

Chapter 2

Housing Needs



READER NOTES

In this chapter, bold blue phrases express the Housing Element Goals, which are detailed in Chapter 3.

Footnotes are compiled as endnotes at the end of this chapter.

The City of San José, at slightly over a million people, is the tenth largest city in the U.S. It is the population center of Silicon Valley, a region where the economy grew significantly even during the pandemic, with Silicon Valley tech companies exceeding \$14 trillion in market capitalization in 2022.¹

San José continues to be one of the most expensive places to live in the country, with median housing prices pulling ever further of reach for essential workers. In the first quarter of 2022, the median single-family home was \$1.7 million, the median condo/townhome was \$900,000, and median monthly rent was \$2,595.² Figure 2-1 shows how these housing costs are unaffordable for a cross-section of workers who are essential for the continued functioning of our economy and society. Please see Appendix A, Demographic Profile and Housing Needs, for more data about housing needs and demographics in the City.

Despite a thriving and growing economy and decades of population growth, the most recent U.S. census data indicates that the City has lost population in the past few years. In community outreach and engagement around the Housing Element (see Appendix H for details about our community engagement process) and in prior community engagement around the Citywide Anti-Displacement Strategies,³ City staff heard from many community members who want to continue to live in San José but worry about being priced out of the market, and who report that family and neighbors have already been displaced. See Appendix B, Assessment of Fair Housing, for more analysis of displacement in San José, including breakdowns of displacement risk by race and geography.

Figure 2-1: Annual Incomes Vs. Incomes Needed to Afford Housing in San José



SOURCE: Employment Development Department (EDD) – First Quarter 2021 Wages; income to afford average rent calculation uses Costar Q1 2022 Average Effective Rents, rent at 30% of income and a single-income household; income to afford mortgage uses SCCOAR March 2022 median home sales prices; payments at 30% of income, 20% down, March 2022 Freddie Mac 30 Year Fixed interest Rate, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

Given the extreme prices in our market, how do we ensure that there is ***an abundant and affordable supply of housing*** for all current residents who want to stay in the City and for all future residents who will continue to be drawn here to live and work, as well as providing ***sufficient housing for people experiencing homelessness?***

In addition to addressing issues of housing supply and production, the City needs to ensure that access to such housing is fair and equitable and that housing policies and programs work towards redressing past and current day segregation rather than reinforcing segregation. As discussed in Chapter 1, State law (Government Code section 65583) requires that all jurisdictions perform an Assessment of Fair Housing (AFH) and propose policies and programs that actively and affirmatively further fair housing.

The City's detailed AFH is attached as Appendix B and policies and programs to affirmatively further fair housing are integrated into the larger set of policies and programs described in Chapter 3. Here, to capture some of the analysis in the AFH, we cite one specific statistic to illustrate the history and current context of fair housing in San José: approximately one-third of the City's housing stock is homeowner-occupied units built between 1950 and 1979. Per Table 2-1 (next page), no other large city in America has such a high proportion of this type of housing.

The three decades long period starting in 1950 and ending in 1980 was San José's primary growth spurt, when it transformed from a small city in the heart of an agricultural region to the sprawling, low-density metropolis that it is today. In 1950, San José's population was under 100,000. By 1980, San José's population was approximately 630,000, with non-Hispanic Whites constituting the vast majority of the population growth.

In contrast, during this same period, the other big cities in the Bay Area — San Francisco and Oakland — experienced net population losses, with non-Hispanic Whites at the leading edge of the declines in population; during this period, San Francisco and Oakland's White population dropped by a combined 500,000 persons.

From 1950-1980, San José grew through subdivision, turning thousands of acres of open space and agricultural lands into neighborhoods built around the single-family home and the automobile. The majority of this growth occurred prior to the passage of federal Fair Housing Act of 1968 and was within the national movement to build white, middle-class suburbs. As documented in *The Color of Law* by Richard Rothstein, this national, post-War strategy to build middle-class, suburban housing was the largest publicly subsidized housing and wealth building program in the history of the U.S. And it was explicitly and intentionally racist.

**Table 2-1: Owner-Occupied Units Built from 1950-1979
in Top 20 Largest U.S. Cities and Selected California Cities**

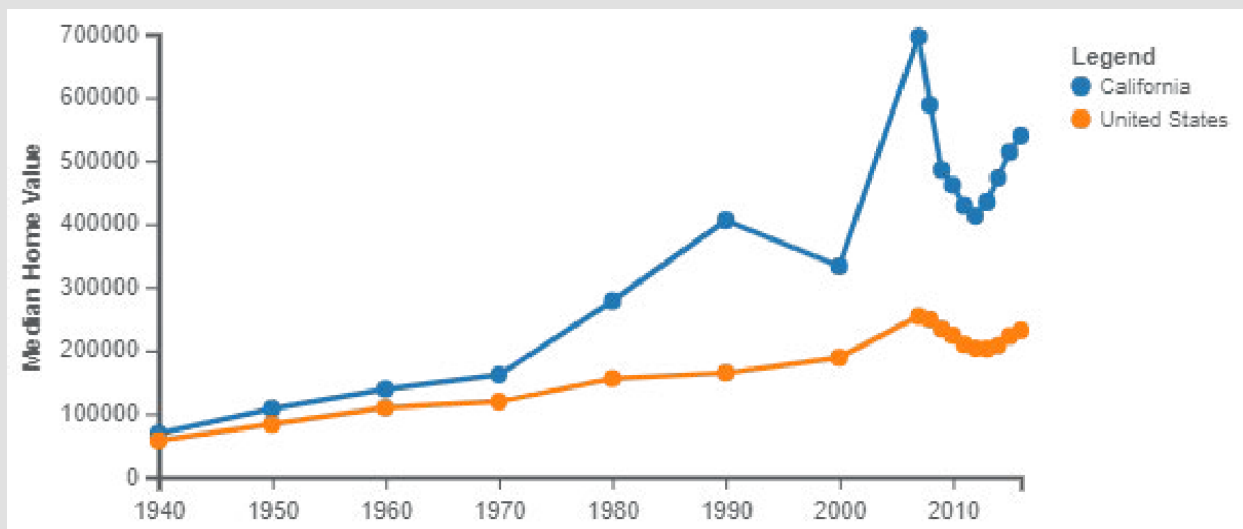
City	Occupied Housing Units	Owner-Occupied Units Built from 1950-1979	Owner-Occupied Units Built from 1950-1979 as a % of All Occupied Housing Units
San José, CA	325,114	111,694	34.4%
Phoenix, AZ	565,832	131,150	23.2%
San Diego, CA	507,580	116,577	23.0%
Dallas, TX	513,443	110,187	21.5%
Houston, TX	858,374	180,701	21.1%
San Antonio, TX	501,400	102,903	20.5%
Indianapolis (balance), IN	338,208	68,647	20.3%
Philadelphia, PA	601,337	114,251	19.0%
Denver, CO	301,501	56,250	18.7%
Long Beach, CA	166,813	31,103	18.6%
Jacksonville, FL	338,991	59,975	17.7%
Los Angeles, CA	1,383,869	241,654	17.5%
Sacramento, CA	185,331	32,314	17.4%
Fresno, CA	168,625	28,591	17.0%
Fort Worth, TX	297,498	48,071	16.2%
Columbus, OH	357,128	57,688	16.2%
Charlotte, NC	330,391	48,713	14.7%
Austin, TX	380,392	54,034	14.2%
Chicago, IL	1,066,829	147,204	13.8%
New York City, NY	3,167,034	363,999	11.5%
Seattle, WA	331,836	36,587	11.0%
Oakland, CA	162,419	16,494	10.2%
Washington, DC	284,386	25,975	9.1%
San Francisco, CA	362,354	25,799	7.1%

The latter part of San José’s population boom — in the 1970s — also coincides with the beginning of California’s long and ongoing real estate boom. As shown in *Figure 2-2*, prior to 1970, housing costs in California were roughly comparable to the U.S. market. However, starting in 1970, California’s housing costs took off on their own higher (and more volatile) trajectory.

This means there was only a small window of time where homeownership in San José was both open to all *and* affordable. Today, significant parts of the City are effectively locked into a pre-Fair Housing, segregated dynamic. While this sequence of events — a period of post-War growth followed by decades of slower growth and rapidly rising housing costs — happened in many cities across the American West, it defines San José in greater proportion than any other big city in the U.S. (as seen in *Table 2-1*). The impacts of this specific version of segregation can be seen in several ways:

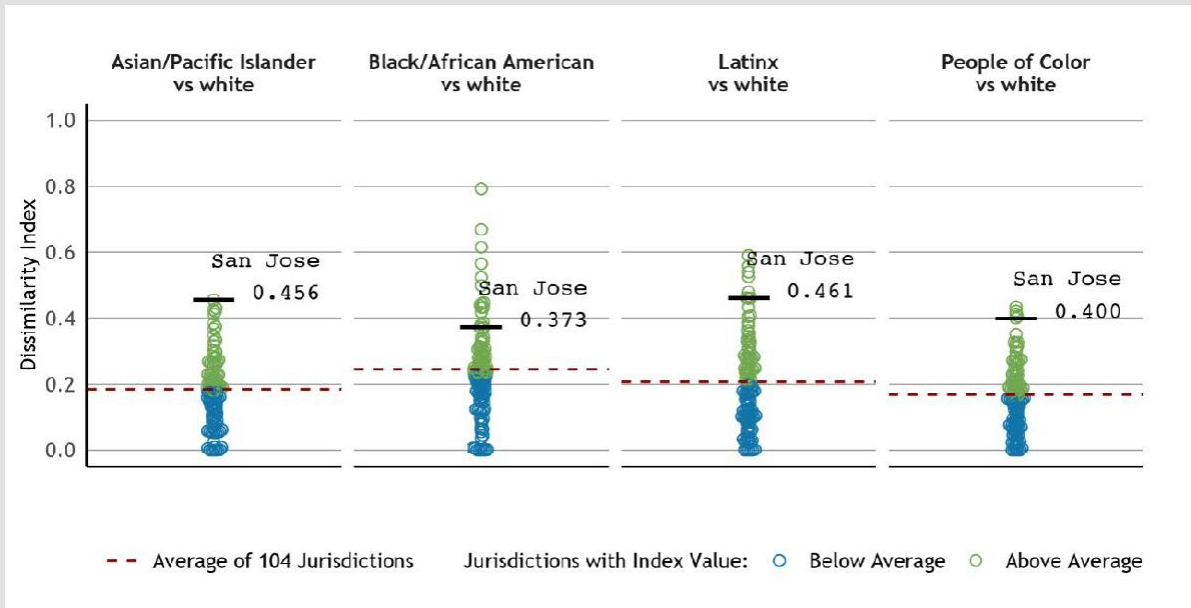
- **San José is one of the most segregated cities in the Greater Bay area.** Per *Figure 2-3* (next page), across the 104 jurisdictions in the nine-county Bay Area, San José is consistently one of the most segregated cities, as rated on the Dissimilarity Index, where a score of 0.4 or higher indicates that a geography is segregated.
- **Non-Hispanic Whites represent a disproportionate share of homeowners.** Non-Hispanic Whites are 26% of the City’s general population but 41% of the total number of homeowners; they have a higher homeownership rate than any other major racial/ethnic group, see *Figure 2-4* (next page). Also, while the broader category of Asian Americans, Native Hawaiians, and Pacific Islanders (AAPIs) have a high rate of homeownership, disaggregated AAPI data reveals differences in rates among AAPI subcategories. Because homeownership has been such a prevalent pathway to wealth building in the U.S., this differential in who owns and who rents presents challenges in how the City can support *housing stability and opportunities to build wealth for all residents*.

Figure 2-2: Median Home Prices - California vs. U.S. since 1940
(2021 dollars)



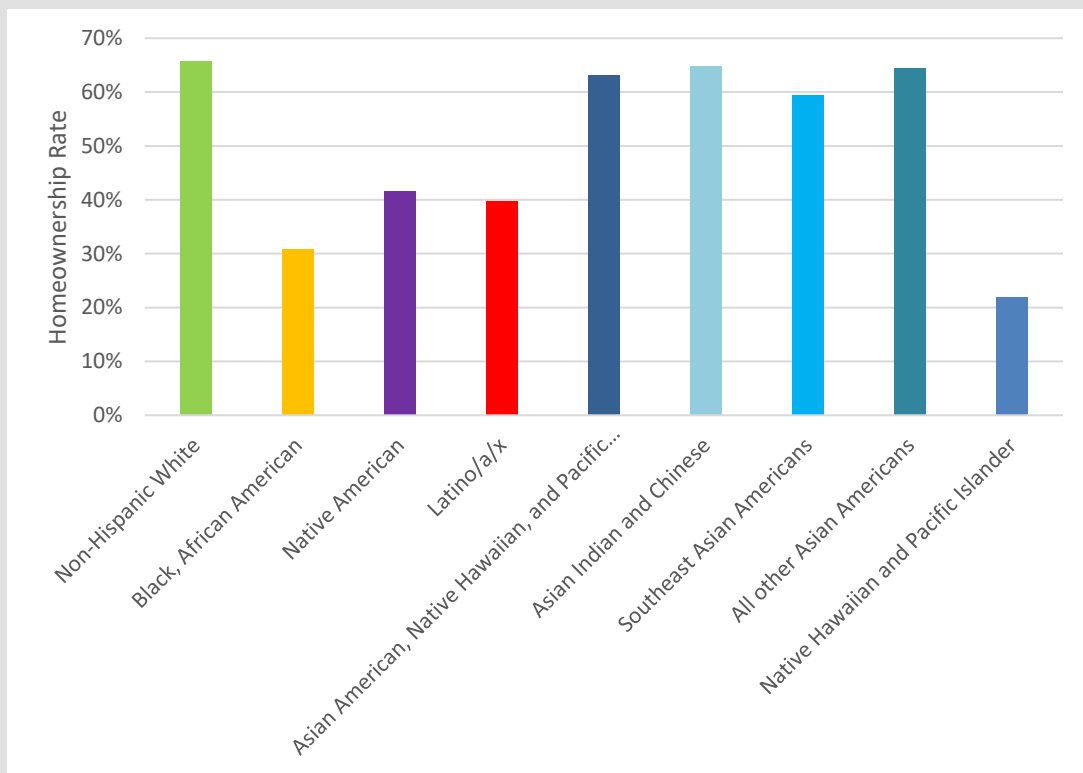
Source: https://en.wikipedia.org/wiki/California_housing_shortage

Figure 2-3: Level of Segregation in San José Compared to 103 Bay Area Jurisdictions



Source: *AFFH Segregation Report: San Jose*, UC Merced Urban Policy Lab for the Association of Bay Area Governments / Metropolitan Transportation Commission (2022)

Figure 2-4: San José Homeownership Rates by Householder Race/Ethnicity



Source: City of San José analysis of US Census data (2019 5-Year ACS for general categories; 2015-5-year ACS for disaggregated AAPI data). Please see Appendix B for more detail on the methodology for disaggregation of AAPI data.

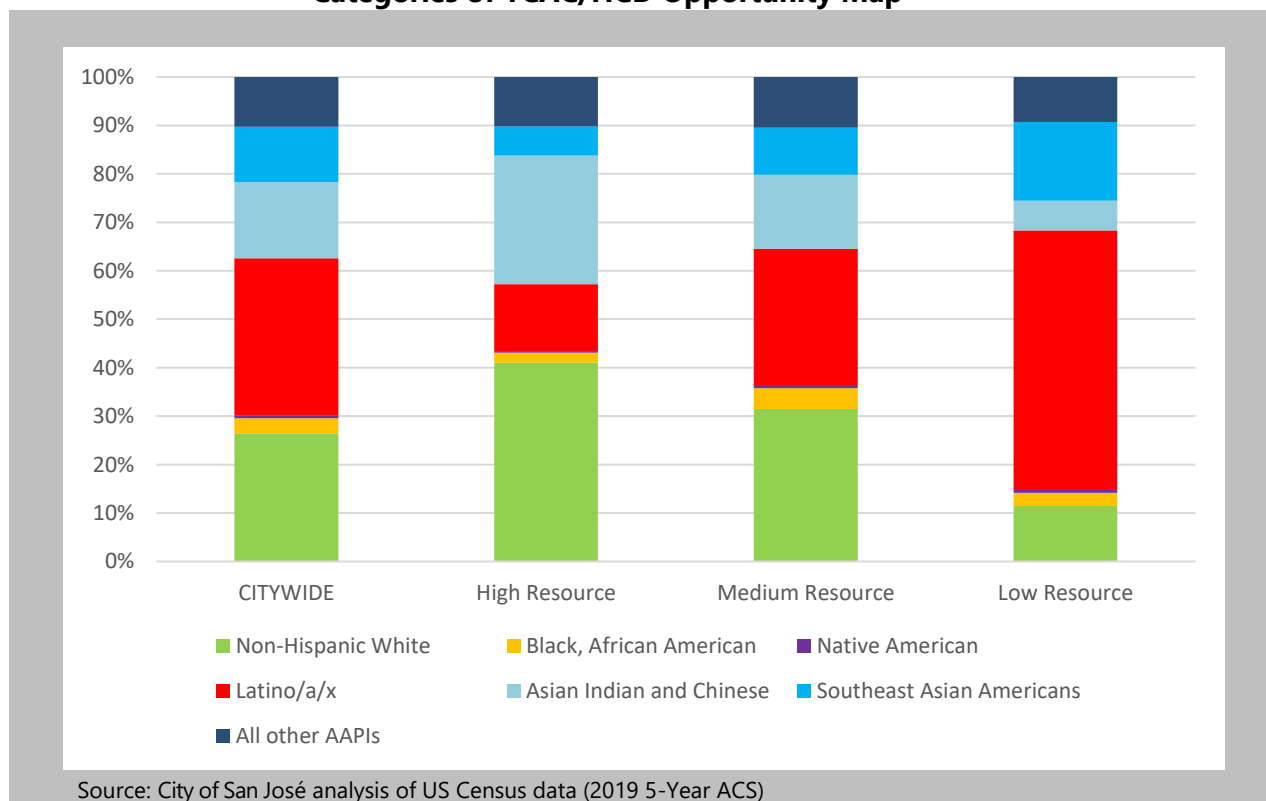
- **Segregation influences who lives in “high-resource” and “low-resource” neighborhoods.**

The State Department of Treasury Tax Credit Allocation Committee/Department of Housing and Community Development Opportunity Map (TCAC/HCD Opportunity Map)⁴ helps to analyze high- and low-resource neighborhoods, and in San José, we can see that where people live correlates with race:

- > The majority of Latino/a/x and Southeast Asian American persons in San José live in low-resource neighborhoods.
- > The majority of Chinese and Asian Indian Americans and just under 50% of non-Hispanic Whites live in high-resource neighborhoods.

Figure 2-5 further shows the breakdown by race/ethnicity per the Opportunity Map category. Medium-resource neighborhoods resemble the City as a whole; high-resource neighborhoods have disproportionate amounts of non-Hispanic Whites, Asian Indians, and Chinese; and low-resource neighborhoods have disproportionate numbers of Latino/a/x and Southeast Asian Americans. This “geography of opportunity effect” matters, as there is a growing body of evidence that where somebody lives affects the outcomes for individuals, even holding constant other factors such as education, race, and income. This unequal distribution of population by neighborhood type is a stark datapoint showing that not all San Joséans live in *healthy, thriving neighborhoods with access to good jobs, schools, transportation*, and other resources and is indicative of our challenge to create *racially and socially inclusive neighborhoods that overcome past and present discrimination*.

Figure 2-5: Racial/Ethnic Composition of San José Neighborhoods by Categories of TCAC/HCD Opportunity Map



From community engagement and data analysis conducted as part of the City's Assessment of Fair Housing, other barriers to fair housing include:

- **Segregation:** In addition to the findings about opportunity and resources described above, segregation also correlates with increased risk of displacement, a higher proportion of substandard housing, increased exposure to negative environmental factors (e.g., poorer air quality, higher temperatures), and increased health risks for lower-income communities of color.
- **Homelessness:** There is a high level of need for housing (shelters, transitional housing, and permanent supportive housing) and services targeting unhoused people. African American, Latino/a/x, and Native American people are disproportionately represented in the population of unhoused people.
- **Fair Housing Violations:** Community members anecdotally report potential fair housing issues/violations, especially source of income discrimination and disability discrimination.
- **Lack of Accessibility for Disabled Persons:** Accessible housing is scarce and requests for reasonable accommodation are often not fulfilled.
- **Lack of Information and Community Engagement:** Community members and stakeholders request greater governmental transparency, more information about housing rights and opportunities, and greater involvement in decisions around housing and development policy, especially for members of protected classes.

Please see Appendix B, Assessment of Fair Housing, for more history and analysis of current segregation in San José. In addition, both Appendix A (Demographic Profile and Housing Needs) and Appendix B present more data about demographics and housing resources, with emphasis on protected classes and other specific populations.

ENDNOTES

- 1 Silicon Valley market capitalization: <https://jointventure.org/a-message-about-the-2022-index>
- 2 San Jose median housing prices: <https://www.sanjoseca.gov/home/showpublisheddocument/86697/>
- 3 Citywide anti-displacement strategies: <https://www.sanjoseca.gov/your-government/departments-offices/housing/resource-library/housing-policy-plans-and-reports/citywide-anti-displacement-strategy>
- 4 TCAC/HCD Opportunity Map: <https://belonging.berkeley.edu/2022-tcac-opportunity-map>