



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: May 12, 2009

Approved

Date

5-12-09

COUNCIL DISTRICT: City-Wide
SNI AREA: N/A

**SUBJECT: REVIEW OF THE CITY'S DISPERSION POLICY RELATING TO THE
PLACEMENT OF AFFORDABLE HOUSING**

RECOMMENDATION

It is recommended that the Committee hear a presentation and provide feedback to City staff regarding its review and evaluation of the City's current dispersion policy.

OUTCOME

With feedback from the Community and Economic Development Committee (CEDC), staff can proceed in evaluating whether to update the City's current dispersion policy in order to align with the City's future development strategies, including the updating of its General Plan.

BACKGROUND

In 1989, shortly after the formation of the Housing Department, the City Council approved "San Jose: 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."

Specifically, the policy applies to affordable housing financed by the City and encourages the City Council and the Administration to try and develop these units, to the extent feasible, throughout San Jose, with no area being arbitrarily precluded from development. (See Attachment A, which is the Dispersion Policy Resolution No. 67604). The policy only applies to housing affordable to households considered Low-Income, Very-Low Income, and Extremely-Low Income. To provide context, this range could include a family of four making between zero and \$85,000 per year.

Additionally, the policy directs that "on a case-by-case basis, the Council must consider: the proposed project's proximity to other City-financed affordable housing developments; the project's relationship to Council-adopted development plans and strategies; the project's

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contribution to neighborhood improvement or revitalization; and the existing income mix of the Census Tract it is to be located.”

The policy was amended in 1997 in order to clarify that certain census tracts and City Council districts in the City contained a disproportionate number of lower-income households and that proposed projects located in or adjacent to these “impacted” tracts be considered carefully.

Lastly, the policy requires that the performance of these goals should be reviewed periodically and reported in the City's Five-Year Housing Investment Plan. In accordance with the policy the Housing Department reports annually regarding the dispersion of City-financed affordable housing in the Council-adopted Consolidated Plan-Annual Action Plan updates and in its 2007 – 2012 Five-Year Housing Investment Plan.

Tracking and Reporting Related to the Dispersion Policy

The Housing Department tracks new affordable housing by “impacted” and adjacent census tracts. The data used is based on 2000 US Census data (2000 Census data is used because it is the only data available tracking household income and size by Census Tract). Impacted census tracts are defined as those census tracts in which over 50% of households are low-income (making up to \$49,560 for a family of four).

According to US Census data, there are 22 tracts in San Jose identified as impacted or adjacent to impacted areas. These tracts were located in Council Districts 3 (13 tracts), 7 (four tracts), 5 (two tracts), 6 (two tracts) and 2 (one tract). Between 1988 and 2009, 22% of newly constructed low-income affordable units were located in these impacted areas. The remaining 78% were built outside of impacted Census tracts. Most of the lower-income new construction was geared to families (56%) and seniors (29%), with the remainder (15%) being special needs or single-room occupancy developments.

Five-Year Housing Investment Plan

In June 2007, the City Council adopted a Five-Year Housing Investment Plan (2007-2012), which reported on the City's affordable housing policies, production and financing goals. This Plan was developed with feedback from with a 20-member stakeholder group and not only reported on performance related to policies like dispersion, but also made recommendations on policy changes needed to continue and promote affordable housing activity in the City. One of the recommendations made in the Five-Year Housing Investment Plan was for the Department to evaluate the effectiveness of the dispersion policy and consider its relevancy given the General Plan and Housing Element updates. Furthermore, the report suggested researching “...the issue of social integration to determine whether there is a benefit to mixed-income projects compared with stand-alone affordable housing developments dispersed among market-rate projects.”

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ANALYSIS

In order to review the dispersion policy, the Housing Department will present a PowerPoint presentation that outlines not only where affordable and market rate developments have historically been built, but also where the City is likely to direct future development. Staff's presentation seeks to inform the Committee about how and why growth has occurred in some areas of the City and how this development may conflict in future years with the City's dispersion policy.

Further review and evaluation is needed in order to complete the review of the dispersion policy; it is anticipated that this review will take several more months. Given the City's desire to grow and develop in accordance with the General Plan update that is currently underway, there are still many critical questions that need to be further developed and explored in the process of evaluating a revised dispersion policy. Some of these considerations may include:

- The dispersion policy is tracked based on whether census tracts are low-income. However, this means that we are trying to disperse families making up to \$85,000 (for a family of four). Is this the intent of the dispersion policy?
- In accordance with the Five-Year Housing Investment Plan, should the City be considering a policy that looks at more integrated housing, instead of dispersion?
- Over the next several decades, does the dispersion policy make sense given the City's development and growth objectives?
- Should the issue of dispersion be considered concurrently with the General Plan Update? Would it make sense to ensure that any policy align with the objectives of the General Plan and Housing Element?


LESLYE KRUTKO
Director of Housing

For questions please contact Leslye Krutko, Director of Housing at (408) 535-3851

JRG:EJM
8/19/97

RESOLUTION NO 67604

A RESOLUTION OF THE COUNCIL OF THE CITY
OF SAN JOSE APPROVING A REVISED
DISPERSION POLICY FOR AFFORDABLE
HOUSING

WHEREAS, in 1989 the City Council approved the Mayor's Task Force Report on Housing which included a dispersion policy for financing of affordable housing in the City; and

WHEREAS, the staff is recommending that the City Council revise the City dispersion policy to promote affordable housing throughout the City and reflect the current available data regarding areas of disproportionate number of lower-income households.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of San Jose that the revised dispersion policy set forth in Exhibit A attached hereto is approved.

ADOPTED this 26th day of August, 1997, by the following vote:

AYES: DANDO, DIAZ, DIQUISTO, FERNANDES, FISCALINI, JOHNSON,
PANDORI, POWERS, SHIRAKAWA, WOODY; HAMMER

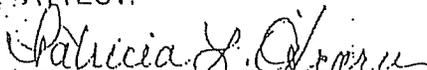
NOES: NONE

ABSENT: NONE



SUSAN HAMMER, Mayor

ATTEST:



PATRICIA L. O'HEARN, City Clerk

Res. No. 67604

EXHIBIT A

Dispersion Policy Statement

City-financed affordable housing projects contribute to any existing neighborhood in which they are located due to the quality of their design and construction, the attributes and amenities required by the City, the strong on-site management, and the infusion of new investment into the community. City-financed affordable housing is often more attractive than the market rate housing, and has the effect of raising or stabilizing property values. Because of the benefit City-financed affordable housing has on the community, it should be encouraged throughout the City.

The Dispersion Policy applies to newly-constructed City-financed housing that is affordable to very low- and low-income units. It does not apply to moderate-income developments or projects involving rehabilitation or the acquisition and rehabilitation of existing buildings. Nor does it apply to housing projects not financed by the City.

In some locations, City-financed housing developments provide lower-income households with a broader housing choice and increases the heterogeneity of the population. In other areas, City financed developments contribute to maintaining the existing socio-economic stratification. The Council's approval of City-financed affordable development shall be made in the context of the goal to balance and promote economic integration. The Council's decision to finance any given housing project must take into consideration other City policies and strategies. On a case-by-case basis, the Council must consider: the proposed project's proximity to other City-financed affordable housing developments; the project's relationship to Council-adopted development plans and strategies; the project's contribution to neighborhood improvement or revitalization; and the existing income mix of the Census Tract in which it is to be located.

No area of the City should be arbitrarily precluded from consideration as a site for affordable housing. However, the City recognizes that certain Census Tracts contain a disproportionate number of lower-income households, especially in Districts 3 and 5, which already have a high percentage (more than 50%) of households with low- and very low-incomes. Projects proposed to be located in any Census Tracts adjacent to these "impacted" Tracts should be considered carefully in the same way that projects within the "impacted" Tracts are reviewed.

The performance of the City's affordable housing programs should be reviewed on a periodic basis to ensure the equitable distribution of affordable housing throughout the City. The policy will be reviewed on a five-year cycle consistent with the Five-Year Housing Investment Plan and the General Plan.