of tenant preferences and reviewed 13 possible Tenant Preference types. These are the Tenant Preferences noted in Attachment A to the main Community and Economic Development Committee (“CEDC”) memo. Staff then asked the Commissioners to use five votes to indicate which preferences they believed were important and wanted staff to research further, if directed by CEDC. Commissioners were able to allocate between one and five votes to each choice, and could write in “Other” alternatives that were not listed.

Attachment B to this Memorandum reflects the HCDC Commissioner votes. The possible Tenant Preferences receiving the top five most votes were, in order:

1. Live or work in San José
2. Unaccompanied youth
3. Displaced residents
4. Domestic violence survivors
5. (tie) Homeless residents
5. (tie) Families with member who lives or works in San José.

ANALYSIS

Cities are encouraged by State and federal law to assist the most vulnerable populations by funding affordable housing. Cities rely on the market to provide for the rest of the population, however in the current fiscal environment, many residents have a need for affordable housing. Given the City's limited funding stream, the City is now exploring what preferences it might be able to implement for unfunded projects, and how it might do so in accordance with law. The direction has been to identify specific preferences as the first step and this Memorandum explores them at a very general level.

The following provides additional information based on feedback from HCDC that will help to better understand the definition of Tenant Preferences and housing needs for listed subpopulations.

Project versus area-wide policies

Staff research revealed that certain Tenant Preferences are almost always priorities put in place by a public agency when funding a *specific* affordable housing development. In contrast, other Tenant Preferences are more likely to be effectuated by city- or area-wide *policies*. The focus of this effort is to investigate potential area-wide *policies* for affordable housing rather than development-specific preferences usually associated with specific funding sources.

Tenant Preferences that are applied on specific affordable housing developments identified in this Memorandum include: artists; teachers; unaccompanied youth; veterans; seniors; and domestic violence survivors. Tenant Preferences sometimes are imposed at initial funding for residents that are most vulnerable and require on-site services provision, such as people experiencing chronic homelessness. This is because those developments' financial structures require different underwriting, than does a development for a more general population.

Area-wide policies for Tenant Preferences could result in prioritized populations residing in a portion of apartment buildings in several locations. This mixing of prioritized populations together with general populations is more appropriate for types of residents that need limited or no specially underwritten services. For this reason, staff research indicates that policies, especially those implemented in connection with entitlements, are most often associated with the following types of Tenant Preferences identified in this memorandum: anti-displacement; live or work; disaster victims; displaced; and rent-burdened.

Seniors

Staff intentionally omitted Seniors as a choice for a potential Tenant Preference, as there are ways other than through Tenant Preferences to create affordable seniors’ apartments, and there are many of them. Affordable housing for seniors is usually funded by public subsidies. All of San José’s more than 4,500 restricted affordable seniors’ apartments¹ received some type of public subsidy. Developers typically consider seniors’ developments easier to site and easier to gain community acceptance than other types of developments. Evidence corroborating this observation is the existence of a State law that limited the amount of redevelopment funds that localities could use for seniors’ affordable developments. The law was needed as many communities *only* wanted to develop affordable seniors’ deals, rather than working on those harder to site, such as those for large families and special needs populations. The City and County will continue to fund and to construct affordable seniors housing in San José.

Needs of Subpopulations

In order to decide which potential Tenant Preferences that staff should study, HCDC Commissioners recommended that staff give more background information on the 13 populations presented in this action. Therefore, following is a brief description and some information on needs for each group.

Note that any recipient of a Tenant Preference also would have to meet household income maximums in addition to the defined Preferences criteria. Restricted affordable apartments usually are limited to low-income residents who make at or below 60% of Area Median Income (“AMI”). Lower income limits often apply. Other application requirements, such as background and credit checks and minimum monthly income, would also apply.

Further, staff and attorney research would have to be done to determine if preferences are legally warranted and feasible.

Potential City-wide Preferences

Neighborhood Preference	
Potential Definition	Gives a preference to existing residents of a neighborhood that has new affordable housing development, so that local residents who endure construction can potentially benefit and stay in their neighborhoods if they move to affordable housing.
Needs	Not applicable. Neighbors to an affordable housing development who would meet income requirements are similar to any other income-qualifying applicant for an affordable apartment. Argument to prioritize neighbors is focused on fairness and the importance of local networks, rather than need.

¹ San José Housing Department, List of All Restricted-Affordable Apartments in San José, June 2017, <http://www.sanjoseca.gov/index.aspx?nid=1352>.

Anti-displacement Preference	
Potential Definition	Gives a preference to existing residents living in defined low-income neighborhoods that are undergoing extreme displacement pressure.
Needs	UC Berkeley has assessed 18 low-income census tracts in San José as having ‘advanced gentrification,’ 9 low-income tracts as ‘undergoing displacement,’ and 27 low-income tracts ‘at risk of gentrification or displacement.’ ² The California Housing Partnership Corporation and Reconnecting America selected San José for a 2013 study on the need to preserve affordable housing opportunities near transit. This study identified residents in many San José neighborhoods at moderate to high risk of displacement, especially in Downtown, west to Diridon Station, south to Tully Road, and east to Alum Rock and Berryessa. ³

Live or Work in San José Preference	
Potential Definition	Gives a preference to people who live or work in San José.
Needs	Not applicable. Argument to prioritize those who live or work in San José is focused on fairness in using the City’s resources, rather than need.

Disaster Victims Preference	
Potential Definition	Gives a preference to people displaced due to natural disasters, such as fire, flood, earthquake, etc.
Needs	Individual disasters vary in terms of size and the number of people affected each year. The 2017 flood resulted in the displacement of approximately 700 people, almost all of whom were low-, very low- and extremely low-income. In 2017, at least 100 San José residents were displaced for a period of time from their homes by fire.

Displaced Preference	
Potential Definition	Gives a preference to low-income residents displaced due to Ellis Act evictions (buildings subject to the Apartment Rent Ordinance (“ARO”) with four or more units) or due to expiration of affordability restrictions.
Needs	The City just started tracking Ellis Act evictions under its 2017 Ordinance, and none have yet been officially reported as of late September 2017. However, demolition and redevelopment of The Reserve is currently displacing residents in 216 ARO apartments. Further, residents of a four-plex subject to ARO will

² UC Berkeley Urban Displacement Project, <http://www.urbandisplacement.org/map/sf#>.

³ Reconnecting America and California Housing Partnership Corporation, “San José Summary and Recommendations on Affordable Housing Preservation Need Near Transit,” Nov. 27, 2013.

	<p>be displaced under the Ellis Act presuming a Conditional Use Permit awarded in September 2017 results in the approved demolition and new construction.</p> <p>Staff's partial survey of older City-issued multifamily housing revenue bond deals indicates that at least 245 apartments affordable to very low- and low-income residents were lost to expiring regulatory agreements in the past 10 years. This is a subset of all expired and expiring affordability restrictions; staff is continuing this research. To provide context, San José has an estimated 17,500 restricted affordable apartments.⁴</p>
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Rent-burdened Preference	
Potential Definition	Gives a preference to existing San José renters who pay more than a certain percentage (for instance, more than 50%) of their gross income on rent.
Needs	As of 2014, 33,800 San José renter households were considered to be 'severely cost burdened,' paying more than 50% of their gross income towards rent. ⁵ These severely cost-burdened households constituted approximately one-quarter of all renter households. ⁶ The number of cost-burdened renters is presumed to be undercounted as Census data typically undercounts low-income households; and, the figure has likely increased since 2014 given continued rising rents, which have outpaced rises in lower-income salaries.

Homeless Preference	
Potential Definition	Gives a preference to those experiencing homelessness who do not meet the federal definition of 'chronically homeless.' (As chronically homeless residents require on-site supportive services to be stably housed in permanent housing, they are excluded from this discussion of broad area-wide preference policies that would integrate priority residents into larger properties without appropriate support services.)
Needs	San José's 2017 homeless census indicated that 4,350 of our residents are experiencing homelessness, 3,145 of whom were not considered to be chronically homeless. Of those surveyed, 83% had lived in Santa Clara County prior to becoming homeless and 74% are living unsheltered. Two-thirds (67%) reported that a top obstacle to getting permanent housing is that they cannot afford rent. However, 40% did <u>not</u> report being underemployed or unemployed as a top barrier; therefore, these are employed local residents who are suffering from our expensive housing market. ⁷ Additionally, 43% of respondents were

⁴ San José Housing Department, List of All Restricted-Affordable Apartments in San José, June 2017.

⁵ U.S. Census Bureau, American Community Survey CHAS data for San José, 2010-14.

⁶ Ibid.

⁷ Applied Survey Research, "City of San José 2017 Homeless Census & Survey," Executive Summary, <http://www.sanjoseca.gov/DocumentCenter/View/70076>.

	experiencing homelessness for the first time, so they had a track record of being housed prior to this episode. ⁸
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Unaccompanied Youth Preference	
Potential Definition	Gives a preference to unaccompanied youth ages 18-24; may target those exiting the foster care system as they are at greater risk of homelessness.
Needs	San José’s 2017 homeless census identified 1,436 unaccompanied transition-age youth (18-24 years old) who were homeless, with 95% of them living unsheltered. ⁹ Of that group, 44% reported they had been in the foster care system, while 3% reported that aging out of foster care was the primary cause of their homelessness. ¹⁰ Yet, only an estimated 0.6% of the California’s children under 18 were in foster care as of July 2009; ¹¹ therefore, those exiting foster care are disproportionately vulnerable as compared to the overall youth population.

Project-Specific Preferences

Artists Preference	
Potential Definition	Gives a preference to artists, including those in the visual arts, music, dance, and other media.
Needs	Artists are underpaid relative to housing prices, are therefore at high risk of displacement, and are part of the City’s policy priorities for placemaking, economic development and for small business support. Maintaining affordable homes for artists may support the downtown cultural arts district. Local income and needs data is not available.

Teachers Preference	
Potential Definition	Gives a preference to TK-12 public school teachers; could include public school support staff.
Needs	School districts are struggling to retain teachers. Housing has been identified as one of the primary challenges. In September 2016, the average public teacher salary in Santa Clara County was \$75,400. ¹² The maximum home sales price based on that salary at that time was approximately \$310,000; however, there were no homes offered at or below that price on MLS listings. ¹³ In 2014, the

⁸ Ibid, p.18.

⁹ Ibid,

¹⁰ Ibid.

¹¹ Danielson, C. and Lee, H., “Foster Care in California: Achievements and Challenges,” Public Policy Institute of California (2010), p.8, http://www.ppic.org/content/pubs/report/R_510CDR.pdf.

¹² Marino, Jeffrey, “California Fails the Affordability Test for Teachers,” Sept. 2016, <https://www.redfin.com/blog/2016/09/california-housing-affordability-for-teachers.html>.

¹³ Ibid.

	same study calculated that there were 1,656 homes available in our County for a teacher’s average salary. ¹⁴ In 2016, a salary of \$75,400 and an assumed household size of one was equal to 100% AMI; that income for a household size of two was equal to 88% AMI; and, that income for a household size of three was equal to 78% AMI. ¹⁵
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Veterans Preference	
Potential Definition	Gives a preference to veterans of the U.S. military.
Needs	A national study indicates that 1.5 million veteran households were severely cost burdened in 2011, spending more than half of their gross income on housing costs. ¹⁶ Seven out of ten extremely low-income (“ELI”) veterans from all wars, and almost nine out of ten ELI veterans from post 9/11 wars, experienced severe cost burdens. ¹⁷ Veterans are also well represented in San José’s population: 468 veterans are homeless (11% of the City’s homeless population), with 59% living unsheltered. ¹⁸ There are an estimated almost 50,000 veterans living in Santa Clara County. ¹⁹

LGBTQ Preference	
Potential Definition	Gives a preference to adults identifying as lesbian, gay, bisexual, transgender, and queer/questioning. [Generally, assistance to this population is provided by making a space more welcoming to LGTBQ individuals, rather than as a preference.]
Needs	Data indicates that LGBTQ individuals are far more likely to be homeless than the overall population, especially those under the age of 25. In San José’s 2017 Homeless Census, 34% of survey respondents identified as LGBTQ. ²⁰ In contrast, 2015 estimates were that LGBTQ adults comprised 6.2% of the population of the San Francisco metropolitan area, while nationally, 3.6% of adults are estimated to be LGBTQ. ²¹ Sexual orientation is a protected class under fair housing law in California, as it has been a basis of discrimination in the housing market.

¹⁴ Ibid.

¹⁵ California Department of Housing and Community Development, 2016 Income Limits for Santa Clara County.

¹⁶ National Low Income Housing Coalition, Housing Instability Among Our Nation’s Veterans, Nov. 2013,

¹⁷ Ibid.

¹⁸ City of San José 2017 Homeless Census & Survey, Executive Summary.

¹⁹ California Department of Veterans Affairs, Population estimates, <https://www.calvet.ca.gov/VetServices/PublishingImages/Pages/Veteran-Demographics-/California%20Veteran%20Population%20by%20County.pdf>.

²⁰ City of San José 2017 Homeless Census & Survey, p.14.

²¹ Bajakal, Naina, “The 10 Cities with the Highest LGBT Percentage in the U.S.,” *Time Magazine*, March 20, 2015, <http://time.com/3752220/lgbt-san-francisco/>.

	<p>The need for affordable, stable housing is prevalent in the LGBTQ community, particularly among older adults. Due to historically lower access to benefits and favorable tax treatment relative to heterosexuals, many LGBTQ adults have lower savings for retirement and everyday expenses relative to their heterosexual peers. This leaves them more vulnerable to increases in rents and other housing expenses.²² In a 2011 study of nearly 500 LGBT older adults in San Diego, 45% of respondents reported varying levels of difficulty paying their monthly mortgage and rent, 37% reported having difficulty affording their monthly utility bills, and 41% reported difficulty affording monthly food and household expenses.²³ Older LGBTQ adults are also at much greater risk for social isolation than their heterosexual peers, as they are far less likely to have children to care for them; therefore, their maintaining strong social networks is extremely important as they age. The San Diego study participants' preference for being housed with other similar adults was strong: over 90% of respondents indicated a preference to live in LGBT-specific housing, and 94% reported a preference to live alongside other LGBT adults.²⁴</p>
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Domestic Violence Survivors Preference	
Potential Definition	Gives a preference to survivors of domestic violence.
Needs	<p>“Domestic violence is consistently identified as a significant factor in homelessness. A staggering 92% of homeless women report having experienced severe physical or sexual violence at some point in their lives, and upwards of 50% of all homeless women report that domestic violence was the immediate cause of their homelessness. Domestic violence is often life-threatening; in the U.S., three women are killed each day by a former or current intimate partner. Advocates and survivors identify housing as a primary need of victims and a critical component in survivors’ long-term safety and stability.”²⁵ Federally-funded programs for this population serve more than 1 million survivors each year.²⁶</p> <p>In Santa Clara County, the known population experiencing domestic violence is measured by services data from nonprofits serving this population. In 2014-15, the nonprofits received over 20,000 hotline calls, served over 6,600 clients, provided 18,916 bed-nights, and housed 737 people in shelters. However, a</p>

²² Zians, Jim, “LGBT San Diego’s Trailblazing Generation: Housing and Related Needs of LGBT Seniors,” The San Diego Lesbian, Gay, Bisexual and Transgender Community Center, Feb. 2011, <http://www.thecentersd.org/pdf/programs/senior-needs-report.pdf>.

²³ Ibid.

²⁴ Ibid.

²⁵ McLaughlin, Monica, “Housing Needs of Victims of Domestic Violence, Sexual Assault, Dating Violence, and Stalking,” National Low Income Housing Coalition Issue Brief, 2017, http://nlihc.org/sites/default/files/AG-2017/2017AG_Ch06-S01_Housing-Needs-of-Victims-of-Domestic-Violence.pdf

²⁶ Ibid.

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reported 2,210 households experiencing domestic violence were unable to access needed shelter. ²⁷ Further, in 2015-16, only 14% of domestic violence survivors left shelters for permanent housing destinations. The other people exiting went to stay at other DV shelters (30%) or homeless shelters (2%), doubled up with friends or family (22%), stayed in hotels or motels (5%), went to transitional housing (2%), or returned home to their batterers (2%). ²⁸
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COORDINATION

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

/s/

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For questions, please contact Kristen Clements at (408) 535-8236.

Attachment B: HCDC Votes on Prioritization for Tenants of Affordable Housing

²⁷ Santa Clara County Office of Women's Policy data, as reported to City Housing staff, Fall 2016.

²⁸ Ibid. (Figures do not add to 100% as they represent a percentage of the entire population, not just respondents.)

