CITY OF SAN PABLO
City of New Directions

General Overview – Local Housing Preference Ordinance

Economic Development, Project Management & Housing Standing Committee
July 8, 2026

2025-27 City Council Priority Workplan

- Amendment #3 (April 20, 2026) to City Council Priority Workplan:

Policy #312: Assess the legal feasibility of implementing a new policy for new or prospective development agreements entered into by the Successor Agency/Housing Successor Agency to require the inclusion of a preferred local resident provision for a portion of a newly constructed affordable housing units when private developers request financial assistance from the Housing Successor Agency's Low & Moderate Housing Asset Fund (LMIHF); and include alignment with efforts to monitor and preserve the long-term affordability of units subject to affordability restrictions or covenants established by the Housing Successor Agency, as part of overall policy implementation.

Purpose

- The City seeks to expand access to affordable housing for all residents while continuing its strong commitment to fair housing choice, equity, and nondiscrimination.
- The City periodically invests local funds, including but not limited to Low-Mod Housing Asset Funds, Successor Agency housing funds, and other local sources, to support affordable housing developments.
- The City finds that limited, narrowly tailored local preferences (when structured in compliance with federal and state fair-housing law), can help stabilize existing residents at risk of displacement without creating unfair barriers for other protected classes.
- This ordinance would establish a reasonable, minimal preference for certain San Pablo households in new affordable units within developments that receive significant City financial assistance.

Draft Local Housing Preference Ordinance Overview

The ordinance would apply only to newly constructed affordable housing units in developments receiving at least one of the following:

1. A direct City loan
2. A City land contribution
3. At least $500,000 or 10% of total development cost, whichever is lower

The ordinance would not apply to affordable housing units in developments that are either:

1. Projects funded solely with state or federal awards without local contribution
2. Rehabilitation projects without new unit creation
3. Units restricted by another funder’s rules that pre-empt local preference systems (e.g., certain HCD or TCAC limitations).

Draft Local Housing Preference Ordinance Overview – Cont.

The City would establish the following allowable preference categories, not to exceed a combined 10% of City-funded units:

1. **Local Residency Preference** *(Primary)*
   - Up to 15% of City-funded units shall be offered first to applicant households who meet the Local Resident definition.
   - Selection among Local Residents shall be conducted by lottery.
2. **City Employee Preference** *(Optional)*
   - Up to 5% of City-funded units shall be reserved for employees working at least 20 hours/week for the City of San Pablo.
   - Does not supersede residency preference; categories operate in parallel.

Important safeguards:

- Preferences cannot consider length of residency.
- Preferences must be race-neutral, ethnicity-neutral, and not tied to specific neighborhoods.
- Preferences may not exceed 10% of units combined, a threshold commonly deemed safe by HCD and fair-housing case law analyses.

Local Housing Preference Ordinance Overview – Cont.

Developers shall implement an Affirmative Fair Housing Marketing Plan (AFHMP) approved by the City and consistent with federal and state requirements.

All applicants preferred and non-preferred must meet standard eligibility criteria (income, household size, etc.).

Developers must provide the City with:

1. A description of the random lottery process
2. Documentation of preference application
3. A compliance report after lease-up

Key Considerations

Additional engagement with experienced affordable housing developers prior to ordinance adoption to avoid negative impacts such as:

1. **Risk of Slowing or Discouraging Housing Production**
   - Requiring a “preferred local resident provision” adds another layer of eligibility screening for developers
   - May discourage smaller or emerging developers of color from applying for LMIHF support if they feel the requirements are too complex.
   - Could jeopardize financing or tax credit compliance and be harder to lease up or sell and can reduce overall housing pipeline activity, which runs counter to state housing goals.
2. **Administrative Complexity**
   - For a city of San Pablo’s size, you can caution that this may create a significant staff workload, particularly if multiple projects come online at once.
3. **Unintended Delays in Lease-Up and Occupancy**
   - If local preference is required but qualified applicants are not immediately available, a project may face slower lease-up, higher vacancy costs for developers, delays that could violate financing or tax-credit lease-up deadlines

EDHPM Standing Committee Recommendation:

1. Receive presentation; and
2. Prepare and draft the New Local Housing Preference Ordinance pursuant to FY 2025-27 Council Priority Workplan Amendment #3 adopted on 04/20/26 per Reso. #2026-063.