



SAAG Solution Group: HOUSING, DISPLACEMENT, AND GENTRIFICATION

The following is a summary of the SAAG Housing, Displacement, and Gentrification Solution Group meetings that occurred on May 17, June 11, and July 10 (2018). It documents ideas from individual SAAG members and the group's discussions.

Current Issues:

- 1) San José and the region are facing a housing “catastrophe”: there is a major lack of affordable housing options.
 - a) Service workers are particularly affected, but moderate-income professionals are also affected, such as teachers and nurses.
 - b) Many households are living in overcrowded conditions to afford high rents.
 - c) There are 4,350 people experiencing homelessness as of 2017’s homeless point-in-time count.
 - d) Many people are leaving the Bay Area due to the high cost of housing (displacement).
- 2) The rapid growth of the tech industry has contributed to rising housing prices throughout the region.
 - a) Many stakeholders have failed to respond to housing needs for a long time, and all are responsible to act accordingly now.
- 3) Resources and policies dedicated to providing affordable housing and preventing displacement have been insufficient.
 - a) While we have some programs and policies to help with the affordable housing crisis, we used to have more tools.
 - b) Prop 13 has affected city’s ability to generate revenue and it reduces turnover.
- 4) Racist home lending policies in the past have contributed to today’s housing crisis and demographic patterns (while San José is very diverse, there is also segregation at the neighborhood level).

Concerns:

- 1) Development of Google offices in the Diridon Station area would generate both high-paying tech jobs and lower-paying service jobs.
 - a) New tech workers would drive up housing prices even more, while service workers may not get paid enough to afford housing in San José.
 - b) This will worsen the housing shortage and affect neighborhoods citywide, including the east side.
 - c) Increasing housing costs force people to work more and/or move farther away – leading to longer commutes, environmental impacts, and lower quality of life.
 - d) The number of people experiencing homelessness could increase.
- 2) There could be widespread redevelopment in the Diridon area and adjacent neighborhoods, leading to direct and indirect displacement of existing residents.
- 3) Redevelopment of older historic neighborhoods could result in the loss of existing character and heritage.
- 4) Construction of High Speed Rail tracks and BART could directly displace homes, businesses, and parkland.
- 5) Lower-income residents are more likely to be people of color, so their displacement could make San José less diverse over time.

Desired Outcomes:

- 1) Leverage development of the Diridon Station area by Google as an opportunity to address the housing crisis.
 - a) Companies should take responsibility to help solve problems that they create.
- 2) Consider the citywide effects of a Google development.
 - a) Be bold in addressing displacement and generating more affordable housing throughout the city. Let's be the model for the US on how to successfully address displacement; do not want people to say that "it was a train wreck".
 - b) Strengthen existing and develop new affordable housing tools and anti-displacement policies.
 - c) Enhance regional coordination and scale up solutions. All stakeholders need to step up.
 - d) Make progress on the City's Regional Housing Needs Allocation (RHNA) goals for affordable housing.
 - e) Address the "missing middle," not just housing for the lowest-income households.
 - f) Increase both rental and home ownership opportunities.

- g) Address homelessness.
- 3) Capture the full value of a Google development to generate community benefits such as affordable housing.
 - a) Take into account the value with the transit improvements in place, any requested upzonings, and other policy decisions that add value.
- 4) Preserve the wide variety of homes and character of the adjacent neighborhoods.
- 5) Continue investment in the Diridon Station area and surrounding area, as redevelopment and projects like Whole Foods have made it a nicer place to live.
 - a) Investment can have beneficial effects for the residents who are able to stay.
 - b) Strive to encourage investments, while discouraging displacement.
 - c) Find a balance between protections, while still allowing development to proceed.
 - d) Incorporate restricted affordable units built on-site.
- 6) Ensure that the Diridon Station Area is inclusive, diverse, and socially equitable. Past patterns of discrimination should be redressed.
- 7) Consider the economic development effects through a residential construction lens.
- 8) The ultimate goal should be to avoid direct/indirect displacement from San Jose, with no increase in homelessness.
 - a) We need “no displacement” to be a commitment, not a goal.
- 9) Do this work in a way that lets others hear people’s stories and involves a diverse set of groups.
 - a) Be data- and map-driven to define existing conditions.
 - b) Provide both statistics and stories when characterizing the housing crisis.
 - c) We need more representation of non-English speaking people and other populations that are most impacted by the housing crisis.
- 10) Consider whether these desired outcomes should apply to Urban Villages and citywide as well.

Potential Solutions:

- 1) *The City and its partners should address the regional housing crisis through existing and future efforts*
 - a) Increase resources for affordable housing production and preservation:

- i) Advocate at regional, state, and federal levels.
 - ii) Adjust local policies to generate revenues from new development and other sources.
- b) Expedite the production of affordable and high density housing:
- i) Use land use incentives and requirements, such as FAR (floor area ratio) and density bonuses (North Bayshore example).
 - ii) Streamline the approval process for residential development.
 - iii) Assist developers with things like site identification and land assemblage.
 - iv) Assist homeowners seeking to build Accessory Dwelling Units (ADUs) such as by streamlining policies to promote production.
 - v) Encourage higher density housing in other parts of San José such as the east side.
 - vi) Remove barriers to development in transit-oriented areas like VTA sites and Urban Villages.
 - vii) Increase height limits around transit stations.
 - viii) Establish Community Land Trusts.
 - ix) Allow single-family homes to be subdivided legally into multiple units.
 - (1) Purpose would be to formalize existing living situations where multiple households are sharing a house and to make single-family neighborhoods more inclusive by increasing affordable options
 - (2) Consider the impacts on infrastructure like sewer system and street parking, when increasing allowable densities in neighborhoods built for single-family detached residences.
 - (3) Consider the potential for houses to be bought up and flipped for profit purposes, which could end up displacing more people that its intended to serve.
 - x) Support creative solutions like tiny houses and modular units.
 - xi) Reduce costs for affordable housing development.
 - xii) Use local labor and pursue private/public partnerships, using labor pension funds or other local market funds as possible funding sources.
- c) Help preserve the existing stock of affordable housing, including subsidized homes and apartments with relatively low market rates:
- i) Create a Small Sites Preservation program (like San Francisco's loan program, which provides acquisition and rehabilitation financing to developers that supports the purchase and renovation of multi-family apartment buildings housing lower-income residents.
 - ii) Create an affordable unit replacement policy, which would require developers to replace both restricted affordable and naturally affordable units.
 - iii) Improve the condition of the existing housing stock through seismic retrofits and other revitalization efforts.
 - iv) Dis-incentivize demolition in the Diridon Station area or wider radius.

- d) Strengthen anti-displacement policies and tools (people protection):
 - i) Support the Costa Hawkins repeal effort, then expand the Apartment Rent Ordinance to cover newer-built buildings.
 - ii) Increase support for organizations that provide legal assistance to those facing eviction
 - iii) Increase Section 8 voucher acceptance among landlords
 - iv) Strengthen Apartment Rent Ordinance by further limiting rent increases
- e) Consider case studies of other places as examples of how to address housing challenges.
- f) Consider a policy on promoting local ownership, such as a foreign buyer tax and/or empty home tax like they did in Seattle and Vancouver.
 - i) The study of the Vancouver policy found that it slightly lowered housing prices within the city but displaced housing demand to surrounding cities (and even to Toronto!); there are pros and cons with this approach.

2) *Role of Development within the Diridon Station Area:*

- a) Maximize new high density housing.
 - i) For new office workers
 - ii) For transit commuters to jobs in other parts of San Jose or the region
- b) Build Inclusionary Housing units on-site (rather than pay in lieu fees).
- c) Make at least 25 percent of new units affordable for low-, very low-, and extremely low-income residents.
 - i) Make some of the units affordable to moderate-income households too.

[At Meeting #3, the group discussed this idea at length, as summarized as follows:]

- Where did the 25% affordability idea come from? The goal for Urban Villages is 25%, so the suggestion is to make this the minimum requirement for a Google mixed-use project, since they are not the average developer.
- There is concern about the viability of a 25% affordability requirement; typically, cities have a 15% inclusionary requirement, then rely on standalone affordable projects and/or incentives to go beyond the 15% affordability level.
 - VTA has a 30% goal, relying mainly on standalone affordable projects, and Mountain View has a goal for 20% using incentives.
- We should get as many affordable units as possible, through feasible financial structures such as incentive-based approach. This would identify the baseline

development capacity, then exchange more capacity (via less restrictive standards) for more affordability.

- How would this work for this project? Difficult without knowing the project details, but at least think about implementation when imposing affordability requirements or setting goals, so that it doesn't preclude development and we end up with something.
- d) Avoid direct displacement of any housing when redeveloping property.
 - i) Provide compensation and relocation assistance if it occurs.
 - e) Support tenants' rights policies, such as endorsing statewide efforts to repeal California's Costa Hawkins Act.
 - f) Contribute resources to implement anti-displacement policies and generate/preserve affordable housing (above and beyond standard development fees).
 - i) Google could agree to contribute funds to the City and its partners (e.g., via a Development Agreement).
 - ii) The City could dedicate revenue from land transactions.
 - iii) The City could pursue a citywide commercial linkage fee; Conduct a nexus study to determine the cost to provide enough affordable housing to meet demand generated by new commercial development (see local examples).
 - iv) Google could negotiate a Community Benefits Agreement; include an affordable housing fund and an oversight committee representing local community, labor, and faith leaders to oversee the implementation of the agreement.
 - g) Process-oriented Principles:
 - i) Potential mechanisms: Development Agreement, Community Benefits Agreement, revenues from land transactions, and Commercial Linkage Fee
 - ii) Begin to address housing issues before finalizing the sale of land to Google
 - iii) Include mechanisms for capturing the value of any upzonings and future transit investments in an agreement
 - (1) These principles are important to discuss in the Housing context because the City does not have policies on how to address project impacts on displacement, beyond the on-site inclusionary requirement (or in-lieu fee); there needs to be a mechanism (such as a CBA) for ensuring that Google and the City are going to address housing impacts, which is the top concern.

3) Ideas for how to distribute new resources to achieve the desired outcomes:

[Before Meeting #3, staff put the following ideas into a ranking worksheet, and at Meeting #3, the group members in attendance ranked them in order of importance from 1 to 5. The results

are attached to this summary. As noted below, there were several additions to this list during Meeting #3 that were not on the ranking list.]

a) Production-oriented:

- i) Build high density housing outside of the Diridon Station, including the east side
 - (1) A concern is that this strategy could lead to direct displacement through redevelopment.
- ii) Acquire land and build affordable housing, focusing on areas well-served by transit
 - (1) A concern with this strategy is that “acquire” can be a code word for eminent domain, and could lead to the redevelopment of single-family homes.
- iii) Assist homeowners with building Accessory Dwelling Units (ADUs)
 - (1) A concern with this strategy is that it does not have the same “bang for the buck” as the others.
- iv) Fund pilot programs for creative solutions like tiny houses and modular units
 - (1) Group members that ranked this strategy in their top 5 clarified that they support modular units (prefab) as a permanent housing solution, but not tiny homes. They would like to see a range of unit sizes though, not just studios.
- v) [Added during Meeting #3:] Build mixed-income housing projects within the Diridon Station Area, recognizing that some funds could go towards affordable housing in the DSA or nearby, not just around other transit stations.

b) Preservation-Oriented:

- i) Fund seismic retrofits of existing buildings to reinvest in and help preserve “naturally affordable” housing
- ii) Acquire, rehabilitate, and preserve the affordability of multi-family housing properties, including those at risk of being taken off the market – focusing on neighborhoods at the greatest risk of gentrification and displacement
 - (1) [Comment on ranking exercise:] Retrofitting multifamily housing for seismic safety (first Preservation strategy listed) could be a subset of rehabilitation (second Preservation strategy listed).

c) People-oriented:

- i) When building new housing or preserving existing housing, utilize community ownership models to increase homeownership opportunities (e.g., Community Land Trusts, co-ops, tenancy-in-common, etc.).

- ii) Increase funding support for organizations that provide legal assistance and education to tenants
- iii) Fund the legal defense of low-income Santa Clara County tenants facing eviction proceedings
 - (1) [Comment on the ranking exercise:] This strategy and the previous one are very similar. [Note: the latter is based on a specific suggestion in the Working Partnerships memo to fund the legal defense of every low-income Santa Clara County tenant facing eviction proceedings over a ten-year period.]
- iv) Fund a program to increase Section 8 voucher acceptance among landlords
- v) Provide funding for local initiatives to strengthen policies on tenants' rights
 - (1) See the Facebook CBA for example.
- vi) [Added during Meeting #3:] Google should fund a study of displacement impacts, including a projection of potential impacts and a longitudinal study to monitor actual impacts.
 - (1) The data on displacement exists; look at what other places are doing; they each collect different datasets; need to pick the data and study it.
 - (2) Economics of displacement are complicated but there are economists studying anticipated rent changes at city/regional level.

Considerations:

- 1) What is the impact of a potential Google project on housing affordability at various scales (neighborhood, city, region, etc.)? What scale should the group be thinking about in terms of solutions? Where would it make sense to use different strategies?
 - a) Consider sites throughout the City, not just around Diridon Station.
 - b) Focus affordable housing production on areas well-served by transit. (San Jose General Plan goal for Urban Villages is 25%. VTA's goal is for 35 percent of new residential units built on VTA land to be affordable to low-income households.)
 - c) Acknowledge the existing affordable housing developments and those in the pipeline when considering how much additional affordable housing should be located in the Diridon Station area and surrounding neighborhoods.
 - d) Focus anti-displacement efforts, such as housing preservation efforts and tenant assistance, on neighborhoods at the greatest risk of gentrification and displacement.

- 2) Cost effectiveness: consider land and per unit costs
- 3) Previous/ongoing efforts: There is concern over suggesting policies changes that City Council has already denied; do not want to add to frustration.

Public Comments:

Several members of the public spoke at each of the Solution Group meetings. The comments included personal accounts on how the housing affordability crisis and displacement have affected their communities and concerns about the future. They called upon the SAAG, Google, and City to take this issue seriously and find ways to avoid impacts to existing San José residents. The following two set of comments from Meeting #3 are examples that reflect the general nature of public comments made verbally:

- I live in a multiplex, and the landlord recently jacked up the rents by 30-40%, pushing out a half dozen families so tech workers could move in; I no longer know most of my neighbors; my son had to move to Manteca to afford housing, and his rent just doubled because so many people are moving there from the Bay Area; I have witnessed the crowds of people taking ACE from the Central Valley into Silicon Valley in the early morning; who needs data? We already don't know our neighbors now, and don't need to study that. You can see neighborhoods change.
- We need to quantify the displacement impact soon, before the MOU is finalized. I am nervous about doing a study that will take a long time. We are in a train wreck now, as we already have over 4,000 people who are homeless. There is a lot of fear among the public. We have the smartest people in the country yet are stupid to let people commute 4 hours a day. This change needs to make our city better, not worse. The displacement occurring is essentially erasing cultures from San José, and this is not the kind of San José that we want. The City Council has stars in their eyes (like Mountain View City Council did in the early 2000's), but we should not go down this path if it does not produce change that we want.

Resources:

- Analysis of Impediments to Fair Housing: <http://www.sanjoseca.gov/DocumentCenter/View/68395>
- Working Partnerships resources: <https://wpusa.org/>
 - Amazon study
 - Community benefits agreements examples
- City is going to do an Assessment of Fair Housing analysis
- City received a grant to work on anti-displacement from PolicyLink: <http://www.policylink.org/blog/anti-displacement-policy-network-announced>
 - PolicyLink database: <http://www.policylink.org/resources-tools>
- Urban Displacement Project @ UC Berkeley: <http://www.urbandisplacement.org/>

- CASA: working on regional policies (<https://mtc.ca.gov/our-work/plans-projects/casa-committee-house-bay-area>)

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