STRATEGICECONOMICS

DIRIDON AFFORDABLE HOUSING IMPLEMENTATION PLAN

PUBLIC DRAFT REPORT

Prepared for:

The City of San José

November 5, 2020

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I. EXECUTIVE SUMMARY

The Diridon Affordable Housing Implementation Plan (implementation plan) summarized here characterizes the need for affordable housing in the Diridon Station Area (DSA)[1] and surrounding communities, in light of the large-scale transit investments planned for Diridon Station, the Downtown West Mixed-Use project (Downtown West), and other future development, which will transform the station area. These combined investments will enhance job and transit access to the region. They are likely to increase the value of properties in the area and attract new development and more residents, workers, and visitors. At the same time, it is important to ensure that existing residents – especially lower-income households – can also benefit from these investments.

The implementation plan outlines potential strategies to **produce** new affordable housing units, **preserve** the affordability of the neighborhoods for lower-income residents, and **protect** vulnerable residents from displacement. It applies to the DSA and surrounding neighborhoods within a half-mile distance (the Neighborhood Stabilization Area) and is based on an analysis of demographic and housing data, the local policy context, and best practices from other cities and regions.

TARGETS AND GOALS

PRODUCTION

Build-out of the DSA, which includes DSAP Amendment sites and Downtown West, if approved, has the potential to add between 10,619 and 13,519 new housing units in the DSA. Based on City Council direction, staff is recommending a goal that 25 percent of all housing units in the DSA, including the Downtown West project, be affordable to lower-income households at buildout of the land use plan (2040). While there are currently 141 units of deed-restricted affordable housing (or 20 percent) in the DSA as of 2019, the area goal is to achieve an overall 25 percent affordability goal for the DSA. Therefore, it is assumed that at least 25 percent of future housing production would need to be deed-restricted affordable units. The implementation plan envisions the production of new affordable units (including permanent supportive housing) for households at a range of incomes, including extremely-low-income, very-low-income, low-income, and moderate-income households. <u>Under the 25 percent goal, the number of affordable housing units to be added is estimated at between 2,655 and 3,380 units.</u>

PRESERVATION

In the area within a half-mile of the Diridon Station Area, or the Neighborhood Stabilization Area, about 15 percent of housing units (1,322 units) are deed-restricted affordable units that provide long-term affordability to lower-income residents. In addition, there are another 319 deed-restricted affordable

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[1] In the 2020 DSAP Amendment Draft, the Diridon Station Area (DSA) is also referred to as the "Plan area." This implementation plan, however, considers multiple geographies. It refers to the Diridon Station Area Plan boundary as the "Diridon Station Area" or "DSA." A map of the geographies included in this implementation plan is shown in Figure 3.

units in the pipeline as of mid-2020. The implementation plan establishes a goal to preserve the affordability of all existing affordable units, as well as forthcoming new deed-restricted units, ongoing.

In addition, about 10 percent of existing housing units (840 units) in the Neighborhood Stabilization Area are in older multi-family buildings that are regulated by the City's Apartment Rent Ordinance (ARO). The ARO provides tenants with protections by limiting rent increases to five percent annually and requiring defined "just causes" for evictions. It is estimated that approximately two-thirds of ARO units (560 units) are occupied by low- and moderate-income households. However, the units are not deed-restricted, and therefore do not provide long-term affordability. Acquiring, rehabilitating, and converting these units to deed-restricted units is an important strategy for ensuring that the lower-income tenants of multifamily apartments in the Neighborhood Stabilization Area can remain in place.

<u>The implementation plan establishes a goal of developing a Preservation Pilot program to acquire and rehabilitate existing multifamily units that are affordable to lower-income households and convert them to long-term, deed-restricted affordable units.</u>

PROTECTION

Lower-income renter households are more vulnerable to displacement than homeowners. It is estimated that there are approximately 3,900 low-income renter households in the Neighborhood Stabilization Area with an income below 80% of the area median income (AMI). Many of these renters have inadequate protections from rent increases and evictions. Anti-displacement policies, including enhanced renter protections, can help to reduce incidences of homelessness.

About 27 percent of renters live in single-family, duplex, or condo units, which have very weak tenant protections compared to multi-family units protected under the City's Apartment Rent Ordinance. The majority of renters who live in single-family homes and duplexes are not protected by existing local and state laws.

<u>The implementation plan aims to maintain the number of low-income renters in the Neighborhood Stabilization Area (approximately 3,900 households) to ensure that existing lower-income residents can stay in place and benefit from the new investments that will occur in the Diridon Station Area.</u>

STRATEGIES

PRODUCTION

The strategies around affordable housing production are listed below. The affordable housing production goal is focused primarily on construction within the DSA. New affordable units will be provided through a variety of methods, such as inclusionary requirements for market-rate development projects and standalone deed-restricted affordable projects subsidized by a number of public, private, and philanthropic funders.

1. **Maximize competitiveness for state funding sources by prioritizing sites within a one-half mile walkshed of Diridon Station for affordable housing.** Affordable housing projects can apply for competitive funding sources, including the state's Affordable Housing for Sustainable Communities program (AHSC), Transit-Oriented Development Housing Program (TOD), and Infill Infrastructure Grant

Program (IIG), as well as the County's Measure A funds. Projects will be most competitive for these sources when located within a short walk – ideally within the one-half mile walkshed of Diridon Station. Therefore, to the extent possible, the sites within this walkshed should be prioritized for future affordable housing development projects.

2. **Partner with transit agencies and affordable housing developers to leverage Affordable Housing for Sustainable Communities grants for affordable housing developments near station.** Affordable housing proposals near Diridon Station are potentially most competitive for AHSC funds because of the potential to leverage GHG reductions associated with transit investments at Diridon, including Caltrain electrification and eventually the VTA Bart Silicon Valley Extension Phase II. First-last mile pedestrian and bike improvements may also be leverageable for AHSC funds. AHSC also provides affordable housing developers more flexibility in their unit affordability breakdowns, which can be all the difference in whether affordable housing projects are feasible. Because AHSC applications are known to be incredibly lengthy and complex, it is important the City of San José take an active role organizing an AHSC application with transit agency and developer partners, as AHSC applications are typically most successful with strong jurisdictional leadership.

3. **Prioritize the use of Commercial Linkage Fee revenues generated in the Diridon Station Area for affordable housing projects within the Plan area.** The City Council approved a new Commercial Linkage Fee in September 2020. Depending on the amount of commercial space approved in the DSA, this could produce tens of millions of dollars for affordable housing over the next two decades.

4. **Adopt the proposed update to the citywide Inclusionary Housing Ordinance (IHO).** The proposed update to the City's Inclusionary Housing Ordinance is designed to encourage the construction of new housing for a range of income levels, including median-income households. Under the current requirements, developers have chosen to pay the in-lieu fee rather than provide on-site units. Solely collecting revenue from this Ordinance is not realizing the full potential of this important program, which has the goal to economically integrate neighborhoods and to produce affordable housing along with market-rate housing. The proposed modifications are designed to provide developers with a wider range of economically feasible options to meet the inclusionary requirement while meeting the City's needs.

5. **Update regulations to facilitate mass timber and other innovative and cost-effective construction technologies.** The introduction of cost-effective innovative technologies such as mass timber has the potential to greatly reduce the cost of housing construction, making mid-rise and high-rise development projects more financially feasible. The City of San José can put policies in place to facilitate the transition to new construction technologies by updating building codes and permitting processes. San José's building code would need to adopt new standards consistent with the Universal Building Code in order for mass timber to be implemented at a larger scale, especially for taller buildings.

6. **Explore potential changes to park fees to decrease overall development costs for market-rate and affordable housing.** As one of the City's most significant development fees, a reduction in the parks fee would help to reduce the overall cost of housing development in the DSA and encourage the provision of inclusionary affordable units integrated into market-rate projects. The City currently discounts the park fees by 50 percent for deed-restricted housing units affordable to households at 80% AMI and below. The City also is considering a reduction of up to 50 percent for deed-restricted

housing units affordable to moderate-income households earning 81 to 100% AMI. In addition, a proposed change to charge the fee on a per-square-foot basis rather than on a per-unit basis can improve the development feasibility of small market-rate units, like studios and one-bedrooms.

7. **Support policies that increase the production of accessory dwelling units (ADUs) in the Diridon Station Area and surrounding neighborhoods.** Facilitating ADU construction is one way that the City can meet its goals for the production of more moderate-income and middle-income housing. Building small ADUs in established residential neighborhoods is a straightforward and sensitive way to increase the housing supply while providing existing homeowners opportunities to supplement mortgage payments with rental income. The City has implemented reforms around accessory dwelling unit production, including easing multiple building requirements in conformance with new state laws and offering pre-approved ADU designs through the ADU/Single-Family Master Plan Program. The City should further explore ways to incentivize the creation of new deed-restricted units in ADUs, not just for single-family properties, but also for lots that currently contain duplexes or small multifamily buildings.

PRESERVATION

Preservation of existing multifamily units would formalize the affordability of older properties for the long term. The City does not have a history of acquiring, rehabilitating, and converting privately owned multifamily housing into deed-restricted affordable housing. The first step is to develop a Preservation Pilot Program specifically for the Neighborhood Stabilization Area, which is a half-mile area around the Diridon Station Area. Considering that this selection process may ultimately depend on which property owners are motivated to sell, a screening process is needed to prioritize properties that could be good candidates for preservation. The program could screen properties based on the condition/quality, location, or whether they are adjacent to development activity.

This pilot program would require multifaceted strategies that streamline acquisition, affordability restriction implementation, property rehabilitation and property maintenance. These include:

1. **Conduct outreach to non-profit and community-based organizations with capacity to conduct preservation activities.** The City could provide information to interested nonprofits to develop a base of qualified developers for preservation activities and begin to build the program.

2. **Identify funding sources for preservation.** Typically, preservation projects require a significant amount of subsidy from cities, because it is harder to qualify for Low-Income Housing Tax Credits and other funding sources focused on production. The City could potentially access its Measure E revenues to fund preservation projects.

3. **Implement complimentary policies that support preservation activity.** Right of first refusal policies (such as Tenant Option to Purchase and Community Option to Purchase acts) elevate the position of lower-income tenants interested in communal ownership models and non-profit housing entities. The City could also identify candidates for acquisition and rehabilitation based on the property conditions and the financial capacity of the property owner to make improvements. This could entail bringing problematic buildings with multiple tenant complaints and/or tax delinquencies under public or nonprofit stewardship.

PROTECTION

The implementation plan's protection strategies incorporate many of the elements from the recently approved Citywide Residential Anti-Displacement Strategy, in addition to other implementation actions that are specific to the needs of residents in the Diridon Station Area and surrounding neighborhoods in the Neighborhood Stabilization Area.

Because the majority of the tenant protection strategies would be implemented citywide, it is not possible to quantify the costs associated with implementing these strategies specifically at the Neighborhood Stabilization Area scale.

1. **Establish a Housing Collaborative Court to provide legal support for tenants facing eviction.** Many households in the Neighborhood Stabilization Area are vulnerable to eviction, and this will be exacerbated after the expiration of the temporary COVID-19 moratorium. The Citywide Residential Anti-Displacement Strategy recommends coordinating with the Santa Clara County courts and the State to establish a Housing Collaborative Court and partially fund the costs for legal services for evictions during COVID-19. If this strategy is successful, the City could explore a longer-term arrangement together with the County to continue providing funding for legal services to increase tenant representation and help prevent evictions. The cost of implementation is not yet determined, but this strategy would be applicable to the entire city.

2. **Create a "satellite office" in the DSA to provide education resources to tenants and landlords.** The City of San José currently provides support for tenant and landlord education of their rights under the Apartment Rent Ordinance (ARO), Tenant Protection Ordinance (TPO), and Ellis Act Ordinance through its Rent Stabilization Program (RSP). The City also has local enforcement tools so that tenants who have experienced violations to these laws can submit a petition to the RSP for an administrative hearing. Establishing a satellite office in the DSA would improve residents' access to services, so that they can understand their rights under existing local and state laws, and potentially reduce unlawful evictions and rent increases.

3. **Consider options for enforcing the Tenant Protection Act of 2019 (AB 1482).** AB 1482, which was signed into law in 2020, prevents rent-gouging and requires just causes for eviction. AB 1482 covers many homes in the Neighborhood Stabilization Area, but the only enforcement mechanism is suing under State Law. The Council-approved Citywide Residential Anti-Displacement Strategy recommends the City to sponsor State legislation for local education and enforcement to help increase understanding and compliance with AB 1482 as well as the City's ordinances.

4. **Expand San José's existing Tenant Protection Ordinance (TPO) to include all rental units (including duplex, single-family, and condo/townhome rental units).** The TPO in its present form only protects renters in buildings with three or more units. Expanding the TPO to units in these other types of buildings would provide just cause eviction protections and relocation assistance for an additional 2,318 renter households, who comprise 27 percent of renter households in the Neighborhood Stabilization Area.

5. **Expand San José's existing Apartment Rent Ordinance (ARO) to include renter-occupied duplex units.** The ARO, which limits rent increases for existing leases to 5 percent annually, only protects buildings occupied in 1979 or earlier with three units or more. There are currently 422 renter households in duplexes that were built in this timeframe, 380 of which are in investor-owned duplexes. Expanding ARO to include either all older duplexes or just investor-owned duplexes would increase the share of renters in the Neighborhood Stabilization Area covered by the ARO from just 10 percent to 14 percent.

II. INTRODUCTION AND BACKGROUND

The Diridon Affordable Housing Implementation Plan characterizes the need for affordable housing in the Diridon Station Area and surrounding communities, in light of large-scale transit investments planned for Diridon Station, and the Downtown West Mixed-Use Plan, which will transform the DSA. These combined investments, which will enhance job and transit access for South Bay residents and workers, are likely to increase the value of properties in the area. At the same time, it is important to ensure that lower-income residents in San José can also benefit from these investments.

This implementation plan outlines affordable housing production, preservation, and protection strategies to create new affordable housing units, preserve the affordability of the neighborhoods for lower-income residents, and protect residents from potential displacement. The document presents recommended strategies for the City to implement in the DSA and surrounding neighborhoods based on an analysis of demographic and housing data, the local policy context, and best practices from other cities and regions. Where possible, this report also provides data on the likely cost of implementing the recommended policies and programs.

DIRIDON STATION AREA PLANNING CONTEXT

TRANSIT-ORIENTED DEVELOPMENT (TOD) PLANNING FRAMEWORK FOR DIRIDON STATION

Diridon Station, a regional transit hub located just west of San José's central business district, currently serves Caltrain, the Amtrak Capitol Corridor line, the VTA Blue and Green light rail lines, and it is also a major VTA bus transfer point. Currently, the Diridon Integrated Station Concept (DISC) Plan process is underway to develop a plan to expand and redesign the Diridon transit facility to serve the new electrified Caltrain, BART, high-speed rail service, as well as the existing trains, buses, and light rail. The DISC process is a partnership between the City of San José, the California High-Speed Rail Authority, Caltrain, and Santa Clara Valley Transportation Authority.

The VTA BART Phase II Silicon Valley Extension, which is anticipated to be completed in 2030, will extend BART from its current terminus at East San José/Berryessa Station through Downtown San José and Diridon, terminating in the City of Santa Clara. This project, which will "ring the bay" with transit service, will greatly increase transit access to jobs within the South Bay and downtown San José specifically as rail transit riders for the first time will be able to connect from Caltrain on the Peninsula to South Bay and East Bay communities via San José.[2] Caltrain is also in the process of electrifying their fleet, which will improve travel times and reduce the service's GHG emissions.[3]

Multiple studies reaffirm that locating jobs and housing adjacent to transit stations provide significant economic and environmental benefits. For instance, it is a standard assumption among transportation planners that work trips account for most transit trips—approximately 59 percent.[4] Places with transit

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[2] Valley Transportation Authority, "VTA's BART Silicon Valley Phase II." https://www.vta.org/projects/bart-sv/phase-ii
[3] Caltrain, "Caltrain Modernization." https://www.caltrain.com/projectsplans/CaltrainModernization.html
[4] Center for Transit-Oriented Development, "Transit-Oriented Development (TOD) and Employment," 2011. https://ctod.org/pdfs/2011TOD-Employment.pdf

systems that successfully connect worker households to jobs have a much higher share of workers who commute by transit compared to the national average. At the station area level, researchers have also found that job-generating uses should be located as close to the station as possible, ideally within one-quarter mile of the station – given that workers are generally less willing to walk far from stations to their job locations. Residential uses also support transit ridership, especially when they are located within one-half mile from a high-capacity transit station.[5]

In addition to meeting equitable development goals, the production and preservation of affordable housing near transit can also help to support transit ridership and achieve environmental sustainability goals. According to a recent California study, lower-income households that live within a half-mile near transit drive 25 to 30 percent fewer miles than those living in other less transit-rich areas; lower-income households that live within one-quarter mile of high-frequency transit drive 50 percent fewer miles than similar households located elsewhere.[6] On average, the study showed that lower-income households also have much lower car ownership rates than more affluent households.[7] Therefore, encouraging affordable housing development in the DSA can support multiple objectives.

Neighborhoods Near Diridon Station

The Diridon Station Area is predominantly characterized by vacant and non-residential sites. However, there are several residential neighborhoods within walking distance of the DSA. Based on a study of the DSA by the UC Berkeley Center for Community Innovation,[8] the neighborhoods include:

- Garden-Alameda - The residential neighborhood to the northwest of the Diridon Station is located between The Alameda and the light industrial areas northeast of Stockton Avenue. The area has received a significant amount of new development and public investment in recent years. The Alameda corridor has seen new streetscape improvements, and new Whole Foods grocery store and high-end market-rate condominiums and apartments have been built in the area.
- St. Leo's – This area to the west of the Diridon station is characterized by a mix of single-family small multifamily buildings, and larger multifamily complexes. According to the report, many of the units are occupied by lower-income households, often Latino immigrants. This neighborhood has been identified as an area that is undergoing rapid change. In 2004, a 94-unit market-rate for-sale housing project was completed in the area; in addition, many of the older single-family homes have been recently renovated and sold to higher-income households.
- Delmas Park – Located to the southeast of the station in close proximity to Highway 280 and Highway 87, this area contains a mix of commercial, light industrial, and smaller multifamily buildings. A large 123-unit affordable housing apartment project (Delmas Park Apartments) was completed in 2007 in this neighborhood.

[5] Center for Transit-Oriented Development, "Transit-Oriented Development (TOD) and Employment," 2011.
[6] Transform and California Housing Partnership Corporation, "Why Creating and Preserving Affordable Homes Near Transit is a Highly Effective Climate Protection Strategy," 2014.
[7] Ibid.
[8] Center for Community Innovation, University of California, Berkeley, "Urban Redevelopment around Diridon Station," 2015.

- West San Carlos – The area southwest of the station includes the West San Carlos commercial corridor, surrounded by older residential neighborhoods. The area between Race Street and Sunol Street has a mix of older light industrial buildings and newer multifamily housing.

Section IV of this report provides more information about the demographic and housing characteristics and recent trends in the census tracts that correspond to these neighborhoods.

Concurrent Land Use Planning Efforts

The Diridon Station Area Plan (DSAP), adopted by the City Council in 2014, establishes the goal of creating a vibrant, mixed-use urban destination. Beginning in 2016, Google began acquiring land in the area, with the intention of developing a new project. In 2018, following a community engagement process to establish the desired outcomes of the project, the City Council approved a Memorandum of Understanding (MOU) with Google that set the guiding principles and goals for the area.

On October 2019, Google submitted plans for the Downtown West Mixed-Use Plan, a mixed-use development project on 84 acres largely within the Diridon Station Area. The proposed project would redevelop underutilized commercial and industrial properties, as well as surface parking lots. The Downtown West proposal includes between 6.5 million and 7.3 million square feet of office space, between 3,000 and 5,900 new housing units, between 300,000 and 500,000 of active uses (including retail), along with up to 1,100 rooms in hotels and corporate accommodations, event space, and improvements in infrastructure, utilities, and public space.[9] The mix of uses are generally consistent with the DSAP vision of creating a regional employment center that solidifies San José's position as the center of Silicon Valley.[10]

Downtown West includes requests to amend the existing DSAP, which was adopted in 2014, as well as the City's General Plan, and the zoning code. Downtown San José's strength as a location for new tech office space has increased in the last few years. The presence of a major transportation hub at Diridon enhances the attractiveness of the DSA for office users, especially tech firms that have expressed a desire to locate in transit-accessible areas rather than suburban office parks popular in the early 2000s.

Currently, the proposal is undergoing environmental review through the California Environmental Quality Act (CEQA), which is expected to be completed at the end of 2020. City staff is also reviewing the proposal for adherence to the policies and objectives of the General Plan, City policies, and the public engagement process. The City Staff report to the Planning Commission and City Council is anticipated to be posted in early 2021.

Parallel to the Downtown West development project, the City Council adopted the DSAP Amendment in late 2019, which outlines specific land use guidelines for the other opportunity sites in the DSA that are not owned by Google.[11]

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[9] City of San José Planning, Building, and Code Enforcement, "Google Project." https://www.sanjoseca.gov/your-government/departments-offices/planning-building-code-enforcement/planning-division/projects-of-high-interest/google-project
[10] City of San José, "Diridon Station Area Plan," 2014. https://www.sanjoseca.gov/Home/ShowDocument?id=15739
[11] Skidmore, Owings & Merrill, "Diridon Station Area Plan Amendment," 2020. https://www.sanjoseca.gov/Home/ShowDocument?id=65897

Community Engagement Process

The City of San José undertook a robust community engagement process regarding the future of the Diridon Station Area and the City's negotiations with Google for the Downtown West project. The process occurred from February to September 2018, a year after the City entered into an Exclusive Negotiating Agreement with Google over the sale of 20 acres of City-owned land near the station. The Station Area Advisory Group (SAAG), which includes 38 community members appointed by the City Council, was tasked with soliciting and synthesizing community feedback. The SAAG then released a report in October 2018 detailing community desired outcomes related to housing and displacement, as well as other topic areas such as urban design, economic development, public space, transportation, and environmental sustainability.[12] The desired community outcomes related to housing and displacement, shown in Figure 1 below, have guided the development of the Diridon Affordable Housing Implementation Plan.

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[12] City of San José, "Diridon Station Area Civic Engagement Report" 2018. https://static1.squarespace.com/static/5c38bcfdcc8fedd5ba4ecc1d/t/5c48168e032be4dcbfd6705a/1548228243572/FINAL%2B-%2BDiridonStationArea%2BCivEngagement%2BReport%2B10.31.2018.pdf

FIGURE 1. DESIRED COMMUNITY OUTCOMES RELATED TO HOUSING AND DISPLACEMENT FOR THE DIRIDON STATION AREA, 2018

General Principles

- Everyone involved takes responsibility to address the housing crisis, including but not limited to the City, Google, and other companies/developers.
- The City adopts more and stronger tools to help fight displacement, supplementing the existing programs and policies.
- More affordable housing is generated throughout the city, focusing on high density housing in Urban Villages
- The strategy for addressing housing issues integrates homeless services.
- The ultimate goal is no direct/indirect displacement from San Jose, and no increase in homelessness.

Development of the Diridon Station Area

- The Diridon Station Area has dense, affordable housing across all incomes for current and future residents and workers.
- At least 25% of housing units are offered at below-market rates for lower-income households (ranging from extremely low to moderate).
- Developers build inclusionary Housing units on-site or within the Diridon Station Area, rather than pay in-lieu fees or build outside of the area.
- There is no direct and indirect displacement of existing lower-income residents from the Diridon Station Area and nearby neighborhoods due to gentrification spurred by this development.
- New development provides compensation and relocation assistance if redevelopment of existing housing occurs.

Citywide Impacts and Benefits

New resources generated by Google and other companies/developers go to:

- Affordable housing development, focusing on areas well-served by transit (including within the Diridon Station Area itself);
- Acquiring, rehabilitating, and preserving the affordability of existing multi-family housing properties in neighborhoods at the greatest risk of gentrification;
- Community ownership models to increase homeownership opportunities (e.g., Community Land Trusts, etc.) – when building new housing or preserving existing housing; and
- Organizations that provide legal assistance and education to tenants, which includes the legal defense of low-income Santa Clara County tenants facing eviction proceedings.

AFFORDABLE HOUSING FRAMEWORK FOR THE DIRIDON STATION AREA

Building on the outcomes from the community engagement process, as well as direction from the City Council, this implementation plan provides a framework for ensuring that 25 percent of all housing within the Diridon Station Area and within Downtown West are deed-restricted affordable units. Note that as the Downtown West project is undergoing a separate planning process, the analysis for the DSA is focused on the remainder of the sites in the DSA. In accordance with the direction given by City Council, affordable units in the DSA would serve households at a range of incomes, including extremely low-income households (30 percent of Santa Clara County AMI), very low-income households (50 percent of AMI), low-income households (80 percent AMI), and moderate-income households (120 percent of AMI). Consistent with the City's priorities and early community input, it is anticipated that permanent supportive housing would be integrated into some of the standalone affordable housing developments.

This implementation plan also establishes a framework for neighborhood stabilization strategies, intended to prevent displacement of existing residents. Neighborhood stabilization strategies include both preserving the affordability of existing housing stock and strengthening tenant protections. In San José, older multifamily buildings built in 1979 or earlier are generally more affordable to lower-income households. A preservation strategy would focus on acquiring and rehabilitating existing older, unsubsidized multifamily units and converting them into permanently affordable deed-restricted units. Tenant protection strategies, in contrast, could be applied Citywide as well as in the DSA.

These two additional overarching priorities of neighborhood stabilization and tenant protections are consistent with:

1) The Diridon community engagement process, which identified that affordable housing and displacement prevention were critical priorities for station area planning;[13] and

2) The City of San José's established affordable housing priorities, which are framed around housing **production**, **preservation**, and **protection**,

3) Santa Clara County Valley Transportation Authority's Transit-Oriented Development policy requiring affordable housing production on VTA-owned lands.

The goals and strategies contained in this implementation plan are echoed in multiple City plans including the Housing Crisis Workplan, the Affordable Housing Investment Plan, the *Ending Displacement in San José Community Strategy Report*, and the *Citywide Residential Anti-Displacement Strategy*.[14]

RACIAL EQUITY

As described in this implementation plan and in the recently adopted *Citywide Residential Anti-Displacement Strategy*, research and academic literature indicates that Black and Hispanic/Latino (Latinx) households are at greater risk of displacement in neighborhoods that are undergoing gentrification. The city's long history of exclusionary zoning and discriminatory lending practices – combined with other forms of racial discrimination – have made it more difficult for Black and Latinx households to access homeownership, accumulate wealth, and afford to rent in neighborhoods that offer high-quality transit and other amenities. In San José, there is a racial wealth gap and

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[13] Station Area Advisory Working Groups; Diridon Station Area Civic Engagement Report, 2018. https://static1.squarespace.com/static/5c38bcfdcc8fedd5ba4ecc1d/t/5c48168e032be4dcbfd6705a/1548228243572/FINAL%2B-%2BDiridonStationArea%2BCivEngagement%2BReport%2B10.31.2018.pdf

[14] City of San José Housing Crisis Workplan, 2018. https://www.sanjoseca.gov/Home/ShowDocument?id=52229; City of San José Affordable Housing Investment Plan, FY 2018. https://www.sanjoseca.gov/your-government/departments/housing/memos-reports-plans/housing-investment-plans-and-policy; San José Anti-Displacement Policy Network Team, Ending Displacement in San José Community Strategy Report, 2018. https://www.sanjoseca.gov/home/showdocument?id=54715

displacement is occurring at a higher level in historically segregated non-White communities.[15] In the Diridon Station Area and surrounding neighborhoods, Latinx households, who historically comprised a large share of the area's population, decreased five percent over the 2010-2018 period, while the Black population has remained relatively stable.

The goal of this implementation plan and related citywide strategies is to use the "3P" approach – a combination of production, preservation, and protection strategies – to reduce further displacement and increase opportunities for Latinx and Black people to live in the Diridon Neighborhood Stabilization Area and other areas that are poised to receive significant public and private investments, including high-quality transit.

COVID-19 PANDEMIC AND 2020 ECONOMIC CRISIS

The COVID-19 pandemic and subsequent economic recession have created new challenges for San José residents, especially vulnerable populations like low-income renters working in the service sector, who are overwhelmingly Black, Latinx, or Asian. It is estimated that 33,500 renter households in Santa Clara County have been impacted by job losses due to the pandemic, nearly half of which were considered low-income.[16]

The San José City Council has enacted a temporary eviction moratorium in response to COVID-19 that was in effect through August 31, 2020. The moratorium protected all San José renters from being evicted due to rent nonpayment—in other words, renters who cannot afford to pay their full rent due to the pandemic because of job loss, reduced hours, sickness, or childcare needs.[17] In addition to the pressure on tenants, the COVID-19 crisis has also had a negative impact on smaller property owners with thinner profit margins and less access to financing, compared to larger institutional property owners.

DEFINITION OF TERMS

The following terms are used throughout this report.

Affordable Housing: Housing is considered to be "affordable" when a lower- or moderate-income household spends no more than 30 percent of its gross income on housing costs. Affordable housing units include subsidized, deed-restricted units that have covenants and restrictions on incomes and rents/prices; privately owned unrestricted units that are regulated by the City of San José's Apartment Rent Ordinance; and other unrestricted single-family and multifamily units that are not regulated by the ARO but are affordable to lower-income households.

Deed-Restricted Affordable Housing: These are regulated and subsidized units that are restricted to lower- and moderate-income households and have limits on the maximum rents or sales prices that

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[15] City of San José, Citywide Residential Anti-Displacement Strategy, September 2020

[16] The Terner Center for Housing Innovation, "COVID-19 and California's Vulnerable Renters," 2020. https://ternercenter.berkeley.edu/blog/covid-19-and-vulnerable-renters-california

[17] City of San José, "Eviction Moratorium in San José." https://www.sanjoseca.gov/your-government/departments-offices/housing/covid-19-resources/eviction-moratorium

may be charged. Deed-restricted affordable housing can be provided through inclusionary policies and in standalone affordable housing projects.

Gentrification: The process by which neighborhoods that had experienced periods of disinvestment and/or historically lower-income neighborhoods attract new real estate investment activity, which often can result in higher real estate values, new real estate development, higher housing costs, and/or an influx of new residents with higher incomes and more spending power. Gentrification is a very complex process with both positive and negative impacts. Therefore, this report focuses primarily on preventing displacement, which is a narrower concept, and a negative impact of gentrification.

Displacement: In the context of "hot market" cities such as San José, indirect displacement is the process by which households involuntarily leave their neighborhoods for reasons such as rising housing costs. Research has shown that especially lower-income residents have significantly negative outcomes from displacement. In the Bay Area context, displaced lower-income residents often move to areas that are far from transit and other amenities in suburban or exurban locations, as well as to other regions. Displacement also can be direct, which refers to when tenants are physically displaced from their unit due to demolition or redevelopment. In the context of a gentrifying neighborhood, an anti-displacement strategy is meant to enable existing residents to stay in order to benefit from the positive impacts of gentrification.

Area Median Income: These income categories determine the eligibility of a variety of affordable housing subsidies and funding sources. This analysis relies on the income limits set by the California Department of Housing and Community Development (HCD) for Santa Clara County, consistent with state and local policy. The area median income (AMI) for a four-person household in Santa Clara County in 2020 is $141,600. Figure 2 below shows the income limits by household size for Santa Clara County in 2020. Based on HCD's income limits, household income levels are defined generally as follows:

- **Extremely Low-Income (ELI):** Households earning 30 percent of less of Santa Clara County AMI. A four-person household earning less than $47,350 in 2020 would be categorized as extremely low-income.
- **Very Low-Income (VLI):** Households earning 31 to 50 percent of Santa Clara County AMI. A four-person household earning between $47,351 and $78,950 in 2020 would be categorized as very low-income.
- **Low-Income (LI):** Households earning 51 to 80 percent of Santa Clara County AMI. A four-person household earning between $78,951 and $112,150 in 2020 would be categorized as low-income.
- **Moderate-Income (MI):** Households earning 81 to 120 percent of Santa Clara County AMI. A four-person household earning between $112,151 and $169,900 in 2020 would be categorized as moderate-income.

FIGURE 2. SANTA CLARA COUNTY 2020 INCOME LIMITS BY HOUSEHOLD SIZE

	Number of Persons in Household			
Area Median Income Category	1	2	3	4
30% (Extremely Low-Income)	$33,150	$37,900	$42,650	$47,350
50% (Very Low-Income)	$55,300	$63,200	$71,100	$78,950
80% (Low-Income)	$78,550	$89,750	$100,950	$112,150
100% (Median-Income)	$99,100	$113,300	$127,450	$141,600
120% (Moderate-Income)	$118,950	$135,900	$152,900	$169,900

Source: City of San José, 2020; HCD, 2020; Strategic Economics, 2020.

Unrestricted Affordable Housing: Sometimes referred to as “naturally occurring affordable housing”, unrestricted affordable housing refers to market-rate housing units that are affordable to lower-income households because of their building quality, location, and/or age. Some unrestricted units are regulated by the City of San José’s Apartment Rent Ordinance (ARO).

Inclusionary Housing Ordinance: The City of San José has an existing inclusionary housing ordinance (IHO) that requires that 15 percent of new market-rate multifamily development projects are affordable, deed-restricted units. The requirement can also be met through the payment of in-lieu fees or the provision of off-site units. The City has proposed modifications to the IHO that would provide developers with more flexibility on meeting the requirement.

Standalone Affordable Housing: Standalone affordable housing projects are defined as multifamily affordable projects that are deed-restricted and receive public funding or subsidies. They are typically financed through a layering of both competitive and non-competitive federal, state, and local sources, as well as philanthropic and private sources. The federal and state Low-Income Housing Tax Credits (LIHTC) are the largest funding source. Other sources may include Measure A (Santa Clara County), the State Affordable Housing Sustainable Communities (AHSC) grant, and others. San José local funding sources include revenues collected from in-lieu fees, commercial linkage fees, federal HOME, and the recently passed Measure E.

Cost Burden: When households pay more than 30 percent of their income on housing cost, they are considered “cost burdened.” If they pay 50 percent or more of their income on housing, they are considered “severely cost burdened.”

GEOGRAPHIES FOR ANALYSIS

This analysis examined demographic and housing conditions for different geographies based on data availability. The Diridon Station Area is the primary geography for the housing production analysis. The Neighborhood Stabilization Area and Census Study Area are the geographies for examining neighborhood anti-displacement strategies, including preservation and protection. Strategic Economics also analyzed the rental housing market for the Downtown West Submarket, which is larger than the other geographies. Each of these geographies is shown in Figure 3 and Figure 4, and described in more detail below.

Diridon Station Area: This area, which was established in the "DSAP Amendment Capacity Study" is anticipated to densify in conjunction with transit investment at Diridon Station. At 264 acres, it includes parcels in the Google project boundary as well as other properties not associated with Google, which have been identified as opportunity sites. The affordable housing production goals focus on new development within this boundary.

Neighborhood Stabilization Area: This encompasses the one-half mile radius of the DSA. Data associated with this geography is used for point-level property data and is used to understand the characteristics of the building stock. A half-mile radius was used because studies show that indirect displacement occurs within one-half mile of transit investments and other major investments which will occur in the DSA. The preservation and protection goals focus on this geographic area.

Census Study Area: This area includes six census tracts that roughly correspond to the Neighborhood Stabilization Area, which is a one-half radius of the DSA. The demographic analyses that characterize household and population trends are summarized at the Census Study Area geography.

Downtown West Submarket: This Costar submarket, shown in Figure 4, encompasses the triangular area between Interstates 280, 880, and Highway 87. Data associated with this broader area was used to characterize multifamily rent and sale trends near Diridon.[18]

[18] The Downtown West submarket is not associated with Google's "Downtown West" proposal.

FIGURE 3. DIRIDON AFFORDABLE HOUSING IMPLEMENTATION PLAN BOUNDARIES

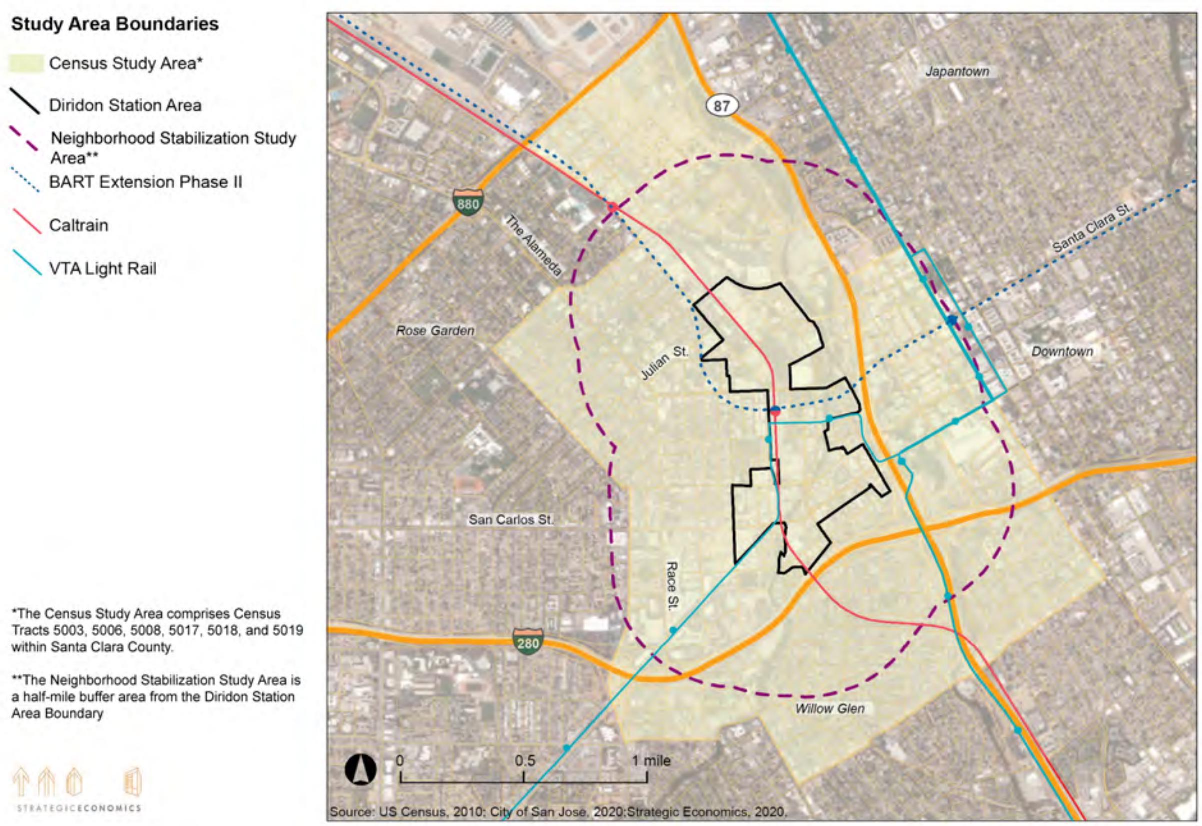
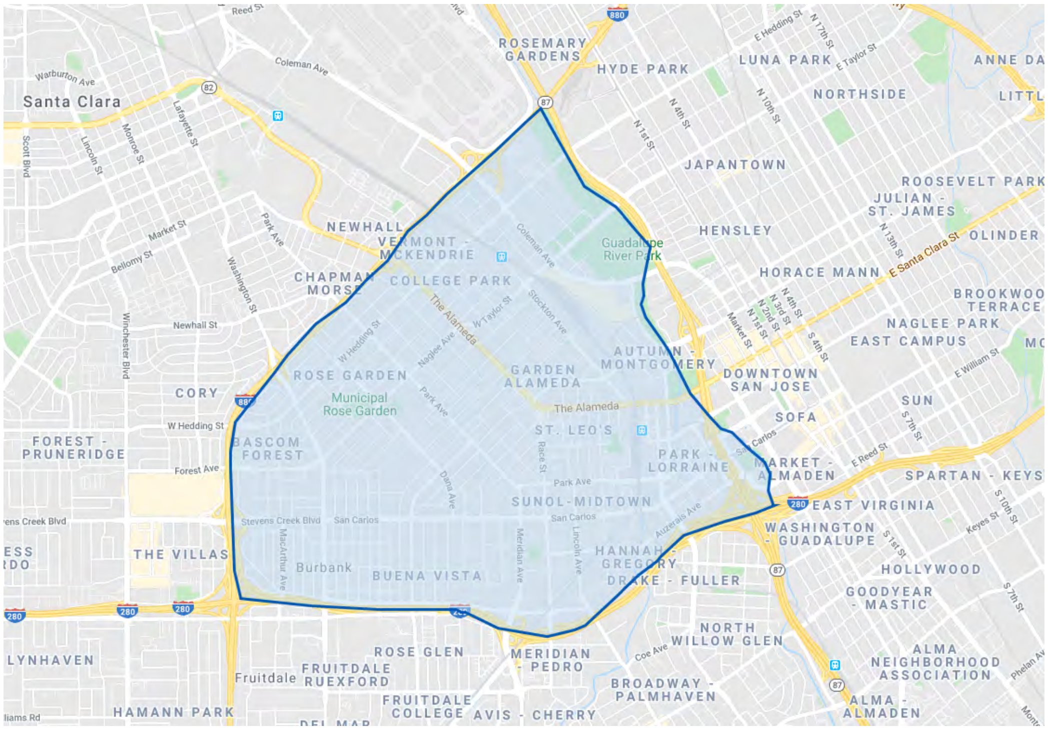


FIGURE 4. COSTAR DOWNTOWN WEST SUBMARKET



III. AFFORDABLE HOUSING NEEDS AND DISPLACEMENT RISK ASSESSMENT

This section provides an overview of the demographic and housing stock analyses that were conducted to characterize the displacement vulnerability of current residents and the affordability of the existing housing stock in the Diridon area. See Appendix D for further detail on both the full demographic and housing stock analyses.

EXISTING AND ANTICIPATED HOUSING STOCK IN THE DIRIDON AREA

The Diridon Station Area contained 698 housing units as of January 2019. The housing stock includes 69 single-family units, 32 duplex units, 456 unsubsidized multifamily units, and 141 deed-restricted affordable multifamily units. Overall, 20 percent of the housing units in the DSA are deed-restricted affordable units. Figure 5 shows the unit and building breakdown of housing in the DSA.

FIGURE 5. HOUSING UNITS IN THE DIRIDON STATION AREA BY UNIT TYPE

	Units	Buildings	Source
Single Family	69	69	2019 Santa Clara County Assessor
Townhome/Condo	0	0	2019 Santa Clara County Assessor
Duplex	32	16	2019 Santa Clara County Assessor
Unsubsidized Multifamily	456	12	2019 Santa Clara County Assessor
Deed-restricted Multifamily	141	2	City of San José Deed-restricted database
Total	**698**	**99**	
Deed-restricted/Total	**20.2%**	**2%**	

Source: Santa Clara County Assessor, 2019; Strategic Economics, 2020.

The Diridon Station Area Plan's opportunity sites and the Downtown West Mixed-Use Plan, if approved, have the potential to add over 12,000 new housing units in the DSA. As discussed above, the City Council has established a goal that 25 percent of all housing units in the DSA, including the Downtown West sites, be affordable to lower-income households. Understanding that as of 2019, 20 percent of units were deed-restricted affordable units, it is assumed that 25 percent of new production would need to be affordable to reach the 25 percent goal by the time of full build-out. The affordable housing production goals for the Downtown West sites and other opportunity sites in the DSA are described below and summarized in Figure 6:

- Downtown West: Google proposes adding between 3,000 and 5,900 housing units in its Downtown West proposal, and would therefore be required to provide between 750 and 1,475 affordable units to meet the 25 percent target. The Development Agreement between Google and the City of San José will be the basis for determining how the development project will provide the appropriate number of affordable housing units in the DSA.[19]

- Other opportunity sites in the DSA that are designated for housing could yield a maximum of 7,619 housing units, according to the Maximum Build-Out Estimate in the 2020 DSAP Amendment Draft.[20] Approximately 76 percent of units are anticipated to be provided in high-rise projects (14 stories and above) and 24 percent of units would be in mid-rise developments. If the maximum number of housing units is provided on opportunity sites, then the number of affordable units is estimated at 1,905.[21] The mechanisms to deliver affordable housing on the DSAP Amendment sites will include the City's inclusionary housing ordinance and other 100% affordable deed-restricted housing development projects, including permanent supportive housing.

FIGURE 6. SUMMARY OF HOUSING PLANNED IN DIRIDON STATION AREA AND AFFORDABLE HOUSING TARGETS

	Downtown West Mixed-Use Plan	DSAP Amendment Sites	Total
Housing Unit Capacity	3,000 - 5,900	Up to 7,619 in Maximum Build-Out Estimate	10,619 – 13,519
Goal % Affordable Housing	25%	25%	25%
Target Number of Affordable Housing Units	750 to 1,475	1,905	2,655 – 3,380

Source: Google, 2019; DSAP Amendment Capacity Study, 2019; Strategic Economics, 2020.

When the Downtown West and other opportunity sites are combined, the total potential housing units to be added in the DSA is between 10,619 and 13,519 units. Under the 25 percent goal, the number of affordable housing units to be added is estimated at between 2,655 and 3,380 units.

HOUSEHOLD DISPLACEMENT RISK ASSESSMENT

THE RELATIONSHIP BETWEEN MAJOR NEIGHBORHOOD INVESTMENTS AND DISPLACEMENT

This section provides an overview of the literature on the relationship between major public and private investments, gentrification, and displacement, focusing on the two types of investments that are expected to drive change in the Diridon Station Area: transit service improvements and large-scale commercial development. The full literature review can be found in Appendix A.

Displacement is the process through which households are forced to leave their residence for reasons beyond their control. Displacement can occur in neighborhoods that are going through the process of gentrification (rising real estate values and demographic changes), but it can also occur in

[19] For instance, it is possible that Downtown West will not provide on-site affordable units incorporated into its multifamily projects, but Google may opt to provide in-lieu options consistent with the Inclusionary Housing Ordinance's options.
[20] Skidmore, Owings & Merrill, "Diridon Station Area Plan Amendment Draft," 2020. https://www.sanjoseca.gov/Home/ShowDocument?id=65897
[21] In order to meet the goal that 25 percent of all housing units in the DSA are deed-restricted, developers will need to provide slightly over 25 percent of units as affordable in new multifamily projects in the DSA, since just 20 percent of existing units in the DSA are designated affordable. Since there are relatively few existing housing units in the DSA, this is relatively minor. For example, if 11,000 new units are built in the DSA, 2,783, or 25.3 percent, must be affordable for the overall share of deed-restricted units in the DSA to be 25 percent.

neighborhoods that are not undergoing significant change. In gentrifying neighborhoods, rents can increase to the extent that they are no longer affordable for the existing residents, resulting in displacement. In addition, households can be displaced when housing units are demolished to make way for construction of new private development, public infrastructure, or facilities projects. Displacement may also take the form of increased rates of evictions, landlord harassment, or condominium conversions in response to local housing price appreciation. Renters who are already cost-burdened are less likely to be able to withstand additional rent increases or other displacement pressures.[22]

Displacement may also occur for other reasons besides gentrification. Displacement of low- and moderate-income households can also occur for various reasons including high regional housing costs relative to median incomes, the stagnation of incomes for low-wage professions, the erosion of middle-wage jobs, evictions, housing discrimination, and the loss of unsubsidized multifamily housing, or "naturally occurring affordable housing" (NOAH).[23][24]

There are a number of factors that are generally considered to contribute to gentrification and displacement risk at the regional and neighborhood level. Although there are still ongoing debates as to the relative importance of each of these factors, the literature indicates that these are the principal issues to consider when evaluating a neighborhood's potential for gentrification and displacement.

1. **Soaring regional economies with limited housing supply**

   Research has found that neighborhood gentrification within the U.S. is most pronounced in a handful of regions, including the San Francisco Bay Area, Washington D.C., Los Angeles, and New York.[25] These regions have several economic trends in common, including rapid job growth, increasing rents and home prices, the lack of coordination between local governments,[26] constrained housing supplies, and regulatory barriers to new housing development.[27] Regions that are failing to provide enough affordable housing options to meet demand also have higher rates of homelessness. According to a recent statistical analysis by Zillow, regions where median rents exceed 32 percent of median household income – including the San Francisco Bay Area, Seattle, Boston, New York City, Washington D.C., Atlanta, and Portland, Oregon – have the highest rates homelessness.[28]

2. **Proximity to a high-quality transit station**

[22] Zuk, Miriam, et al, "Gentrification, Displacement, and the Role of Public Investment," *Journal of Planning Literature* 33:1, 2018.
[23] NOAH is defined as older, privately owned, unsubsidized rental housing that offers lower rents in comparison to newer units and can be affordable to lower-income households. Unlike subsidized affordable housing, NOAH units are not deed-restricted. The relative affordability of NOAH properties is often related to housing quality, location, or lack of amenities.
[24] Urban Displacement Project, "UC Berkeley Case Studies," 2015. https://www.urbandisplacement.org/case-studies/ucb; Chapple, Karen, "Income Inequality and Urban Displacement: The New Gentrification," *New Labor Forum* 26:1, 2017.
[25] Chapple, Karen and Loukaitou-Sideris, Introduction. *Transit-Oriented Displacement or Community Dividends? Understanding the Effects of Smarter Growth on Communities,* 2019; National Community Reinvestment Coalition, "Shifting Neighborhoods: Gentrification and Cultural Displacement in American Cities" 2019; Stancil, William, "American Neighborhood Change in the 21st Century," Institute on Metropolitan Opportunity, 2019.
[26] Fragmented local governance structures may contribute to the challenges that some regions experience coordinating issues such as regional housing affordability.
[27] Ibid.
[28] Glynn, Chris, Thomas Byrne, and Dennis Culhane, "Inflection points in community-level homeless rates," 2018. https://wp.zillowstatic.com/3/Inflection_Points_20181213-ee1463.pdf

The relationship between transit accessibility and displacement is inconclusive. However, there is substantial literature showing that residential properties in proximity to transit often experience a property value premium. The extent of the premium depends on the quality of the transit service, the proximity to transit stations, and the quality of the neighborhood.

One recent Bay Area study found that neighborhoods within a half-mile radius of BART, Caltrain, and VTA stations experienced gentrification and associated demographic changes shortly after the transit stations were built. However, transit-served neighborhoods in Oakland, San Francisco, and San José were more likely to continue to gentrify in the following decade than other locations. It is not clear why the gentrification effects varied by location, although the authors note that neighborhoods closer to the core of the Bay Area region were more likely to experience gentrification than outlying areas.[29]

Property value premiums for residential property tend to be concentrated within a quarter- to half-mile of transit stations.[30] Several studies conducted by Strategic Economics between 2014 and 2015 on the property value impacts of BART stations in the East Bay found the highest residential property premiums within a quarter- and half-mile walking distance of BART stations.[31]

3. Proximity to high-tech job centers and campuses

While the literature on this topic is not conclusive, recent analyses of local housing prices by journalists, real estate organizations, and academic researchers suggest that there is a correlation between the introduction of new corporate office campuses and an increase in local housing prices. The presence of tech clusters may be correlated with higher housing prices because the tech industry concentrates very large numbers of high-income earners in relatively small geographies. One study found that the values of homes occupied by Apple employees in San Francisco and San José are higher than the median citywide home prices in the two respective cities, and that prices are rising much faster in neighborhoods where Apple employees live compared to other neighborhoods.[32] In Arlington, VA, home prices reportedly increased by 17 percent within six months of Amazon's announcement that the city would be the site for its second headquarters ("HQ2").[33] Researchers expect that the Amazon HQ2 campus, which will ultimately be the worksite for some 50,000 employees, will have an impact on home prices and rents in the entire region.[34]

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[29] Chapple, Karen and Loukaitou-Sideris, *Transit-Oriented Displacement or Community Dividends? Understanding the Effects of Smarter Growth on Communities*, Chapter 5, 2019.

[30] Baraka, Eleni; Michael Delgado, and Ray Florax, "Causal identification of transit-induced gentrification and spatial spillover effects: The Case of the Denver light rail." *Journal of Transport Geography* 71, 2018.

[31] Strategic Economics, "Property Value and Fiscal Benefits of BART," 2014. https://www.bart.gov/sites/default/files/docs/2014-08%20BARTPropValues_Final_0.pdf; Strategic Economics, "Benefits of BART for Office and Apartment Properties," 2015. https://www.bart.gov/sites/default/files/docs/2%20-%20BART_OfficeApartmentAnalysis_Final_07-2015_0.pdf; Strategic Economics, "Benefits of BART to Single-Family and Condominium Property Values by County," 2015. https://www.bart.gov/sites/default/files/docs/1%20-%20BART%20Single%20Family%20and%20Condo%20Analysis_0.pdf

[32] Kusisto, Laura, "Apple Paychecks – One Reason for Higher Home Prices," *Wall Street Journal,* 2015. https://www.wsj.com/articles/apple-payone-reason-for-high-home-prices-1445801810

[33] Redfin, 2019. "The Amazon Effect: Home Prices Are Up Nearly 18% in Arlington, Virginia, Where the Typical Home Sells in Just 6 Days." https://www.redfin.com/blog/amazon-impact-housing-market-arlington-virginia/

[34] Urban Institute, 2018. "What HQ2 could mean for the Washington region's housing market, in 7 charts." https://apps.urban.org/features/amazon-hq2-washington-housing-charts/

As another example of this dynamic, home prices near the new Apple Park in Cupertino, which accommodates 12,000 employees, have increased dramatically since the project was announced. The surrounding area has undergone a major transformation, as a host of major commercial and residential projects have been proposed or completed in response to new demand for housing, retail, and hotel uses.[35]

An analysis of two other emerging transit-oriented employment districts – the South Lake Union district in Seattle and the Union Station/Lower Downtown in Denver – demonstrate that the combination of new transit investments along with new office development was accompanied by significant appreciation in the housing market, and a corresponding change in the demographics of the surrounding neighborhoods. Further information about each of these case studies can be found in Appendix A.

[35] New York Times, June 4, 2017. https://www.nytimes.com/2017/07/04/realestate/commercial/apples-park-silicon-valley-cupertino-sunnyvale.html

CASE STUDIES OF TRANSIT-ORIENTED EMPLOYMENT DISTRICTS

Seattle: South Lake Union

Over the last 15-20 years, the South Lake Union district has attracted significant investment, beginning with the redevelopment of a 60-acre area into a mixed-use development with 7,500 housing units and over three million square feet of commercial space. This was followed by the introduction of a new streetcar line; the development of a new Amazon campus with 40,000 employees, and the construction of campuses and offices for a variety of medical centers, research hospitals, and foundations. Since 2000, the area has added 16 million square feet of office. From 2000 to 2018, the area also experienced demographic and household changes including:

- Population growth – The neighborhoods' population grew by 70 percent, adding 40,000 residents
- Increases in rents – Whereas the area surrounding South Lake Union had not previously been a premium residential address, rents have risen by 35 percent since 2000
- Growth in higher income households - In 2000, 18 percent of households had an income of $100,000 or more. In 2018, 39 percent of households had an annual income of $100,000 or higher. The share of households earning less than $50,000 dropped from 57 percent to 34 percent.
- Growth in population with higher educational attainment – The share of adults with a bachelor's degree increased from 25 percent in 2000 to 64 percent in 2018.
- Decline in share of non-White population – Whites (non-Hispanic) and Asians accounted for 90 percent of the population growth from 2000 to 2018.

Denver: Union Station/LoDo

Union Station is Denver's main transit hub located in the city's Lower Downtown ("LoDo") historic district, a mixed-use residential and commercial area adjacent to Downtown Denver. Since 2000, Union Station and LoDo have received significant public investments, including the development of a new transit facility and master plan, with the addition of new bus and rail service; the renovation of the historic station terminal, accompanied by a mixed-use development project; and the development of nearly five million square feet of office development in the LoDo district. During that same time, the neighborhoods also saw changes in the housing market and in the demographic composition of the residents:

- Population growth – The Union Station area added 13,000 residents, growing by 43 percent. The rate of household growth was 90 percent, indicating the addition of many smaller households.
- Increases in rents - Between 2000 and 2020, rents in the Study Area increased by 28 percent, compared to a 40 percent increase citywide.
- Growth in higher income households - In 2000, about 23 percent of households had an income of $100,000 or more. Today, 44 percent of households have an annual income of $100,000 or more. The share of households earning less than $50,000 dropped by nine percent.
- Decline in share of non-White population – The share of the Hispanic/Latinx population dropped from 52 percent in 2000 to 18 percent in 2018, a decline of nearly 8,000 residents. Meanwhile the non-Hispanic White population grew by 182 percent (19,000 residents) during this same period.

Source: Costar Group, 2020: U.S. Census, 2000; American Community Survey, 2014-2018; Strategic Economics, 2020

4. **Neighborhood and demographic characteristics**

   In addition to the risk factors outlined above, there are a number of neighborhood characteristics that are more closely linked to gentrification and displacement. These characteristics include:

   - **Presence of historic housing stock:** Neighborhoods with a high share of pre-war housing stock may be more susceptible to gentrification because homes built prior to World War II are often considered to have desirable architectural qualities and are more likely to attract reinvestment.[36]

   o **Parks and green spaces:** Generally, studies that have looked at home values near urban green space have found that prices are higher than comparable properties elsewhere, and this higher value can be attributed to the proximity to a green amenity. While studies have looked at a variety of types of green spaces, a number have reviewed urban parks in the U.S. including in Portland, Oregon; Dallas, Texas; and Minneapolis-St. Paul Metropolitan Area (Twin Cities), Minnesota.[37] In all these studies, the authors found property values to have increased near urban parks while controlling for other factors.

   - **Share of renters:** Research on displacement has consistently found that renters are much more likely to be displaced from gentrifying neighborhoods. Some studies have further confirmed that neighborhoods with higher shares of renters undergo greater demographic changes in terms of race/ethnic composition and median household income.[38]

   - **Race and ethnicity:** The literature indicates that neighborhoods that are predominantly African American and Hispanic/Latinx are at greater risk of gentrification and displacement. A long history of exclusionary zoning and discriminatory lending practices make it more difficult for African American and Latinx households to access homeownership and accumulate wealth.[39]

   - **Low-income and cost-burdened households:** Neighborhoods with a concentration of low-income and cost-burdened households (defined as those paying more than 30 percent of their income towards rent) are also more vulnerable. These groups are less likely to be able to absorb rent increases and could be more easily displaced by households that have the capacity to pay more in rent.[40]

In conclusion, there are a variety of factors that can make a neighborhood more vulnerable to gentrification and displacement. It is not possible to quantify the gentrification and displacement impacts of any specific development. For the purposes of this implementation plan, the analysis is

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[36] Turner, Margery and Christopher Snow, 2001. "Leading Indicators of Gentrification in D.C. Neighborhoods." Presentation at the Urban Institute D.C. Policy Forum, Washington, D.C., June 14, 2001.
37 Bolitzer and Netusil, "The Impact of Open Spaces on Property Values in Portland, Oregon"; Lutzenhiser and Netusil, "The Effect of Open Spaces on a Home's Sale Price"; Miller, "Valuing Open Space: Land Economics and Neighborhood Parks"; Anderson, and West, "Open Space, Residential Property Values, and Spatial Context."
[38] Zuk, Miriam, et al. 2018. "Gentrification, Displacement, and the Role of Public Investment." *Journal of Planning Literature* 33:1
[39] Zuk, Miriam, et al., 2018. "Gentrification, Displacement, and the Role of Public Investment."; Pollack, Stephanie, Barry Bluestone, and Chase Billingham. 2010. "Maintaining Diversity in America's Transit-Rich Neighborhoods: Tools for Equitable Neighborhood Change." Dukakis Center for Urban and Regional Policy.
[40] Ibid.

focused on identifying the populations that would be most at-risk of displacement from the public and private investments planned based on the literature review. This implementation plan then recommends strategies to prevent displacement and to hopefully enable lower-income residents in the DSA and surrounding areas to gain economic and social benefits from the significant new investments that will be occurring.

Historical Demographic Trends

The following summarizes the key highlights of demographic changes in the Diridon Station Area relative to the City of San José from 2000 to 2018. The geography of the demographic analysis is defined as the six census tracts that correspond to areas within one-half mile radius of the DSA, or the Census Study Area (see Figure 3 for the boundaries). The half-mile area was selected because the literature review shows that the gentrification and displacement effects of new investments are most pronounced within the half-mile distance.

From 2010 to 2018, the Census Study Area population grew by 20 percent, and the number of households grew by 30 percent, both of which out-paced growth in San José overall for the period. The study area gained approximately 5,000 new residents and 2,000 new households, as multiple market-rate multifamily projects were completed (see Figure 7).

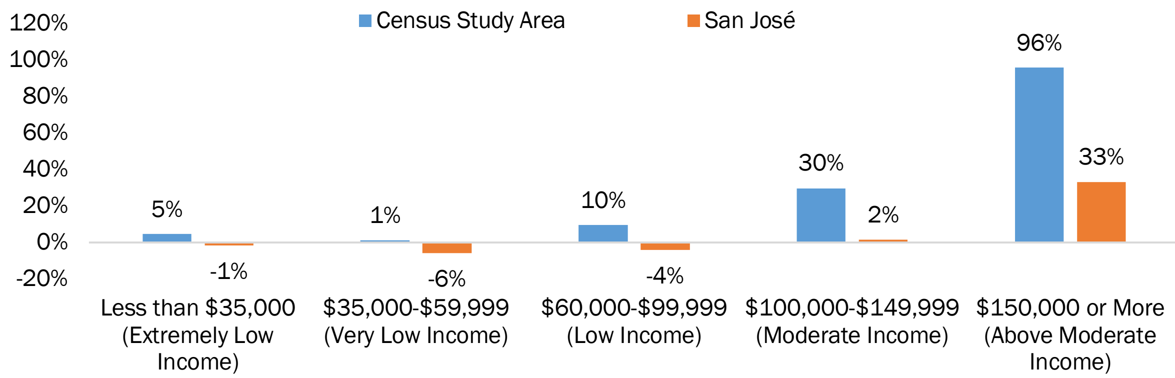
Figure 7. Population and Household Trends in the Census Study Area and San José, 2010-2018

	Census Study Area			City of San José		
	2010	2018	% Change	2010	2018	% Change
Population	24,244	29,059	20%	925,300	1,026,658	11%
Households	9,019	11,701	30%	300,111	321,835	7%
Average Household Size	2.6	2.4		3.1	3.1	

Source: American Community Survey, 2014 - 2018; American Community Survey, 2006- 2010; Strategic Economics, 2020.

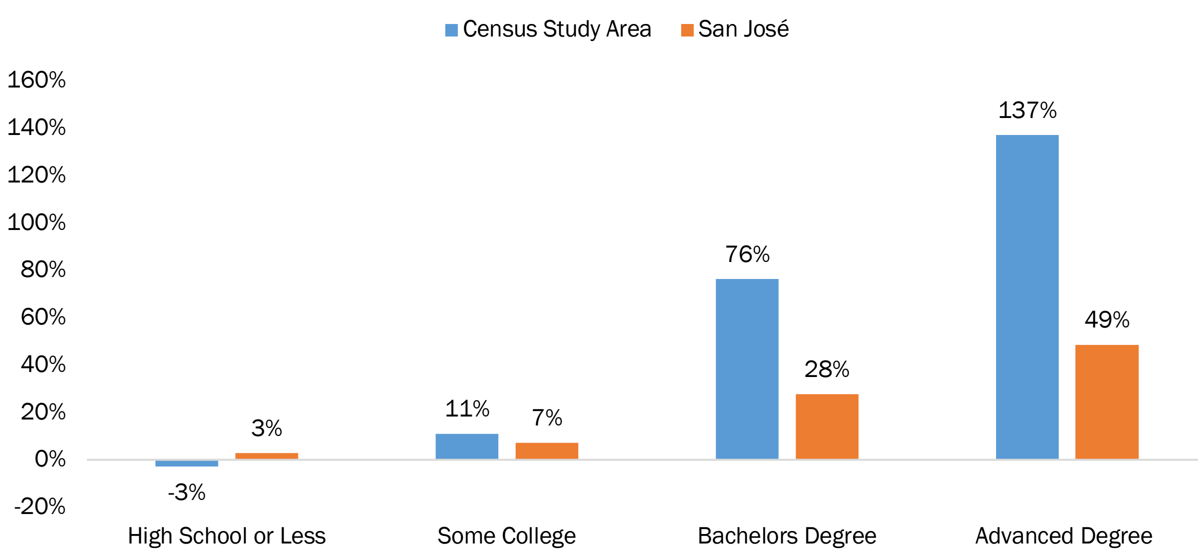
The Census Study Area contained a larger share of highly educated and high-income households in 2018 compared to 2010. As shown in Figure 8, the number of both moderate- and above moderate-income households in the Study Area nearly doubled. Similarly, the number of Bachelors and Advanced Degree holders followed a similar trend, as shown in Figure 9.

FIGURE 8. PERCENT CHANGE IN HOUSEHOLDS BY INCOME LEVEL, 2010-2018 (EXPRESSED IN 2018 DOLLARS)



Source: American Community Survey, 2014 - 2018; American Community Survey, 2006- 2010; Strategic Economics, 2020
Note: Estimated household income categories based on Santa Clara County 2018 AMI levels for a three-person household. 2010 incomes have been inflation-adjusted to 2018 levels.

FIGURE 9. PERCENT CHANGE IN EDUCATIONAL ATTAINMENT FOR PEOPLE 25 YEARS AND OLDER, 2010-2018



Source: American Community Survey, 2014 - 2018; American Community Survey, 2006- 2010; Strategic Economics, 2020

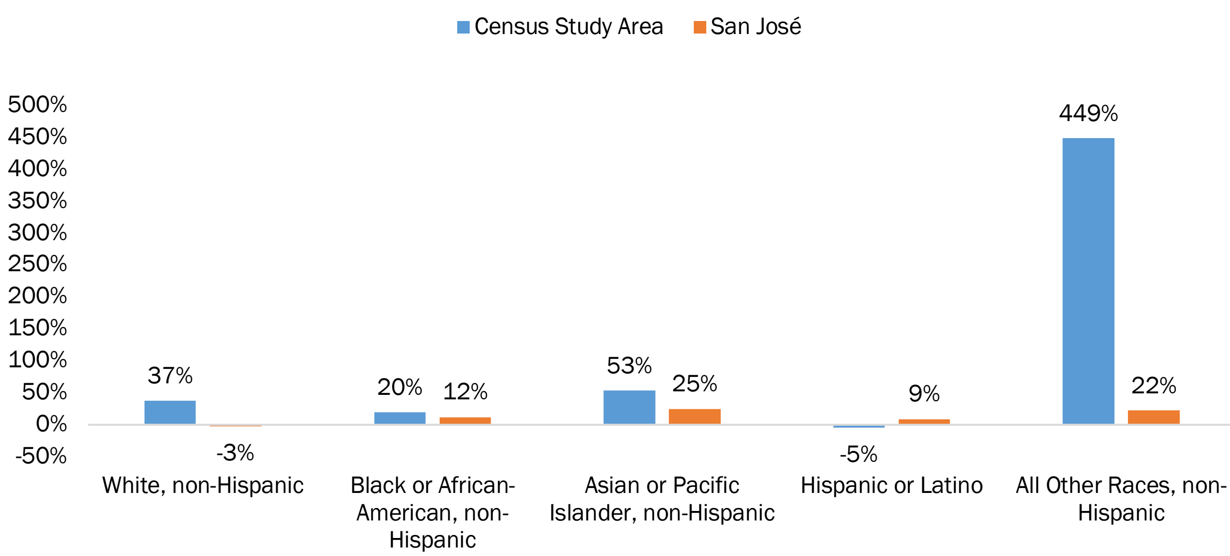
The Census Study Area's share of White, Asian, and "other" non-Hispanic residents grew from 2010 to 2018, while the share of Hispanic/Latino residents decreased. Latino households, who historically comprised a large share of the study area population, decreased five percent over the period, shown in Figure 10. The Black population remained relatively stable. The racial and ethnic patterns in the DSA are different from citywide population trends. As shown in Figure 11, in San José, the Latino population grew by nine percent citywide from 2010 to 2018, and the White non-Hispanic population decreased by three percent.

FIGURE 10: POPULATION BY RACE AND ETHNICITY, 2010-2018, CENSUS STUDY AREA

Race/Ethnicity	2010	2018	Change	2018 Share of Total Population
Black (non-Hispanic)	989	1,182	193	4%
Hispanic/Latino	12,446	11,827	(619)	41%
Asian or Pacific Islander (non-Hispanic)	2,609	4,000	1,391	14%
All Other Races (non-Hispanic)	276	1,514	1,238	5%
White Population in Census Study Area	7,670	10,536	2,866	36%

Source: American Community Survey, 2014 - 2018; American Community Survey, 2006- 2010; Strategic Economics, 2020

FIGURE 11. PERCENT CHANGE IN POPULATION BY RACE AND ETHNICITY IN CENSUS STUDY AREA AND SAN JOSÉ, 2010-2018



Source: U.S. Census, 2010; American Community Survey, 2014 - 2018; Strategic Economics, 2020

Figure 12 shows the change in the number of households for each census tract between 2000 and 2018. As shown, there are two census tracts located in the southeastern edges of the Census Study Area that accounted for most of the household growth within the study area. A large share of the new households was composed of highly educated and high-income residents.

FIGURE 12. CHANGE IN HOUSEHOLDS, 2010-2018

DISPLACEMENT VULNERABILITY AMONG EXISTING HOUSEHOLDS

Previous studies show that there is significant displacement risk within the Census Study Area for existing low-income residents. The Urban Displacement Project, which cataloged displacement and gentrification trends throughout the Bay Area in 2015, found that most census tracts within the Census Study Area are low-income tracts that are experiencing "ongoing gentrification and/or displacement." See Appendix D for more detail on individual tract characteristics.

Almost two-thirds of households in the Census Study Area are renter households, as shown in Figure 13. Out of 7,300 households in the Census Study Area, 63 percent of all households are renters. As discussed in the literature review, renter households are more vulnerable to displacement than homeowners. Furthermore, in California, homeowners are more likely to benefit from property value increases due to the cap on property tax through Proposition 13.[41]

[41] Proposition 13, which was passed in 1978, caps property taxes for California property owners at the level they were when the property was purchased (or at the 1978 level if property was owned prior to the law's passage), after adjusting for inflation. For longtime property owners, this translates to a significant tax benefit.

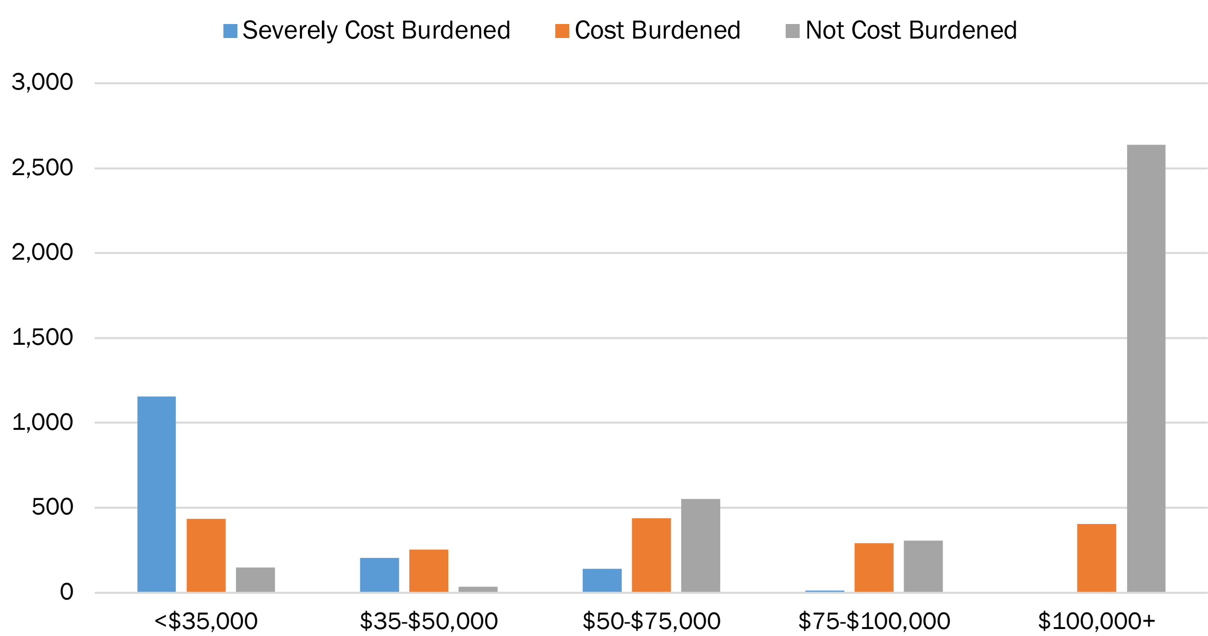
FIGURE 13: HOUSEHOLDS BY TYPE IN CENSUS STUDY AREA, 2018

Household Type	2018	Share of Total Households
Renter Households	7,319	63%
Owner Households	4,382	37%
Low-Income Renters (a)	3,981	34%
Severely Cost-Burdened Renters (paying more than 50% of gross income on rent)	1,517	13%

Source: American Community Survey, 2014-2018; Strategic Economics, 2020.
Notes:
(a) "Low-Income" in this context identifies the number of households that likely fall under 80 percent of AMI for Santa Clara County, as defined by HCD. As of 2018, households earning less than $100,000 annually roughly fell in this category, though the precise income level depends on household size, and therefore this should be understood as a broad estimate. Note that HCD's income levels change over time.

The majority of low-income renters are cost-burdened, making them more vulnerable to displacement. In the Census Study Area, 1,517 renter households are severely rent-burdened. The majority of severely rent-burdened households (75 percent) earn less than $35,000 a year, as shown in Figure 14.

FIGURE 14. COST BURDEN FOR RENTER HOUSEHOLDS IN THE CENSUS STUDY AREA BY INCOME



Source: American Community Survey, 2014 - 2018; Strategic Economics, 2020.

EXISTING TENANT PROTECTION POLICIES

Many rental households in San José have a certain amount of protection from rent increases and evictions, which can help to maintain the affordability of units for lower-income households. The types of protections that a renter household has depends on the type of unit that it occupies and the year in which it was built. The following policies, shown in Figure 15, inform the tenant protections that are applicable to certain rental units in San José.

FIGURE 15. SUMMARY OF TENANT PROTECTION POLICIES APPLICABLE IN SAN JOSÉ

Policy	Unit Applicability	Description	Enforcement Scale
Apartment Rent Ordinance	Units in buildings with three or more units that were built and renter-occupied in 1979 or earlier	Restricts rent increases to 5 percent, annually. Landlord may seek a larger increase by filing a fair return petition.	City of San José
Tenant Protection Ordinance	Units in buildings with three or more units, regardless of year built; unpermitted rental units; guest houses.	Provides just cause eviction protections. Landlords must show they have a just cause to evict. If they chose to evict the tenant based on a "no fault" eviction (i.e. the building is undergoing "substantial rehabilitation" or is being removed from the rental market), the landlord must provide the tenant with relocation assistance	City of San José
Ellis Act Ordinance	Units in buildings with three or more units. There are more stringent requirements for units also covered by ARO.	Protects renters whose landlords chose to remove their units from the rental market. Landlords are required to provide 120-day notice and relocation assistance to renters. **For ARO units:** If new multifamily housing is built in its place, either 50% of the new units or the number of ARO units lost (whichever is greater) must be rent-stabilized, or 20% of new units must be designated as affordable, in accordance with the city's IHO. Former tenants are given the right to return to those units.	City of San José (in context of the statewide Ellis Act, which gives property owners the right to remove units from the rental market).
Tenant Protection Act of 2019 (AB 1482)	Applies to units over 15 years old (timeframe is applicable on a rolling basis) in the following categories: 1) Units in buildings with three or more units; 2) investor-owned duplexes (defined as duplexes where both units are renter-occupied); 3) investor-owned single-family units (defined as single-family units owned by LLCs, REITs, or corporations)	Protects tenants from "rent-gouging." Restricts annual rent increases to 5 percent plus inflation. Provides just cause eviction protections.	Statewide

Source: City of San José, "Learn about Rent Stabilization"; Tobener, Joseph, "San José Rent Control," Tobener Ravenscroft, 2018; City of San José, "Ellis Act Ordinance"; AB 1482 Frequently Asked Questions," CalRHA; Strategic Economics, 2020.

Characteristics of Renter Units in the Neighborhood Stabilization Area

Based on the policies described above, this section provides an overview of the unit types in which renter households within a one-half mile radius of the Diridon Station Area reside. Most renters are not protected by rent stabilization policies, and the applicability of the other tenant protection policies is dependent on building age and size, meaning the overall protections available to renters in this area is varied.

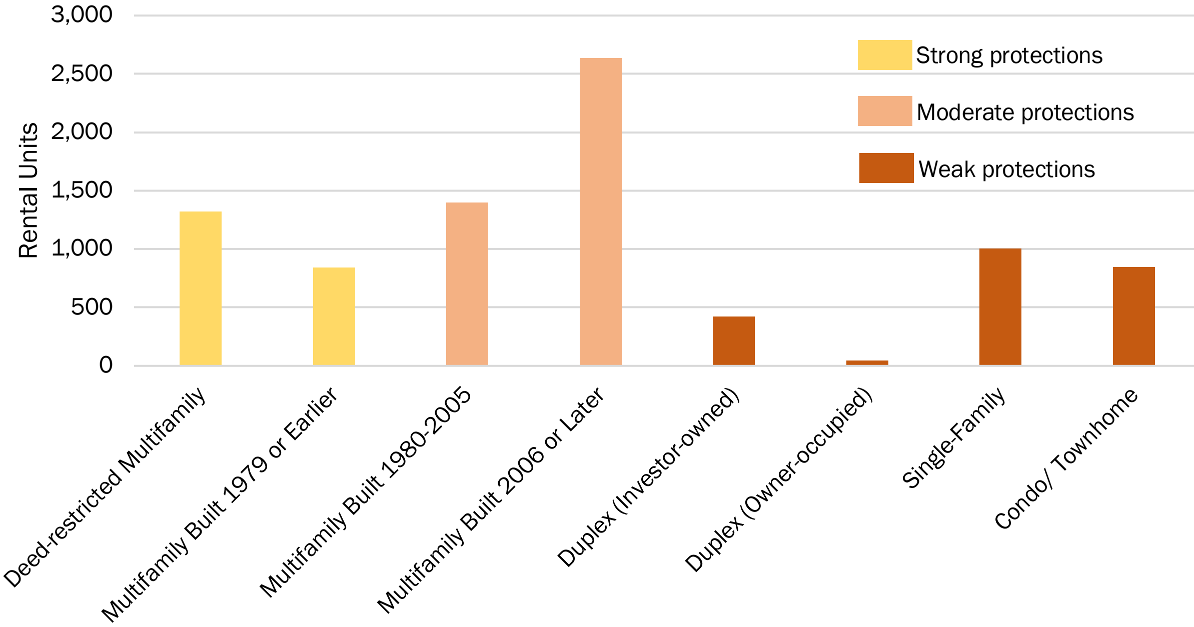
Figure 16 shows an estimate of the renter unit breakdown in the Neighborhood Stabilization Area, or half-mile radius of the DSA boundary (see Figure 3). The findings are based on data provided by the City and Santa Clara County's 2019 assessor data. Figure 17 provides more detailed findings.

- **25 percent of renters live in units with relatively strong renter protections.** This includes:
    - 15 percent of renters who live in deed-restricted multifamily units that offer long-term affordability to lower-income households, and;
    - 10 percent of renters who live in ARO units that have limits on rent increases and require just cause evictions under the TPO.

- **47 percent of renters live in units with protections from steep rent increases and no-cause evictions.** These renters live in market-rate, multifamily units built after 1979. While these units are not rent-stabilized under ARO, renters are protected from eviction without cause through the TPO. Sixteen percent of renter households in this category (1,398 renter households) are also protected from steep rent increases, which are limited to 5 percent plus inflation if they occupy multifamily housing built over 15 years ago and are covered under the Tenant Protection Act (AB 1482).

- **27 percent of renters, who live in single-family, duplex, or condo units, with very weak tenant protections.** A small number of renters in single-family and condo units may be protected by AB 1482 if owned by a real estate investment trust or corporation, but the majority of renters in single-family homes are not protected by local and state laws. Five percent (approximately 422 renter households) live in duplexes that are covered by AB 1482 (which is applicable for duplex units where both units are rented). However, renters in duplex units are not covered by the City's ARO or TPO.

FIGURE 16: SUMMARY OF TENANT PROTECTIONS BY UNIT TYPE IN NEIGHBORHOOD STABILIZATION AREA



Source: Santa Clara County Assessor, 2019; City of San José, 2019; Strategic Economics, 2020.

FIGURE 17. NUMBER OF AND PERCENTAGE OF RENTER UNITS BY TYPE IN THE NEIGHBORHOOD STABILIZATION AREA, 2019

	Rental Units	Share of Total
Renter-occupied Single-Family (a) (b)	1,005	11.8%
Investor-owned, Renter-occupied Duplex Unit (a) subject to Tenant Protection Act of 2019 (AB 1482)	422	5.0%
Owner-occupied Duplexes with Renter Unit	44	0.5%
Rental multifamily subject to ARO (3+ unit building built 1979 or earlier)	840	9.9%
Rental multifamily subject to Tenant Protection Act of 2019 (3+ unit building built 1980 to 2005)	1,398	16.4%
New multifamily rental (3+ unit building built 2006-2019)	2,634	30.9%
Renter-occupied deed-restricted multifamily	1,322	15.5%
Investor-owned Condo/ Townhome (a) (b)	847	10.0%
Total	8,512	

Source: Santa Clara County Assessor, 2019; City of San José, 2019; Strategic Economics, 2020.

Notes:

(a) Single-family, duplex, and condo units where owners did not claim the homeowners exemption were identified as renter-occupied (with those duplexes considered to have two rental units rather than one rental and one owner unit).

(b) Some investor-owned single-family and condo units are subject to the Tenant Protection Act of 2019, AB 1482, depending on the corporation status of the owner.

IV. PRODUCTION TARGETS AND STRATEGIES

AFFORDABLE HOUSING PRODUCTION TARGET

As discussed in Chapter I, the City of San José aims to ensure that 25 percent of all housing units in the Diridon Station Area are deed-restricted affordable, offered at a range of income levels, including 30 percent AMI, 50 percent AMI, 80 percent AMI, 100 percent AMI, and 120 percent AMI. The goal includes the production of permanent supportive housing.

The City Council has also provided direction to study the option of providing 45 percent of the affordable housing units for extremely low-income households. This would be equivalent to providing approximately 11 percent of the total housing in the DSA for ELI households. Achieving the ELI goal will increase the total amount of subsidy that will be required, as discussed in more detail below.

If the Diridon Station Area Plan sites (excluding Downtown West) are built out to their maximum potential density, (which would yield 7,619 units), then 1,905 affordable units would be required across those sites. Meeting the 25 percent affordability goal would require maintaining roughly the same share of deed-restricted affordable units. As of January 1st, 2019, 20 percent of all multifamily units in the DSA were deed-restricted. Since then, 181 new deed-restricted units have been added across two buildings, bringing the total deed-restricted share up to 28 percent as of June 2020.[42]

The housing production goal could be met through multiple strategies, by both leveraging private investment in market-rate projects with affordable housing requirements such as the city's Inclusionary Housing Ordinance,[43] and with standalone affordable projects dependent primarily on public funding sources. The way in which these units are provided will depend on the future funding availability of public funding sources[44] as well as the characteristics of San José's inclusionary policies, many of which are currently in flux.[45] There are competitive funding sources, like Santa Clara County's Measure A program and the state's TOD programs, which can be leveraged for affordable housing development, including permanent supportive housing and ELI housing.

The Neighborhood Stabilization Area can also potentially accommodate new affordable housing units, given that many sites are within walking distance of Diridon Station, and well-served by transit. Community members have also suggested locating the affordable units in other locations of San José that are well-served by transit, though further consideration is needed to determine the gentrification impacts that are already in process in those locations.

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[42] 477 new market-rate units were also added between January 2019 and June 2020, across two projects.

[43] The Inclusionary Housing Ordinance entails site-specific requirements, in that market-rate developers must provide the affordable set-aside on the same site as the project (unless they pay the in-lieu fee). In contrast, the 25 percent goal is an area-wide goal.

[44] For instance, Santa Clara County's Measure A, which is a critical funding source for ELI units in standalone buildings, would likely need to be reissued to continue providing the same amount of funding in the long term.

[45] While the City of San José is in the process of updating its existing Inclusionary Housing Ordinance, the updated Ordinance is not expected until early 2021, given staffing delays due to the COVID-19 Pandemic. The inclusionary housing requirements applicable to new market-rate multifamily projects will depend on whether or not the Inclusionary Housing Ordinance Update has passed at the time that entitlements are issued. The City is also in the process of implementing a Commercial Linkage Fee, which would increase funds for affordable housing.

KEY CONSIDERATIONS FOR IMPLEMENTATION

The Diridon Station Area Plan envisions that new housing development will occur in a mix of mid-rise and high-rise development projects through inclusionary requirements and standalone deed-restricted affordable housing. The maximum build-out number in the DSAP Amendment Draft assumes that 76 percent of the units will be provided in high-rise buildings.

The financial feasibility of new residential development is more challenging for high-rise building types in San José, given the high cost of construction relative to the market-rate rental rates that can be achieved. According to a 2019 Keyser Marston study,[46] high-rise development is challenging to build under today's market conditions and with the current inclusionary housing requirements. This document provides potential strategies to reduce the cost of construction, especially for higher density buildings, to improve the feasibility of new housing construction in the Diridon Station Area.

The recommended changes to the Inclusionary Housing Ordinance encourage on-site provision of units affordable to moderate-income and median-income households. The City's IHO requires that 15 percent of units in new for-sale and rental residential development be affordable to moderate-income and lower-income households. In 2019, City staff provided the City Council with recommended changes to the IHO. For-sale projects are still required to provide 15 percent of units on-site (or 20 percent of units off-site) at prices that are affordable to moderate-income households, but the in-lieu fee has been adjusted to be charged on a per-square-foot basis.

The recommended changes for rental developments encourage the construction of moderate-income and median-income affordable rental units on-site, and the payment of in-lieu fees for lower-income units, which can be combined with Low Income Housing Tax Credits and other subsidies to build 100% standalone projects. Generally, it is more feasible for rental development projects to pay the in-lieu fee for lower-income households than to provide all of the affordable units on-site. Figure 18 below summarizes the proposed changes to the IHO as of November 2019.

[46] Keyser Marston Associates, "Conceptual Pro Forma Analysis of High-Density Apartment Development," 2019.

FIGURE 18: SUMMARY OF PROPOSED CHANGES TO IHO

	For-Sale	Rental
Affordable Housing Requirement	15% of homes must be price-restricted. If building off-site, 20% of the new homes must be affordable.	For buildings with 5 or more units, 15% of apartments must be affordable
Target income levels	Moderate-income households (80%-120% AMI)	5% at 100% AMI 5% at 60% AMI 5% at 50% AMI OR 10% at 30% AMI
In-Lieu Fee	In-lieu of building price-restricted homes, developers may pay a fee of $25/sq. ft.	$43/sq. ft. for all units OR Developers may build 5% of moderate-income affordable units (100% AMI) on-site and pay a fee of $18.26/sq. ft. for lower-income units (50% and 60% AMI).

Source: City of San José, Inclusionary Housing Ordinance Recommended Changes, November 5, 2019.

It is assumed that ELI, VLI, and LI units will be provided in a standalone affordable housing projects, and in a mix of mid-rise and high-rise buildings. Affordable units in high-rise buildings have higher development costs and are likely to require higher subsidies. For this reason, it is assumed that half of the affordable housing projects are likely to be developed in mid-rise buildings, consistent with historical patterns in San José and Santa Clara County. As discussed in more detail in the funding need section, the estimated local funding gap per unit of affordable housing in the DSA is estimated at approximately $225,000 per unit.

It will be important to explore a variety of sources to help fill the local funding gap. Estimates of the revenues that can be generated from these funding sources is provided in the funding section of this report. Some of the existing and new funding sources include:

- **Commercial linkage fee** – The City is in the process of implementing a new commercial linkage fee, which mitigates the affordable housing demand linked to new workers in office, retail, industrial, and hotel development projects
- **Measure E** – The new real estate transfer tax increase, approved by voters on March 2020, will raise an estimated $30 million in 2020-2021. Its proposed uses for 2020-2021 include new permanent supportive housing, affordable rental housing for ELI and low-income households, and rental and for-sale housing for moderate-income households.
- **General Fund appropriations** – The City may also tap into its General Fund to appropriate additional revenues for affordable housing production.
- **Fee Waivers** – The City can reduce or waive its impact fees and other city fees to reduce the cost for affordable housing development projects
- **Measure A** – The affordable housing bond, approved by voters in 2016, allows the County to issue general obligation bonds to fund housing for special needs populations - primarily permanent supportive housing, rapid rehousing, and ELI housing. As of December 2019, it was

estimated that the program had committed about $290 million in funding.[47] This funding source has a 10-year horizon.

- **Private and philanthropic contributions** – There are a number of new philanthropic and private sources for funding affordable housing development. For example, the Partnership for the Bay Area's Future is a new philanthropic initiative that was announced in early 2019.[48] This coalition of funders, which includes Facebook, Genentech, the Chan Zuckerberg Foundation, and the San Francisco Foundation, aims to raise $540 million for affordable housing in the Bay Area region. Google has also pledged $250 million toward grants and loans for affordable units; about $115 million has been allocated thus far.[49]

Locational Scoring Variability Within DSA for Competitive Affordable Housing Funding Sources

Maximizing the competitiveness for State funding sources will require coordination between land use policy and housing and transportation investments. Since most competitive funding sources award points for locational attributes, it is critical that standalone affordable housing developments are planned in locations that would score most competitively. Figures 19 and 20 show spatially how locations in the Diridon Station Area would score for the State of California's TOD-focused programs (Figure 19) and Santa Clara County's Measure A (Figure 20). See Appendix B for more detail on the funding sources that were evaluated.

The DSA is generally competitive for certain state funding sources, such as both the LIHTC 4% and 9%, as well as the Multifamily Housing Program. These funding sources have a relatively low bar for achieving maximum location scores. While projects in the entire DSA would achieve maximum location scores for these programs, the ease of achieving scores in the location-focused categories suggests it is not a major determinant of where funds are ultimately awarded.

Areas closest to Diridon Station, however, are particularly competitive for State TOD grant programs, while areas in the DSA furthest from the station are less competitive for these sources. The Affordable Housing Sustainable Communities (AHSC) Grant, the Infill Infrastructure Grant Program (IIGP), and the TOD Housing Program all prioritize project applications within very close proximity to high-quality transit.

Santa Clara County's Measure A's scoring procedure also is likely to prioritize projects in the DSA that are closer to Diridon Station. Measure A is an important funding source for ELI housing and permanent supportive housing. Measure A's locational amenity scoring awards higher points to projects located within a narrower radius of the transit station. Measure A also encourages locating ELI and permanent supportive housing in areas of opportunity; proposals in census tracts with lower poverty rates achieve higher scores. Taking into account both of these scoring metrics, generally projects that are closer to Diridon Station in the DSA are likely to achieve higher scores.

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[47] Santa Clara County Office of Supportive Housing.
[48] Partnership for the Bay's Future, https://www.baysfuture.org/
[49] Hansen, Louis, *The Mercury News,* "Google Expands Bay Area Housing Investments," 2020. https://www.mercurynews.com/2020/07/23/google-expands-bay-area-affordable-housing-investments/

FIGURE 19. TOD-FOCUSED SOURCES: LOCATIONAL SCORING COMPETITIVENESS IN DIRIDON STATION AREA

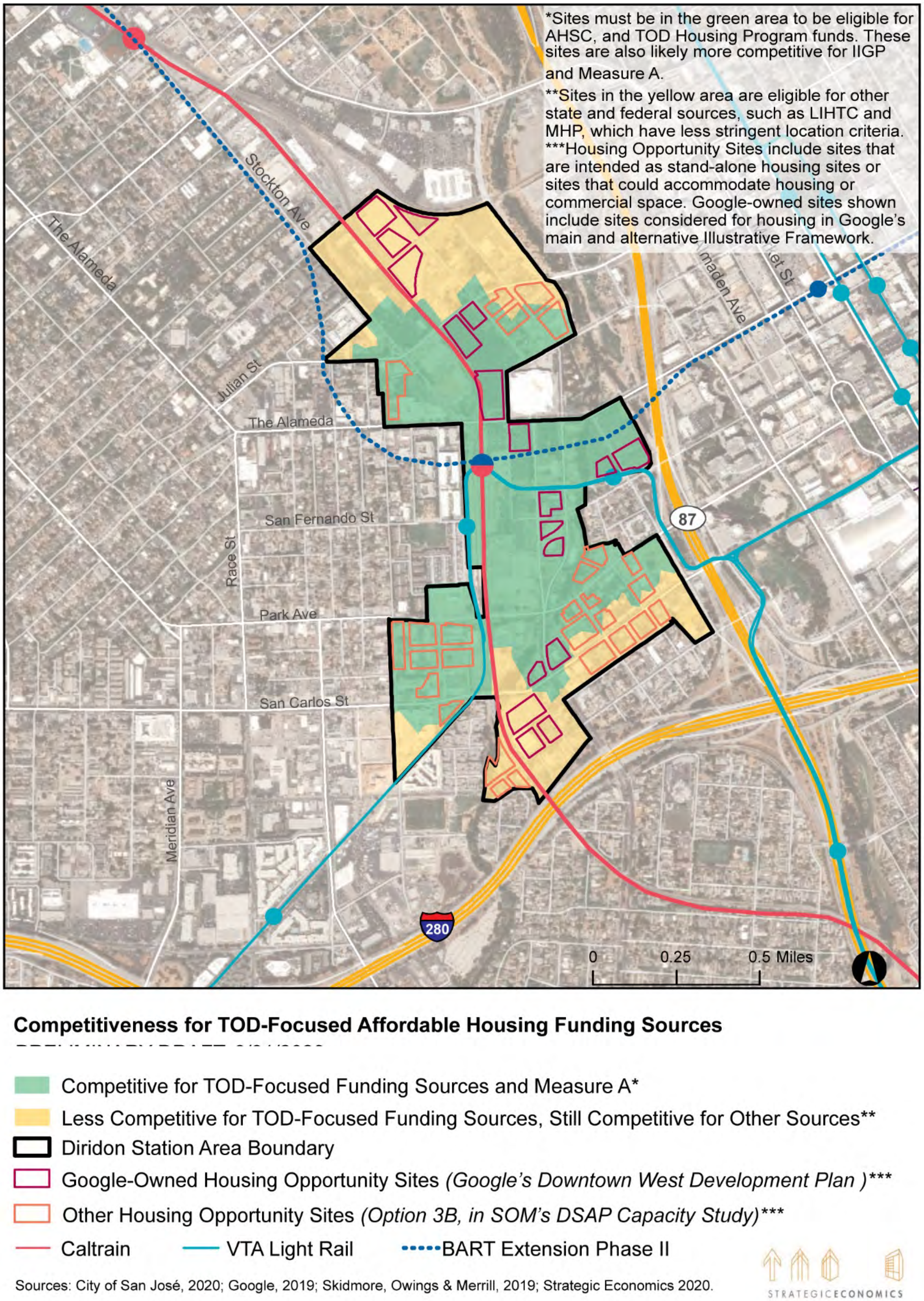
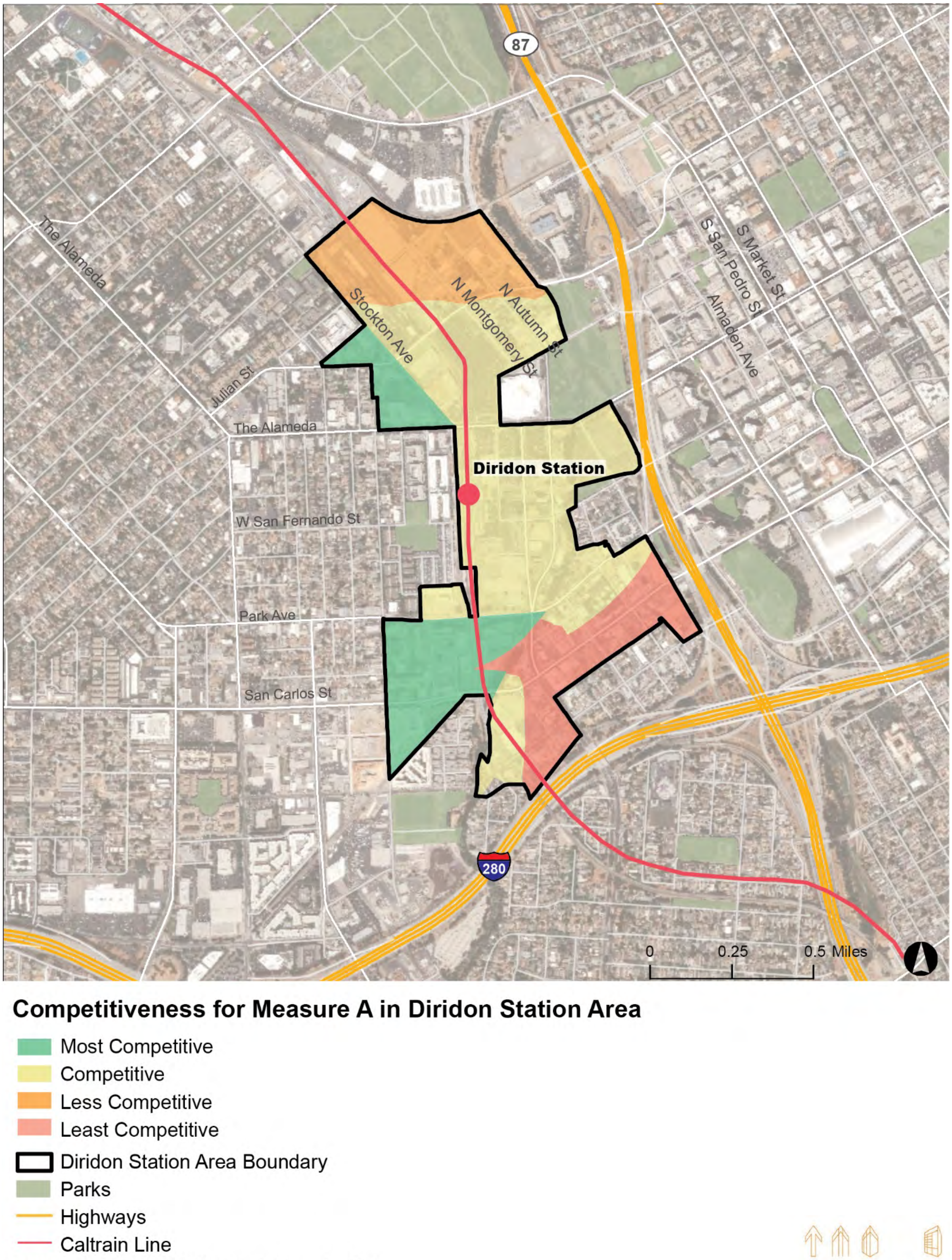


FIGURE 20. MEASURE A: LOCATIONAL SCORING COMPETITIVENESS IN DIRIDON STATION AREA



Sources: City of San José, 2020; Strategic Economics 2020.

STRATEGICECONOMICS

VTA TOD SITE

VTA owns a 1.5-acre lot that is available for joint development just east of Diridon Station, which Google has planned on developing as housing.[50] As a part of its Transit-Oriented Development Policy, VTA has established affordable housing requirements for joint development projects and for the station areas.[51] Based on the VTA policy, any development project on the site would be required to provide 20 percent of the residential units as affordable, and those units must be provided on-site.

CONSIDERATIONS AROUND PROVIDING DESIGNATED MODERATE- AND MEDIAN-INCOME HOUSING UNITS

Most public affordable housing funds require that the funds be used to finance low-income units, (units targeted for households earning at or below 80 percent of AMI). Furthermore, competitive funding sources, such as LIHTC 9% and MHP, prioritize awarding projects that offer the deepest levels of affordability. Measure A also focuses on projects that serve formerly homeless and extremely low-income households. With this in mind, it may be difficult to finance designated affordable units in the moderate-income range (81-120 percent of AMI). Therefore, special consideration may be needed to assess how to preserve the affordability of moderate-income housing units long-term.

Figure 21 shows the affordability of one- and two-bedroom units in the 16 multifamily rental projects that were bult the Downtown East and West submarkets since 2015. As of May 2020, these units were affordable roughly to households earning between 100 and 121 percent of AMI.[52] Therefore, there is likely a greater need to require any designated moderate-income units serve households earning between 81 and 100 percent of AMI, as the market is already delivering housing affordable to households earning more than 100 percent AMI.

FIGURE 21. AFFORDABILITY OF MARKET-RATE MULTIFAMILY UNITS IN DOWNTOWN SAN JOSÉ SINCE 2015

Household Size	One-Bedroom	Two-Bedroom
1-Person HH	115% AMI	n/a
2-Person HH	100% AMI	121% AMI
3-Person HH	n/a	108% AMI

Source: Costar, 2020; HCD, 2019; Strategic Economics, 2020.

FUNDING THE AFFORDABLE HOUSING PRODUCTION GOAL

Strategic Economics estimated the local funding needed to meet the affordable housing target on Diridon Station Area Plan opportunity sites (excluding Downtown West properties). First, Strategic Economics reviewed available data from new construction standalone affordable projects approved for Low Income Housing Tax Credits in Santa Clara County between 2016 and 2020.[53] All financing information for the example projects was found in public staff reports published by the California Tax

[50] Google, "Downtown West Mixed-Use Rezoning and Development Plan," 2019.
[51] VTA, "Transit-Oriented Development Policy," 2019. https://www.vta.org/sites/default/files/2020-03/Transit-Oriented%20Development%20Policy%20%20-%20VTA%20Board%20Adopted%2012.05.2019%20Accessible%20%281%29.pdf
[52] This data does not entirely capture the impact of the COVID-19 pandemic on the market-rate multifamily housing market. Since this is a long-term plan, this snapshot of market-rate housing still provides a general understanding of the relative affordability of these unit types.
[53] Projects receiving 9% tax credits were excluded because they are highly competitive and difficult to obtain. For hybrid 4%/9% projects, only the financing data for the component of the project that is financed by the 4% credit was utilized.

Credit Allocation Committee. Then, Strategic Economics estimated the development cost of new affordable housing units in the Diridon Station Area. Based on these calculations, Strategic Economics estimated the "local funding gap" that would be required from the City and County to fund each unit in a standalone affordable housing project.

ESTIMATING DEVELOPMENT COSTS

The average development cost of affordable housing in Santa Clara County is estimated at $703,000 per unit. Strategic Economics summarized the development costs for the sample LIHTC projects (see Figure 22). The 13 affordable housing projects reviewed were all low-rise and mid-rise buildings (Type V or Type III) located in the cities of San José, Mountain View, Milpitas, and Palo Alto.

The funding sources for the affordable housing development projects in Santa Clara County can be categorized as follows:

- **Permanent financing** includes private permanent loans from lenders backed by rents, as well as Project-Based Section 8 Vouchers which are often used to supplement the income that is received from rents, especially for Extremely Low-Income units.
- **Federal funds** include the LIHTC equity, as well as other federal grant programs like Moving to Work, Community Development Block Grants, HOME, and Affordable Housing Program grant programs.
- **State funds** include grants from the California Department of Housing and Community Development, such as the Affordable Housing for Sustainable Communities program, California Housing Finance Agency programs, Veterans Housing and Homelessness Prevention Program, Supportive Housing and Multifamily Housing Program, No Place Like Home, the TOD Housing Program, the Infill Infrastructure Grant Program, state Solar Tax Credit programs, and other smaller grant programs.
- **County funds** include Santa Clara County's Measure A funds and land donations. Measure A's housing development goals are primarily focused on creating permanent supportive housing, rapid rehousing, and ELI housing.
- **City funds** include revenues from in-lieu fees, housing impact fees, commercial linkage fees, discounted ground leases, and city fee waivers.
- **"Other funds"** include general partner contributions or equity, accrued/deferred interest, operating income, funds from public-private housing trusts or foundations, and other non-governmental sources.

In Santa Clara County, the average amount of local funding for the average deed-restricted affordable housing project (from City and County combined) is $206,000 per unit. The local funding share is 29 percent of total development costs (Figure 22).

Santa Clara County's Measure A funds are a critical component of the local funding gap in Santa Clara County. For projects that qualified for Measure A, which is designated for ELI households and permanent supportive housing, the average County contribution was approximately $132,000 per unit. For projects that did not receive Measure A funding, the County's contribution was approximately $32,000 per unit (Figure 22).

FIGURE 22: FUNDING SOURCES FOR AFFORDABLE HOUSING PROJECTS, PER UNIT

Funding Source	With Measure A	No Measure A	All
Perm Financing, Tax Credits, Federal Sources	$444,000	$483,000	$459,000
State Sources (AHSC and Other)	$43,000	$31,000	$38,000
Local Funding			
Santa Clara County	$132,000	$32,000	$94,000
City	$124,000	$91,000	$112,000
Subtotal Local Funding	$256,000	$123,000	$206,000
Total Development Cost per Unit	$743,000	$637,000	$703,000

Note: Numbers are rounded to the nearest $1,000.
Source: California Tax Credit Allocation Committee, 2020; Santa Clara County, 2020; Strategic Economics, 2020

ESTIMATING THE LOCAL FUNDING NEED

As discussed above, the number of affordable housing units estimated for the Diridon Station Area Plan sites (excluding Downtown West) is 1,905 units, which is 25 percent of the maximum housing potential for opportunity sites associated with the DSAP Maximum Build-Out Estimate. Approximately 181 affordable housing units have been constructed in the Diridon Station Area since 2019. In addition, it is assumed that the recommended changes to the Inclusionary Housing Ordinance will encourage market-rate development projects to build five percent of units on-site for moderate-income (100% AMI) households, and pay the in-lieu fee on the remaining 10 percent targeting lower-income households. The remaining affordable units that would require city funding are estimated at 1,343 (see Figure 23).

FIGURE 23: AFFORDABLE HOUSING IMPLEMENTATION ASSUMPTIONS FOR DSAP AMENDMENT SITES

Key Assumptions for DSAP Amendment Sites	Buildout	Annual (a)
Maximum Total Number of Housing Units (Maximum Build-Out Estimate)	7,619	381
Goal for Low- and Moderate-Income Housing Units (100% AMI and below)	1,905	95
Affordable Units Built in Diridon Station Area Since January 2019	181	n/a
On-Site Inclusionary Moderate-Income Units	381	19
Remaining Affordable Units Requiring City Funding	1,343	67

(a) Assumes 20-year buildout horizon.
Source: City of San José, 2020; Strategic Economics, 2020

The total development costs for high-rise affordable housing projects are likely to be significantly higher than the costs shown in Figure 22, due to the more expensive construction technologies required. The 2019 Keyser Marston study estimates that development costs for high-rise projects in the City is approximately 25 percent higher than low-rise projects, and 18 percent higher than mid-rise projects.[54] For the purposes of this analysis, it is estimated that high-rise development would be approximately 20 percent higher than low-rise or mid-rise development. On a per-unit basis, the cost of developing an affordable housing unit in a high-rise development is estimated at $843,000.

The average cost of development of stand alone affordable housing is estimated at $773,000 per unit. The estimate is based on the assumptions that half of affordable units would be accommodated in high-rise developments ($843,000 per unit), and half would continue to be provided in mid-rise and low-rise buildings ($703,00 per unit).

FIGURE 24: PER-UNIT DEVELOPMENT COSTS FOR AFFORDABLE HOUSING DEVELOPMENT PROJECTS

Building Type	Development Cost per Unit
Low- and mid-rise affordable housing (a)	$703,000
High-rise affordable housing (b)	$843,000
Average (c)	$773,000

Note: Numbers are rounded to the nearest $1,000.
(a) Average development cost per unit for LIHTC projects in Santa Clara County in Type V and Type III buildings.
(b) High-rise development is assumed to be 20% higher cost than low- and mid-rise.
(c) Assumes that 50% of affordable housing projects in DSA would be in mid-rise and low-rise buildings, and 50% would be in high-rise buildings.
Sources: California Tax Credit Allocation Committee, 2020; Santa Clara County, 2020; Keyser Marston Associates, “Conceptual Pro Forma Analysis of High-Density Apartment Development,” 2019; Strategic Economics, 2020.

It is expected that the local funding gap for the City of San José and Santa Clara County would be 29 percent of total development costs or $225,000 per unit. As shown below in Figure 25, if the typical sources of funding for affordable housing continue to be available through tax credits, permanent financing, and State sources, the City and County would need to contribute approximately 29 percent of the funding. This is equivalent to an average funding need of approximately $225,000 per unit.

To fund 1,343 affordable housing units would require approximately $302 million in total funding from the City and County (Figure 25).

FIGURE 25: ESTIMATE OF TOTAL FUNDING NEED FOR AFFORDABLE HOUSING GOAL IN DIRIDON STATION AREA, EXCLUDING DOWNTOWN WEST

Average Development Costs for Affordable Housing Units	$773,000
Local Funding Percentage (County, City)	29%
Local funding need per unit (City and County)	$225,000
Local affordable housing funding needed for implementation	$302 million

Source: KMA, Conceptual Pro Forma Analysis of High-Density Apartment Development, prepared for the City of San José, October 2019; Strategic Economics, 2020

[54] Keyser Marston Associates, “Conceptual Pro Forma Analysis of High-Density Apartment Development” 2019.

Available Funding Sources from City and County

As discussed above, there are a number of funding sources available from the City of San José and Santa Clara County for affordable housing production. They include the affordable housing revenues from commercial linkage fees and in-lieu fee revenues that will be generated from new development at Downtown West and in the Diridon Station Area Plan amendment sites, shown in Figure 26. **The proposed development activity at Downtown West and in the DSAP amendment sites has the potential to bring in nearly $174 million in affordable housing revenues.** These revenues are contingent on whether the maximum amount of housing is developed on the DSAP amendment sites, and if the commercial development activity moves forward as envisioned for the Downtown West proposal.

Figure 26: Commercial Linkage Fee and In-Lieu Fee Revenues Anticipated in Diridon Station Area

Funding Generated from Diridon Station Area Development	Buildout	Annual
Commercial Linkage Fee Revenues from Downtown West	$87,600,000	$4,380,000
In-Lieu Fee Revenues from Market-Rate Housing Units[55]	$86,100,000	$4,305,000
Subtotal Diridon Station Area Fee Revenues	$173,700,000	$8,685,000

Source: City of San José, 2020; Strategic Economics, 2020.

Commercial linkage fee and in-lieu fee revenues, if prioritized for awards to affordable developments in the Diridon Station Area, could potentially cover more than half of the funding gap required to meet the affordable housing production goal of this implementation plan.

In addition, the City and County offer additional affordable housing funding for implementation of the production goals. The City and County's resources are summarized in Figure 27 below. On an annual basis, the combination of City and County funds for the short term is estimated at about $31 million per year (Figure 27). These funding estimates will depend on a number of factors, including the strength of the real estate market and the continuation of the Measure A program.

[55] This estimate only includes market-rate housing on DSAP amendment sites. Potential market-rate housing development on Downtown West sites is not included in the calculation.

FIGURE 27: CITY AND COUNTY AFFORDABLE HOUSING FUNDING PROGRAMS

City and County Affordable Housing Funds		Annual Estimate
San José		
Measure E (proposed spending plan for 2020-2021)		$17,685,000
HOME		$2,000,000
Low- and Moderate-Income Housing Fund		$3,500,000
SB2		$3,400,000
	Subtotal City of San José	$26,585,000
Santa Clara County Affordable Housing Funds		
Measure A (if funding continues to be available)		$3,500,000
Other County Sources		$900,000
	Subtotal County Sources	$4,400,000
Total City and County Funding		$30,985,000

Source: City of San José Affordable Housing Investment Plan; Proposed Spending Plan for Measure E Revenues, 2020.

IMPLICATIONS FOR EXTREMELY LOW-INCOME HOUSING GOALS

The funding gap measured above is based on a typical tax credit affordable housing project, which would likely include a mix of extremely low-, very low-, and low-income housing units. The City Council has requested that this implementation plan study the potential for 45 percent of the affordable units to be affordable to extremely low-income households; this is equivalent to 11 percent of all units in the Diridon Station Area.

Projects that were funded through the County's Measure A program – which is intended to serve ELI households and persons experiencing homelessness – had a higher per unit cost of $743,000.

Because the affordable housing development projects analyzed in this study provide housing for a range of incomes, the available data is insufficient to measure the funding need to meet the City's ELI housing production goals. ELI households typically contribute very little rental income to support permanent financing; the overall subsidy required for ELI housing is therefore higher to cover the cost of development. In addition, ELI units often also require an ongoing operating subsidy. Measure A projects, which are primarily targeted to vulnerable populations, including ELI households and persons experiencing homelessness, cost more to build on a per-unit basis than other low-income housing projects. Therefore, it can be concluded that estimated local funding gap shown in Figure 25 would be larger if 45 percent of the affordable units were targeted to ELI households.

The City's share of the local funding need depends on the availability of other funding sources, such as a new County housing bond to augment or extend Measure A, and additional funding sources from the State through its replenished TOD and infill housing programs. Strategies to increase the funding available for affordable housing production are discussed in more detail below.

PRODUCTION STRATEGIES

The strategies around affordable housing production are listed below. Strategies 1 through 5 emphasize larger-scale housing production that would likely occur within the Diridon Station Area, and strategies 6 and 7 are more relevant to the residential communities that are part of the Neighborhood Stabilization Area. Although the affordable housing production goal is focused primarily on construction within the DSA, incorporating affordable production activities within the broader Neighborhood Stabilization Area as well could offer the City increased flexibility. There may also be opportunities for small- to mid-scale housing development, as well as the creation of new deed-restricted units through housing preservation activities within the Neighborhood Stabilization Area.

1. **Maximize competitiveness for state funding sources by prioritizing sites within a one-half mile walkshed of Diridon Station for affordable housing.** Affordable housing projects can apply for competitive funding sources, including the state's Affordable Housing for Sustainable Communities program (AHSC), Transit-Oriented Development Housing Program (TOD), and Infill Infrastructure Grant Program (IIG), as well as the County's Measure A funds. Projects will be most competitive for these sources when located within a short walk – ideally within the one-half mile walkshed of Diridon Station. Therefore, to the extent possible, the sites within this walkshed should be prioritized for future affordable housing development projects.

2. **Partner with transit agencies and affordable housing developers to leverage Affordable Housing for Sustainable Communities grants for affordable housing developments near station.** Affordable housing proposals near Diridon Station are potentially most competitive for AHSC funds because of the potential to leverage GHG reductions associated with transit investments at Diridon, including Caltrain electrification and eventually the VTA Bart Silicon Valley Extension Phase II. First-last mile pedestrian and bike improvements may also be leverageable for AHSC funds. AHSC also provides affordable housing developers more flexibility in their unit affordability breakdowns, which can be all the difference in whether affordable housing projects are feasible. Because AHSC applications are known to be incredibly lengthy and complex, it is important the City of San José take an active role organizing an AHSC application with transit agency and developer partners, as AHSC applications are typically most successful with strong jurisdictional leadership.

3. **Prioritize the use of Commercial Linkage Fee revenues generated in the Diridon Station Area for affordable housing projects within the Plan area.** The City Council approved a new Commercial Linkage Fee in September 2020. Depending on the amount of commercial space approved in the DSA, this could produce tens of millions of dollars for affordable housing over the next two decades.

4. **Adopt the proposed update to the citywide Inclusionary Housing Ordinance (IHO).** The proposed update to the City's Inclusionary Housing Ordinance is designed to encourage the construction of new housing for a range of income levels, including median-income households. Under the current requirements, developers have chosen to pay the in-lieu fee rather than provide on-site units. Solely collecting revenue from this Ordinance is not realizing the full potential of this important program, which has the goal to economically integrate neighborhoods and to produce affordable housing along with market-rate housing. The proposed modifications are designed to provide developers with a wider range of economically feasible options to meet the inclusionary requirement while meeting the City's needs.

5. Update regulations to facilitate mass timber and other innovative and cost-effective construction technologies. The introduction of cost-effective innovative technologies such as mass timber has the potential to greatly reduce the cost of housing construction, making mid-rise and high-rise development projects more financially feasible. The City of San José can put policies in place to facilitate the transition to new construction technologies by updating building codes and permitting processes. San José's building code would need to adopt new standards consistent with the Universal Building Code in order for mass timber to be implemented at a larger scale, especially for taller buildings.

6. Explore potential changes to park fees to decrease overall development costs for market-rate and affordable housing. As one of the City's most significant development fees, a reduction in the parks fee would help to reduce the overall cost of housing development in the DSA and encourage the provision of inclusionary affordable units integrated into market-rate projects. The City currently discounts the park fees by 50 percent for deed-restricted housing units affordable to households at 80% AMI and below. The City also is considering a reduction of up to 50 percent for deed-restricted housing units affordable to moderate-income households earning 81 to 100% AMI. In addition, a proposed change to charge the fee on a per-square-foot basis rather than on a per-unit basis can improve the development feasibility of small market-rate units, like studios and one-bedrooms.

7. Support policies that increase the production of accessory dwelling units (ADUs) in the Diridon Station Area and surrounding neighborhoods. Facilitating ADU construction is one way that the City can meet its goals for the production of more moderate-income and middle-income housing. Building small ADUs in established residential neighborhoods is a straightforward and sensitive way to increase the housing supply while providing existing homeowners opportunities to supplement mortgage payments with rental income. The City has implemented reforms around accessory dwelling unit production, including easing multiple building requirements in conformance with new state laws and offering pre-approved ADU designs through the ADU/Single-Family Master Plan Program. The City should further explore ways to incentivize the creation of new deed-restricted units in ADUs, not just for single-family properties, but also for lots that currently contain duplexes or small multifamily buildings.

V. NEIGHBORHOOD STABILIZATION TARGETS AND STRATEGIES

Neighborhood stabilization in the areas around Diridon Station can be achieved with a mixture of both people-based (protection) and place-based (preservation) policies. Protecting lower-income households from displacement is an important tool for preventing increases in homelessness. Furthermore, preservation and protection strategies are essential tools to advance racial equity in San José. The goal of this Plan and related Citywide strategies is to use a combination of production, preservation, and protection strategies to reduce further displacement and increase opportunities for lower-income and Latinx and Black residents to live in the Diridon Neighborhood Stabilization Area and other areas that are poised to receive significant public and private investments, including high-quality transit.

NEIGHBORHOOD STABILIZATION TARGETS

It is estimated that there are approximately 3,900 low-income renters (earning less than 80% AMI) in the Census Study Area. It is integral to consider policies that protect these renters from displacement. This estimate is based on ACS 2014-2018 data, which identified 3,981 renter households earning $100,000 or less in the study area, which is 49 percent of all renter households. Because a three-person household earning 80% AMI in Santa Clara County in 2018 would earn $95,000 in annual income, 3,900 is a reasonable estimate of the number of low-income renter households that may be vulnerable to displacement.

Retain as permanently affordable the existing stock of both deed-restricted multifamily housing as well as unsubsidized affordable units that are subject to the Apartment Rent Ordinance. When either deed-restricted or unsubsidized affordable units are lost, they should be replaced with new permanently affordable units.

There are currently 1,322 existing deed-restricted units in the Neighborhood Stabilization Area, as well as 319 either under construction or with funding secured (Figure 28). Among the existing units, the vast majority do not expire until after 2040.

FIGURE 28. DEED-RESTRICTED MULTIFAMILY UNITS BY DATE OF COVENANT EXPIRATION

Expiration Date Range	Number of Buildings	Number of Units
Existing		
By 2030	2	89
2031-2040	2	65
Beyond 2040	10	1,121
Unknown	1	47
Total Existing	**15**	**1,322**
Near-term Pipeline		
Under Construction	2	233
Funding Secured	1	86
Total Near-term Pipeline	**3**	**319**
Total	**18**	**1,641**

Source: City of San José, 2019; Strategic Economics, 2020.

There are 840 units subject to ARO in the Neighborhood Stabilization Area. Based on citywide household income data, it is likely that two-thirds of the ARO units, or approximately 560 units, are occupied by low- or moderate-income households.

KEY CONSIDERATIONS FOR IMPLEMENTATION

The existing COVID-19 crisis and the subsequent economic disruption have exacerbated the risk of displacement. Low-income tenants in the Census Study Area in particular are currently highly vulnerable to displacement, as many were severely rent-burdened before the pandemic began. While the City's temporary eviction moratorium provided short-term protections for renters impacted by COVID-19, tenants must eventually pay the overdue rent within six to 12 months of the end of the moratorium. The Apartment Rent Ordinance and Tenant Protection Ordinance provide some protections from rent increases in the longer term, but the allowable increase of 5 percent per year is substantial over time. Tenants in non-ARO units (single-family, duplex, townhome, multifamily built 1980 or later) are even more vulnerable.

Recently, the Diridon Station Area and surrounding neighborhoods (the Census Study Area) have lost Latinx residents, while the number of residents identifying as Asian, White, and "other races" has increased. As discussed in Section III, the number of White and Asian residents in the Census Study Area grew significantly from 2010 to 2018. Meanwhile, there was little growth in the number of Black residents and a five percent decrease in the number of Hispanic/Latino residents during that same time period.

Most tenant protection policies are likely to be implemented citywide. The City of San José recently adopted the *Citywide Residential Anti-Displacement Strategy*, which outlines multiple tenant protection strategies the City could implement citywide, such as expanding tenant education resources or providing tenants facing eviction access to legal counsel. Other measures to increase tenant protections, such as expansions to the ARO and TPO would also apply citywide.

Preserving ARO units as permanently affordable could significantly contribute to stabilizing existing low-income households, as well as helping to maintain the supply of existing affordable housing for the long-term. Over two-thirds of renters in ARO units in the city of San José are low-income households (Figure 29). It is likely that most ARO units in the Neighborhood Stabilization Area are similarly occupied by low-income renters.

FIGURE 29. RENTER HOUSEHOLDS IN SAN JOSÉ ARO UNITS BY INCOME, 2019

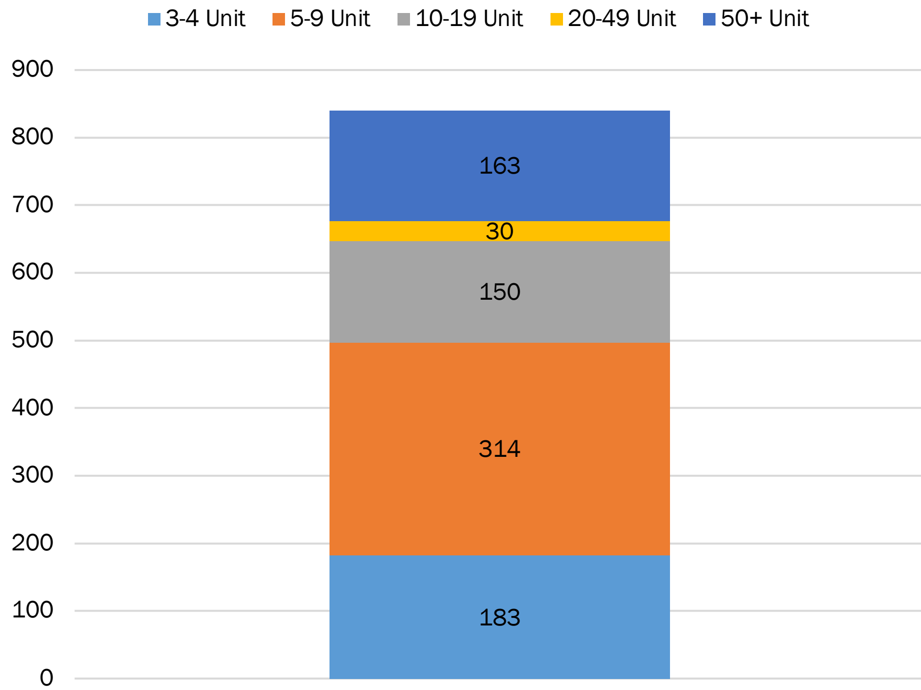
Area Median Income Level (Santa Clara County AMI Groups)	Renter Households	Share
80% AMI or Less	27,458	67%
80-120% AMI	7,555	18%
Over 120% AMI	6,113	15%
Total	41,126	

Source: IPUMS USA, 2019; American Community Survey, 2013-2017; Strategic Economics, 2019.

New models may be required to effectively acquire and manage small, scattered site housing, particularly given the limited number of larger-scale buildings with unsubsidized affordable housing.

- **Opportunities to acquire larger pre-1980 multifamily properties within a half-mile of the Diridon Station Area are limited.** There are only two properties in the area with over 50 units, both of which charge higher rents compared to other older properties near the station area. Most ARO units within the half-mile radius of the DSA are in buildings with less than 10 units (Figure 30).
- **Smaller multiplexes (buildings with up to nine units) tend to be most affordable to renters, and may also be the most cost-efficient to acquire.** Figure 31 shows the estimated, vacancy decontrolled rents for ARO units by building size, as well as the anticipated acquisition cost per unit. Both metrics are based on Costar data from the Downtown West submarket, which includes Diridon Station.
- **However, these smaller buildings are challenging for typical non-profit housing developers to manage.** Most non-profit developers prioritize acquiring formerly unsubsidized buildings that are larger-scale, as they are more efficient to manage.
- **The City could explore ways to support the capacity of community development corporations, faith-based institutions, and mission-driven, place-based nonprofits.** Organizations that are focused on neighborhood stabilization strategies may be more willing to take on the management challenges of smaller, scattered sites.

FIGURE 30. ARO UNITS BY UNITS IN BUILDING IN THE NEIGHBORHOOD STABILIZATION STUDY AREA



Source: City of San José, 2020; Strategic Economics, 2020.

FIGURE 31. RENT AND ACQUISITION COST SUMMARY FOR ARO BUILDINGS IN DOWNTOWN WEST

	3-4 Unit	5-9 Unit	10-19 Unit	20-49 Unit	50+ Unit	Source
Estimated Two-Bedroom Rent (b)	$1,438 (a)		$1,917 (a)		$2,244	Average weighted rents for comparable units in Costar's Downtown West Submarket
Affordable To: (c)	2 or 3 Person HH, 50% AMI (b)		2 Person HH, 80% AMI; 3 Person HH, 70% AMI (b)		2 Person HH, 90% AMI; 3 Person HH, 80% AMI	Santa Clara County's 2019 AMI levels, released by the California Department of Housing and Community Development
Estimated Acquisition Cost Per Unit (d)	$264,500 (c)		$296,000 (c)			Median acquisition cost per unit for comparable transactions that occurred since June 2017 in Costar's Downtown West submarket

Source: Costar, 2020; City of San José, 2020; ACS Estimates, 2014-2018; CA HCD, 2019; Strategic Economics, 2020.

Notes:

(a) Due to data limitations, the rent analysis combined data for 3- to 9-unit buildings and for 10- to 49-unit buildings.

(b) Affordability levels for the respective building size groups used in the rent analysis are also combined.

(c) Due to data limitations, the acquisition analysis combined data for 3- to 9-unit buildings and for buildings with 10 or more units.

The Diridon Station Area, and the Downtown West submarket in general, are well-positioned to pilot an acquisition/ rehab strategy for ARO units.

- With major investments in both the Diridon Transit Station and Google's Downtown West project, as well as its position adjacent to Downtown San José, unsubsidized affordable units in the Neighborhood Stabilization Area are very vulnerable. With these factors at play, these neighborhoods would be excellent candidates for a pilot program that would direct concentrated investment into acquiring and preserving ARO units for the long-term.
- ARO units are somewhat more affordable in the Downtown West submarket, compared to other parts of the City, such as West San José and South San José. These units provide some of the deepest affordability among the ARO stock, and therefore their preservation as permanently affordable units would address the city's greatest housing affordability needs.
- The Diridon area is extremely well served by transit. Because transit proximity is integral for low-income tenants, the Diridon area is better situated to be the location of a preservation pilot program compared to areas in the City that are not served by high-quality transit.
- The types of ARO buildings in the Diridon area are reflective of citywide ARO building characteristics and conditions. A pilot program in the Diridon area therefore would provide lessons for approaching a citywide acquisition/rehab program.

FUNDING NEED

Tenant Protection Policies and Programs: Costs for expanding the coverage or enforcement of San José's existing tenant protection policies, such as the Apartment Rent Ordinance, Tenant Protection Ordinance, and AB 1482 are not yet quantified, and will depend on the type of program that is implemented.

Acquisition/rehab of ARO units: Total development cost of an acquisition/rehab strategy varies based on a number of factors. It is likely that the acquisition cost for smaller ARO buildings in the Neighborhood Stabilization Area would be in the $250,000 to $300,000 per-unit range (based on Figure 31 for recent sales in Downtown West), while total costs, including rehabilitation costs would likely be between $275,000 and $480,000 based on examples from the Bay Area documented by Enterprise Community Partners.[56]

The local public subsidy for preservation is typically higher than for affordable housing production due to the limited public funding sources available for preservation activities. The potential local funding need per unit is estimated at between $118,000 and $332,000, based on examples from other similar Bay Area programs. If the City of San José directly subsidizes the project, the prevailing wage requirements could increase overall development costs, requiring additional funding.

The goal for the Diridon Station Area is the development of a pilot preservation program for multifamily properties in the Neighborhood Stabilization Area. Acquisition/rehab is more achievable in a down market when small property owners may be operating at thin margins, and when properties generally are more likely to trade. The COVID-19 pandemic may present new opportunities for preservation, if funding is available. It is expected that the City would be required to contribute a significant share of the development costs. The proposed spending plan for Measure E Real Estate Property Transfer Tax funds shows a potential contribution of about $5 million for acquisition and rehabilitation of existing buildings for low-income households in 2020-2021. Additional funding may be required to be able to launch a pilot program in the Neighborhood Stabilization Area, given the estimated costs of acquisition and rehabilitation.

[56] Enterprise Community Partners, Inc. "Preserving Affordability, Preventing Displacement: Acquisition-Rehabilitation of Unsubsidized Affordable Housing in the Bay Area."
https://www.enterprisecommunity.org/resources/preserving-affordability-preventing-displacement-acquisition-rehabilitation-unsubsidized
Rehabilitation cost depends on building age, construction quality, and existing standard of maintenance, and therefore can be difficult to estimate. Properties that have experienced deferred maintenance or are in need of more substantial renovations as part of an acquisition/rehab strategy could translate to high rehab costs.

"PRESERVING AFFORDABILITY, PREVENTING DISPLACEMENT" ENTERPRISE COMMUNITY PARTNERS REPORT

A 2020 report by Enterprise Community Partners entitled "Preserving Affordability, Preventing Displacement: Acquisition-rehabilitation of Unsubsidized Affordable Housing in the Bay Area" evaluated acquisition/rehab programs in three Bay Area communities and captures the most current and thorough understanding of the Bay Area's acquisition/rehab process and the complexities with which it is associated. The report, which focuses on three acquisition/rehab programs in San Francisco, Oakland, and San Mateo Counties, found that from 2015 to 2019, the per-unit development cost for acquiring and rehabilitating unsubsidized affordable housing was wide-ranging, between $276,000 per unit in Oakland to $483,000 per unit in San Francisco. In all three programs, the acquisition cost accounted for approximately three-quarters of the total development cost. The public subsidy ranged from $117,000 per unit in Oakland to $332,000 in San Francisco. Rehab costs for the San Francisco and San Mateo County programs were approximately $75,000 per unit, while rehabilitation costs in Oakland were roughly half of that. This report is particularly relevant for the Neighborhood Stabilization Area context because these programs tend to focus on smaller buildings with between three and 55 units. For example, the San Francisco program prioritizes buildings with between five and 25 units, while the San Mateo County program has funded the acquisition of buildings with fewer than 20 units.

FIGURE 32. ENTERPRISE REPORT: DEVELOPMENT COST SUMMARY FOR ACQUISITION/REHAB PROGRAMS

	San Francisco	San Mateo County (a)	Oakland
Total Development Cost Per Unit (b)	$483,376	$433,203	$276,173
Acquisition Cost Per Unit	$333,529	$324,902	$215,415
Public Subsidy Per Unit	$331,994	$223,777	$117,491

(a) San Mateo County public subsidy includes both County and City subsidies.
(b) Total development cost includes acquisition and rehabilitation.
Source: Enterprise Community Partners, Inc. "Preserving Affordability, Preventing Displacement: Acquisition-Rehabilitation of Unsubsidized Affordable Housing in the Bay Area."

PRESERVATION STRATEGIES

Preservation of existing multifamily units would formalize the affordability of older properties for the long term. The City does not have a history of acquiring, rehabilitating, and converting privately owned multifamily housing into deed-restricted affordable housing. The first step is to develop a Preservation Pilot Program specifically for the Neighborhood Stabilization Area, which is a half-mile area around the Diridon Station Area. Considering that this selection process may ultimately depend on which property owners are motivated to sell, a screening process is needed to prioritize properties that could be good candidates for preservation. The program could screen properties based on the condition/quality, location, or whether they are adjacent to development activity.

This pilot program would require multifaceted strategies that streamline acquisition, affordability restriction implementation, property rehabilitation and property maintenance. These include:

1. **Conduct outreach to non-profit and community-based organizations with capacity to conduct preservation activities.** The City could provide information to interested nonprofits to develop a base of qualified developers for preservation activities and begin to build the program.

2. **Identify funding sources for preservation.** Typically, preservation projects require a significant amount of subsidy from cities, because it is harder to qualify for Low-Income Housing Tax Credits and other funding sources focused on production. The City could potentially access its Measure E revenues to fund preservation projects.

3. **Implement complimentary policies that support preservation activity.** Right of first refusal policies (such as Tenant Option to Purchase and Community Option to Purchase acts) elevate the position of lower-income tenants interested in communal ownership models and non-profit housing entities. The City could also identify candidates for acquisition and rehabilitation based on the property conditions and the financial capacity of the property owner to make improvements. This could entail bringing problematic buildings with multiple tenant complaints and/or tax delinquencies under public or nonprofit stewardship.

PROTECTION STRATEGIES

The implementation plan's protection strategies incorporate many of the elements from the recently approved Citywide Residential Anti-Displacement Strategy, in addition to other implementation actions that are specific to the needs of residents in the Diridon Station Area and surrounding neighborhoods in the Neighborhood Stabilization Area.

Because the majority of the tenant protection strategies would be implemented citywide, it is not possible to quantify the costs associated with implementing these strategies specifically at the Neighborhood Stabilization Area scale.

1. **Establish a Housing Collaborative Court to provide legal support for tenants facing eviction.** Many households in the Neighborhood Stabilization Area are vulnerable to eviction, and this will be exacerbated after the expiration of the temporary COVID-19 moratorium. The Citywide Residential Anti-Displacement Strategy recommends coordinating with the Santa Clara County courts and the State to establish a Housing Collaborative Court and partially fund the costs for legal services for evictions during COVID-19. If this strategy is successful, the City could explore a longer-term arrangement together with the County to continue providing funding for legal services to increase tenant representation and help prevent evictions. The cost of implementation is not yet determined, but this strategy would be applicable to the entire city.

2. **Create a "satellite office" in the DSA to provide education resources to tenants and landlords.** The City of San José currently provides support for tenant and landlord education of their rights under the Apartment Rent Ordinance (ARO), Tenant Protection Ordinance (TPO), and Ellis Act Ordinance through its Rent Stabilization Program (RSP). The City also has local enforcement tools so that tenants who have experienced violations to these laws can submit a petition to the RSP for an administrative hearing. Establishing a satellite office in the DSA would improve residents' access to services, so that

they can understand their rights under existing local and state laws, and potentially reduce unlawful evictions and rent increases.

3. **Consider options for enforcing the Tenant Protection Act of 2019 (AB 1482).** AB 1482, which was signed into law in 2020, prevents rent-gouging and requires just causes for eviction. AB 1482 covers many homes in the Neighborhood Stabilization Area, but the only enforcement mechanism is suing under State Law. The Council-approved Citywide Residential Anti-Displacement Strategy recommends that the City sponsor State legislation for local education and enforcement to help increase understanding and compliance with AB 1482 as well as the City's ordinances.

4. **Expand San José's existing Tenant Protection Ordinance (TPO) to include all rental units (including duplex, single-family, and condo/townhome rental units).** The TPO in its present form only protects renters in buildings with three or more units. Expanding the TPO to units in these other types of buildings would provide just cause eviction protections and relocation assistance for an additional 2,318 renter households, who comprise 27 percent of renter households in the Neighborhood Stabilization Area.

5. **Expand San José's existing Apartment Rent Ordinance (ARO) to include renter-occupied duplex units.** The ARO, which limits rent increases for existing leases to 5 percent annually, only protects buildings occupied in 1979 or earlier with three units or more. There are currently 422 renter households in duplexes that were built in this timeframe, 380 of which are in investor-owned duplexes. Expanding ARO to include either all older duplexes or just investor-owned duplexes would increase the share of renters in the Neighborhood Stabilization Area covered by the ARO from just 10 percent to 14 percent.

VI. PERFORMANCE METRICS

The following performance measures (shown in Figure 33) are recommended for use by the City of San José to set annual objectives and measure progress towards the City's goals by undertaking ongoing activities recommended in this implementation plan. Each performance measure has a baseline number, reflecting current conditions, and a set target.

In addition, the Plan recommends that the City continue to track racial equity indicators by monitoring the change in the number of Latinx and Black residents in the Census Study Area over time. As there is no goal associated with these measures, there is no target indicated.

FIGURE 33. SUMMARY OF GOALS AND PERFORMANCE METRICS TARGETS

Goals & Performance Metrics	Baseline	Target	Data Source
Increase in Percentage of Deed-Restricted Affordable Units in the DSA	20%	25% or Higher at Full Build-out	City of San José Housing Department
No Net Loss in Number of Low-Income Renter Households (Annual Household Income of Under $100,000) in the Census Study Area	3,900	3,900 or Higher	U.S. Census Bureau American Community Survey 5-year estimates
Decrease in Share of Severely Cost-Burdened Renter Households in the Census Study Area	13%	Less than 13%	U.S. Census Bureau American Community Survey 5-year estimates
No Net Loss in Number of Deed-Restricted Units in Neighborhood Stabilization Area with Long-Term Affordability	1,641	1,641 or Higher	City of San José Housing Department
Racial Equity Indicators	**Baseline**	**Target**	**Data Source**
Number of Hispanic/Latinx Residents in the Census Study Area (6 Census Tracts that correspond to the Neighborhood Stabilization Area)	11,827	n/a	U.S. Census Bureau American Community Survey 5-year estimates
Number of Black Residents in the Census Study Area (6 Census Tracts that correspond to the Neighborhood Stabilization Area)	1,182	n/a	U.S. Census Bureau American Community Survey 5-year estimates

Source: American Community Survey, 2014 – 2018; City of San José, 2020.

DIRIDON AFFORDABLE HOUSING IMPLEMENTATION PLAN APPENDIX

PUBLIC DRAFT

Prepared for:

City of San José

November 5, 2020

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APPENDIX A: AFFORDABILITY AND DISPLACEMENT RISK LITERATURE REVIEW

Strategic Economics conducted a literature review on the process by which both transit investments and private commercial investments can increase gentrification and displacement in neighborhoods. The literature review also includes a more detailed overview of gentrification and displacement concepts.

Definitions and Overview of Gentrification and Displacement

Gentrification is the process of change that neighborhoods experience when they begin to attract new private and public investments. Change is often observed in 1) a neighborhood's built environment and real estate market; and 2) neighborhood demographics. Changes in the built environment and real estate market can include increases in home renovations, new construction, and/or real estate values. Demographic changes associated with gentrification include the influx of new higher-income residents, often of a different race and higher education level than previous residents.[1]

Displacement is the process through which households are forced to leave their residence for reasons beyond their control, which can include the economic and social pressures of gentrification. When gentrification results in neighborhood price appreciation, rents can increase to the extent that they are no longer affordable for the existing residents, resulting in displacement. In addition, households can be displaced when housing units are demolished to make way for construction of new private development, public infrastructure, or facilities projects. Displacement may also take the form of increased rates of evictions and landlord harassment, or condominium conversions or redevelopment in response to local housing price appreciation, which can both decrease the stock of unsubsidized affordable housing. Renters who are already cost-burdened are less likely to be able to withstand additional rent increases or other displacement pressures.[2] In communities with housing price appreciation, renters might also face direct displacement if their "unsubsidized affordable"[3] housing units are lost to condominium conversions or larger-scale redevelopment projects.

Displacement may also occur for other reasons besides gentrification. For example, households can be displaced when housing units are demolished to make way for construction of new private development, public infrastructure, or facilities projects. Displacement of low-income households can also occur – even in neighborhoods that are not currently experiencing gentrification – for various reasons including high regional housing costs relative to median incomes, the stagnation of incomes for low-wage professions, the erosion of middle-wage jobs, evictions, and housing discrimination.

While most of the research on gentrification and displacement focuses on renters, gentrification may still contribute to low- and moderate-income homeowners may leave gentrifying neighborhoods voluntarily in order to capitalize on rising property values, further contributing to neighborhood change.

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[1] Urban Displacement Project, "Gentrification Explained". https://www.urbandisplacement.org/gentrification-explained

[2] Zuk, Miriam, et al. 2018. "Gentrification, Displacement, and the Role of Public Investment." *Journal of Planning Literature* 33:1.

[3] "Unsubsidized affordable" housing, which is sometimes referred to as "NOAH" (naturally occurring affordable housing", refers to unsubsidized market-rate housing that is affordable to lower-income households due to its building quality, location, or age. They are not deed-restricted. Urban Displacement Project, 2015. "UC Berkeley Case Studies." https://www.urbandisplacement.org/case-studies/ucb; Chapple, Karen, 2017. "Income Inequality and Urban Displacement: The New Gentrification." *New Labor Forum* 26:1.

Low- and moderate-income homeowners in gentrifying neighborhoods may stand to benefit from increased home prices – especially in California where Proposition 13[4] caps annual property tax increases, keeping homeowners' housing costs relatively stable despite property value increases.[5] However, while individual homeowners may benefit, increased home values may contribute to neighborhood turnover and demographic change as low- and moderate-income sell to higher-income buyers over time.[6] Independent of gentrification, low- and moderate-income homeowners may struggle to afford monthly mortgage payments, property taxes, maintenance and upkeep, and other housing costs, putting them at increased risk for losing their homes.

RISK FACTORS FOR GENTRIFICATION AND DISPLACEMENT

A significant body of literature explores the factors that make lower-income neighborhoods more susceptible to gentrification and displacement. There are several factors that are generally considered to contribute to gentrification and displacement risk at the regional and neighborhood level, although there are still ongoing debates as to the relative importance of each of these factors. Key factors are described below.

REGIONAL RISK FACTORS

Increasing rents and rental cost burdens at the regional level are a driving force behind gentrification and displacement in lower-income neighborhoods. For example, one study found that a key factor driving gentrification in lower-income neighborhoods was that higher-income households were priced out of other areas.[7] Some research has found that neighborhood gentrification within the U.S. is most pronounced in a handful of regions including the San Francisco Bay Area, Washington D.C., Los Angeles, and New York.[8] These regions have several economic trends in common, including constrained housing supplies relative to rapid population and job growth, increasing rents and home prices, the fragmentation of local government responsibilities,[9], and regulatory barriers to new housing development.[10]

Regions that are failing to provide enough affordable housing options to meet demand also have higher rates of homelessness.[11] According to a recent statistical analysis by Zillow, regions where median rents exceed 32 percent of median household income – including the San Francisco Bay Area,

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[4] Under Proposition 13, assessed values may increase by an inflation factor, not to exceed two percent a year. Properties may also be reassessed to market value at point of sale.

[5] Decker, Margaret. 2019. "The Impact of Gentrification on Homeowners." *Chicago Policy Review;* Isaac Martin & Kevin Beck (2018), "Gentrification, Property Tax Limitation, and Displacement." *Urban Affairs Review* 54:1.

[6] Ellen, Ingrid Gould and Kathy O'Regan. 2011. "How Low Income Neighborhoods Change: Exit, Entry, and Enhancement." *Regional Science and Urban Economics,* 41

[7] Ellen, Ingrid Gould, Keren Horn, and Katherine O'Regan. 2013. "Why Do Higher-Income Households Choose Low- Income Neighborhoods? Pioneering or Thrift?" *Urban Studies* 50:12.

[8] Chapple, Karen and Loukaitou-Sideris, 2019. Introduction. *Transit-Oriented Displacement or Community Dividends? Understanding the Effects of Smarter Growth on Communities;* National Community Reinvestment Coalition, 2019. "Shifting Neighborhoods: Gentrification and Cultural Displacement in American Cities"; Stancil, William, 2019. "American Neighborhood Change in the 21st Century." Institute on Metropolitan Opportunity.

[9] Fragmented local governance structures may contribute to the challenges that some regions experience coordinating issues such as regional housing affordability.

[10] Ibid.

[11] According to the U.S. Department of Housing and Urban Development (HUD), housing is defined as affordable when it costs no more than 30 percent of a household's income.

Seattle, Boston, New York City, Washington D.C., Atlanta, and Portland, Oregon – have the highest rates homelessness.[12]

NEIGHBORHOOD RISK FACTORS FOR GENTRIFICATION AND DISPLACEMENT

Neighborhood factors associated with risk of gentrification and displacement include:

- **Age of building stock.** Neighborhoods with a high share of pre-war housing stock may be more susceptible to gentrification because homes built prior to World War II are often considered to have desirable architectural qualities and are more likely to attract reinvestment.[13]
- **Proximity to public amenities, including transit stations.** Because households (including higher-income households) may be attracted to amenities like transit and public parks, proximity to these amenities is often considered a factor for neighborhood susceptibility to gentrification. The role of transit and transit investments in gentrification is discussed in greater detail in the next section.[14]
- **Share of renters.** As described above, when housing prices increase, renters are sometimes forced to leave due to rent hikes or evictions. Research on displacement has consistently found that out-movers from gentrifying neighborhoods tend to be renters. Some studies have further confirmed that neighborhoods with higher shares of renters undergo greater demographic changes in terms of race/ethnic composition and median household income.[15]
- **Racial/ethnic composition.** The literature indicates that predominantly African American and Latinx neighborhoods are at greater risk of gentrification and displacement, because of historic neighborhood disinvestment as well as historical and/or contemporary housing discrimination that makes it more difficult to buy homes and accumulate wealth.[16]
- **Low-Income and cost-burdened households.** Neighborhoods with high shares of low-income and/or cost-burdened households (defined as those paying 30 percent or more of their income towards rent) are at a higher risk for experiencing displacement of long-time residents. These groups are less likely to be able to absorb rent increases and may consequently be displaced by households that have the capacity to pay more in rent.[17]

Transit Investment

This section presents findings from academic literature on the relationship between transit and transit investment on property values, gentrification, and displacement. Because this is an emerging field of study and the literature is inconclusive, the discussion includes an overview of key findings on the relationship between transit improvements and property value premiums. Property value is an

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[12] Glynn, Chris, Thomas Byrne, and Dennis Culhane, 2018. "Inflection points in community-level homeless rates." https://wp.zillowstatic.com/3/Inflection_Points_20181213-ee1463.pdf

[13] Turner, Margery and Christopher Snow, 2001. "Leading Indicators of Gentrification in D.C. Neighborhoods." Presentation at the Urban Institute D.C. Policy Forum, Washington, D.C., June 14, 2001.

[14] Chapple, Karen, 2009. "Mapping Susceptibility to Gentrification: The Early Warning Toolkit." https://communityinnovation.berkeley.edu/sites/default/files/mapping_susceptibility_to_gentrification.pdf

[15] Zuk, Miriam, et al. 2018. "Gentrification, Displacement, and the Role of Public Investment." *Journal of Planning Literature* 33:1

[16] Zuk, Miriam, et al., 2018. "Gentrification, Displacement, and the Role of Public Investment."; Pollack, Stephanie, Barry Bluestone, and Chase Billingham. 2010. "Maintaining Diversity in America's Transit-Rich Neighborhoods: Tools for Equitable Neighborhood Change. "Dukakis Center for Urban and Regional Policy.

[17] Ibid.

indicator of potential gentrification and displacement, because higher-valued land attracts more real estate investment and higher-income households due to higher housing costs.

Studies have begun to establish a relationship between proximity to transit and the demographic changes of gentrification, although the research is not conclusive. Research focused on the causal impact of transit on gentrification has been limited and remains inconclusive, in part due to significant data challenges and variations in local context that make it difficult to compare across neighborhoods. A few papers published in the last decade determined that in some cities, neighborhoods located near new transit stations experienced an influx of residents with higher incomes and/or educational attainment compared to previous residents.[18] Other studies found that proximity to transit is one of several statistically significant predictors of gentrification, but not always the strongest predictor.[19] One recent Bay Area study found that neighborhoods within a half-mile radius of BART, Caltrain, and VTA stations that were built in the 1990s experienced gentrification and associated demographic changes during that decade. However, in the 2000s, only the transit-served neighborhoods in Oakland, San Francisco, and San José continued to gentrify, even as they gained more low-income households (which the authors attribute to the construction of subsidized affordable housing). It is not clear why some transit-served neighborhoods continued to gentrify more than others during the 2000s, although the authors note that gentrification may be more likely to occur near stations located in a region's core.[20]

A substantial body of literature has shown that residential properties in proximity to transit often experience a property value premium. Research has shown that household demand for transit-served locations results in higher property values and more high-density development near transit stations. The extent of the premium varies depending on a variety of factors, including:

- **Quality of the transit service.** Transit systems that provide frequent, reliable, fast, and regional service generate higher property value premiums, compared to systems that provide more limited service and serve a smaller market area.[21] Several studies have found that heavy rail and commuter rail have a greater impact on property values compared to light rail, likely due to the greater frequency, speed of service, and geographic coverage that heavy rail and commuter rail systems provide.[22]

- **Proximity to transit stations.** Property value premiums for residential property tend to be concentrated within a quarter- to half-mile of transit stations, but the premium may extend as far as one to five miles from transit stations.[23] For example, several studies conducted by

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[18] Kahn, 2007, "Gentrification trends in new Transit Oriented Communities: Evidence from fourteen cities that expanded and built rail transit systems." *Real Estate Economics* 35,155–182; Pollack, Bluestone, and Billingham (Dukakis Center for Urban and Regional Policy) 2010, "Maintaining diversity in America's transit-rich neighborhoods: Tools for equitable neighborhood change"; Bardaka, Delgado, and Florax, 2018, "Causal identification of transit-induced gentrification and spatial spillover effects: The case of the Denver light rail" *Journal of Transport Geography* 71, 15-31.

[19] Grube-Cavers and Patterson, 2015, "Urban rapid rail transit and gentrification in Canadian urban centers: A survival analysis approach." Urban Studies, 52, 178–194; Barton and Gibbons, 2017; "A Stop too Far: How Does Public Transportation Concentration Influence Neighborhood Median Household Income?" Urban Studies 54 (2): 538–554; Chapple, Karen, 2009, "Mapping Susceptibility to Gentrification: The Early Warning Toolkit." Berkeley, CA: Center for Community Innovation.

[20] Chapple, Karen and Loukaitou-Sideris, 2019. Chapter 5 in *Transit-Oriented Displacement or Community Dividends? Understanding the Effects of Smarter Growth on Communities.*

[21] Wardrip, Keith, 2011. "Public Transit's Impact on Housing Costs: A Review of the Literature." *Insights from Housing Policy Research.* Debrezion, Pels, and Rietveld, "The Impact of Railway Stations on Residential and Commercial Property Value: A Meta-Analysis"; Mohammad et al., "A Meta-Analysis of the Impact of Rail Projects on Land and Property Values."

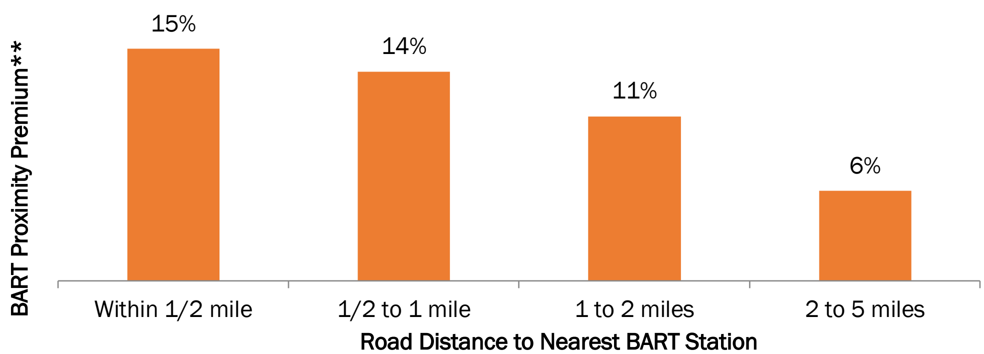
[22] Zuk, Miriam, et al. 2018. "Gentrification, Displacement, and the Role of Public Investment." *Journal of Planning Literature* 33:1.

[23] Baraka, Eleni; Michael Delgado, and Ray Florax, 2018. "Causal identification of transit-induced gentrification and spatial spillover effects: The Case of the Denver light rail." Journal of Transport Geography 71.

Strategic Economics between 2014 and 2015 on the property value impacts of BART stations in the East Bay found the highest residential property premiums within a quarter- and half-mile walking distance of BART stations, with premiums extending as far as five miles from the stations (see Figures 1 and 2 below).

- **Housing unit types.** While the consensus is that all types of residential buildings experience a property value premium due to transit proximity, the effects may be more pronounced for condos and multi-family apartment buildings. One study of homes in San Diego found that condos within a quarter mile of a rail station were selling for approximately 17 percent more than comparable properties, while the premium for single-family homes was only 6 percent.[24] Although there is less data available on rents in apartment buildings near transit, initial research suggests that the rental percent premium for these units may be on par with the sales premium for condos.[25]

FIGURE 1: BART PRICE PREMIUMS IN THE EAST BAY FOR SINGLE-FAMILY HOMES

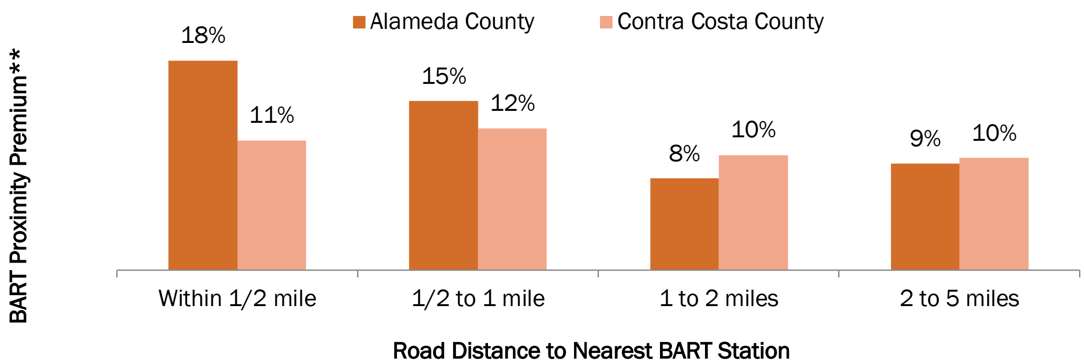


*Percentage difference in property value, compared to locations more than 5 road miles from a BART station.

Sources: Strategic Economics, "Property Value and Fiscal Benefits of BART"; Strategic Economics, "Benefits of BART for Office and Apartment Properties"; Strategic Economics, "Benefits of BART to Single-Family and Condominium Property Values by County."

24 Duncan, Michael. 2008. "Comparing Rail Transit Capitalization Benefits for Single-Family and Condominium Units in San Diego, California." *Transportation Research Record*, 2067.
25 Wardrip, Keith, 2011. "Public Transit's Impact on Housing Costs: A Review of the Literature." *Insights from Housing Policy Research.*

FIGURE 2: BART PRICE PREMIUMS IN THE EAST BAY FOR CONDOMINIUMS



**Percentage difference in property value, compared to locations more than 5 road miles from a BART station in the respective county.
Sources: Strategic Economics, "Property Value and Fiscal Benefits of BART"; Strategic Economics, "Benefits of BART for Office and Apartment Properties"; Strategic Economics, "Benefits of BART to Single-Family and Condominium Property Values by County."

There has been limited research measuring the impact of transit service enhancements on property values or rents. The existing literature focuses on the relationship between proximity to existing transit stations and home prices and rents, while a few studies have analyzed increases in property values related to the introduction of new transit service. However, there is a lack of research on how improvements to existing transit lines, such as those that decrease travel time, affect the surrounding neighborhoods. One exception is a 2012 report on the introduction of Caltrain's Baby Bullet service in San Mateo and Santa Clara Counties. The study concluded that a one-minute reduction in expected travel time caused assessed property values within a quarter mile of Caltrain stations to increase between 1.5 percent and 2.4 percent.[26]

Commercial Development and Local Job Growth

In contrast to transit investments, new commercial development associated with high-wage job growth is thought to have gentrification impacts regionwide, rather than just within a neighborhood, given that workers typically commute within the entire region to access jobs.

There has been little academic research to date on the relationship between local commercial development or job growth – such as the introduction of a new corporate campus – and home price effects or demographic changes in surrounding neighborhoods. This section describes the information that is available about the relationship between the technology industry, corporate campuses, and neighborhood change.

While the literature on this topic is not conclusive, there is some evidence to support the idea that expansions in the technology sector could be associated with housing price increases. Some researchers have speculated clusters of tech job may be correlated with higher housing prices because the tech industry concentrates very large numbers of high-income earners in relatively small geographies. Others have noted that in regions with high concentrations of technology firms and highly regulated housing markets such as the Bay Area, non-technology workers have lower wages after

[26] Bay Area Council Economic Institute, 2012. "The Economic Impact of Caltrain Modernization." http://documents.bayareacouncil.org/caltrainecon.pdf

accounting for housing costs than those in regions that lack tech clusters.[27] Additional research has found that the velocity and density at which the tech sector is able to add jobs differs from other industries, and that this could explain some of the correlation.[28]

Anecdotally, there have been reports of higher home prices in neighborhoods that are located in close proximity to major high-tech job centers or that have high concentrations of tech workers. While the literature on this topic is not conclusive, recent analyses of local housing prices by journalists, real estate organizations, and academic researchers suggest that there is a correlation between the introduction of new corporate office campuses and an increase in local housing prices. For example:

- One analysis found that the values of homes occupied by Apple employees in San Francisco and San José are higher than the median citywide home prices in the two respective cities, and that prices are rising much faster in neighborhoods where Apple employees live compared to other neighborhoods.[29]
- In Arlington, VA, home prices reportedly increased by 17 percent within six months of Amazon's announcement that the city would be the site for its second headquarters ("HQ2").[30] Researchers expect that the campus, which will ultimately be the worksite for some 50,000 employees, will have an impact on home prices and rents in the entire region.[31]
- Anecdotally, the prices of homes near Apple Park in Cupertino, which accommodates 12,000 employees, have increased dramatically since the project was announced. The surrounding area has undergone a major transformation, as a host of major commercial and residential projects have been proposed or completed in response to new demand for housing, retail, and hotel uses.[32]

The proposed Diridon station improvements and the Downtown West project will not result in the direct displacement of residents through demolition or redevelopment, with the exception of three occupied housing units. However, there may be indirect displacement resulting from rent increases in the area, which could be driven by a variety of factors. However, there are policies that cities can implement to minimize the displacement risk.

Case Studies

Strategic Economics conducted two case studies of Union Station/Lower Downtown in Denver and South Lake Union in Seattle -- two employment districts that have experienced significant new transit and commercial investments, similar to the scale of investment planned in Diridon Station Area. Both case studies are in cities with very strong housing markets that have experienced significant housing price increases in the last decade. The following case studies provide a snapshot of changes to the

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[27] Kemeny, Thomas and Taner Osman, 2017. "The Wider Impacts of High-Technology Employment: Evidence from U.S. Cities." London School of Economics International Inequalities Institute Working Paper 16.

[28] Chapple, Karen, John Thomas, Dena Belzer, and Gerald Autler, 2004. "Fueling the Fire: Information Technology and Housing Price Appreciation in the San Francisco Bay Area and the Twin Cities." Housing Policy Debate 15:2.

[29] Wall Street Journal, October 25, 2015. "Apply Paychecks – One Reason for Higher Home Prices." https://www.wsj.com/articles/apple-payone-reason-for-high-home-prices-1445801810

[30] Redfin, 2019. "The Amazon Effect: Home Prices Are Up Nearly 18% in Arlington, Virginia, Where the Typical Home Sells in Just 6 Days." https://www.redfin.com/blog/amazon-impact-housing-market-arlington-virginia/

[31] Urban Institute, 2018. "What HQ2 could mean for the Washington region's housing market, in 7 charts." https://apps.urban.org/features/amazon-hq2-washington-housing-charts/

[32] New York Times, June 4, 2017. https://www.nytimes.com/2017/07/04/realestate/commercial/apples-park-silicon-valley-cupertino-sunnyvale.html

rental housing market and demographics that occurred in surrounding neighborhoods following major new public and private investments.

UNION STATION/LOWER DOWNTOWN (LODO), DENVER

Union Station is the Denver's central transit hub, providing access to Amtrak, RTD light and commuter rail, and local and regional bus service. The station is located in the city's Lower Downtown ("LoDo") historic district, a mixed-use residential and commercial area of about one square mile adjacent to Downtown Denver (**Error! Reference source not found.**).

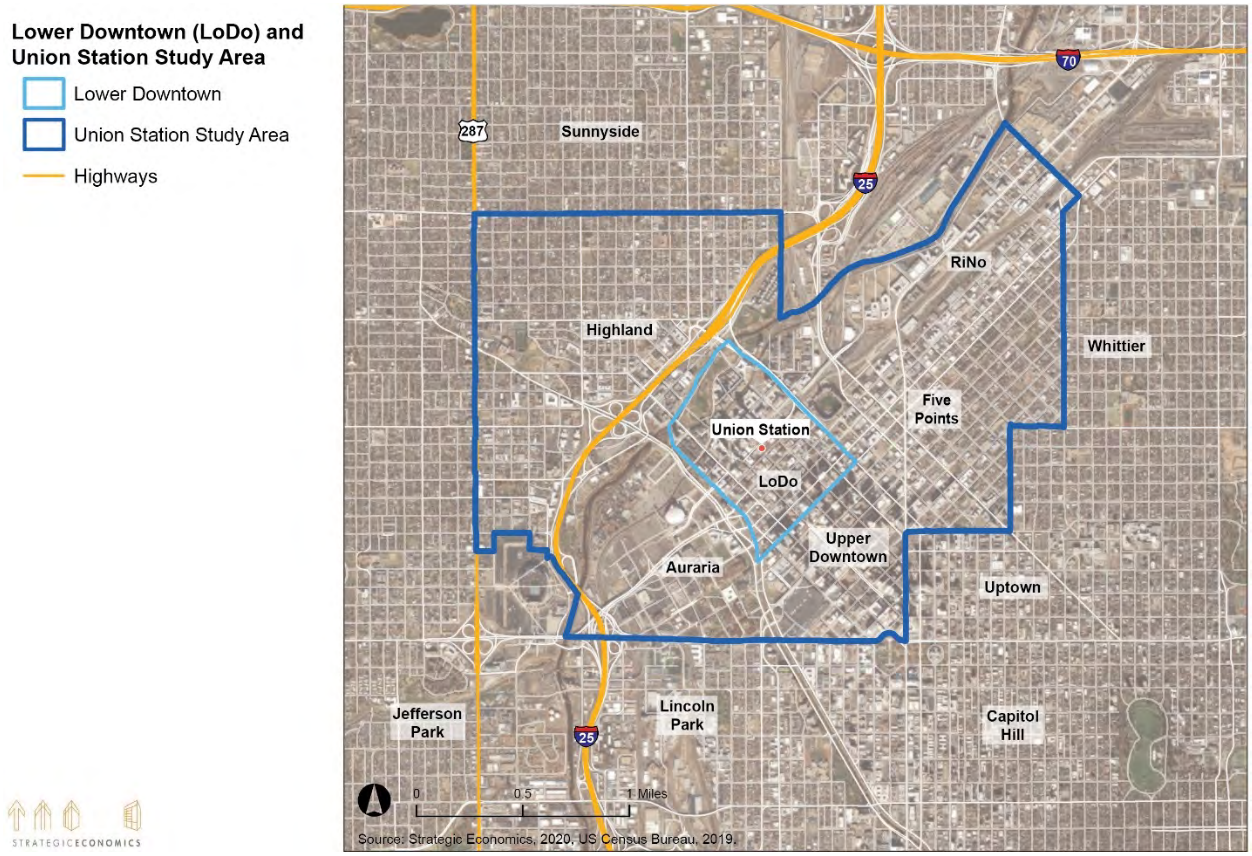
The public investments to Union Station and the surrounding neighborhood began in the mid-1980s, and have included:

- Rezoning LoDo as a historic district in 1988 and financing major attractions and public amenities near the station in the 1980s and 1990s, such as a new baseball stadium and arts and cultural landmarks.
- Consolidating tracks in the underutilized rail yards behind Union Station in the late 1980s, which freed up 200 acres for development.
- The development of a multi-agency Union Station Master Plan between 2001-2004, which laid the groundwork for a new transit facility connected to Union Station on the site of the former rail yard.
- Addition of a bus terminal in 2014 and new light rail service providing access to Denver International Airport and other regional destinations in 2016.
- A $54 million joint development project to renovate the historic station and transform it into a mixed-use retail and restaurant destination with an on-site hotel, completed in 2014.

These investments help attract significant new commercial development. Between 2000 and 2020, LoDo added 4.6 million square feet of office development, nearly doubling the amount of office space in the district. Public and private investments at Union Station and throughout LoDo were also accompanied by significant changes in the housing market and demographics of surrounding neighborhoods, as described below.

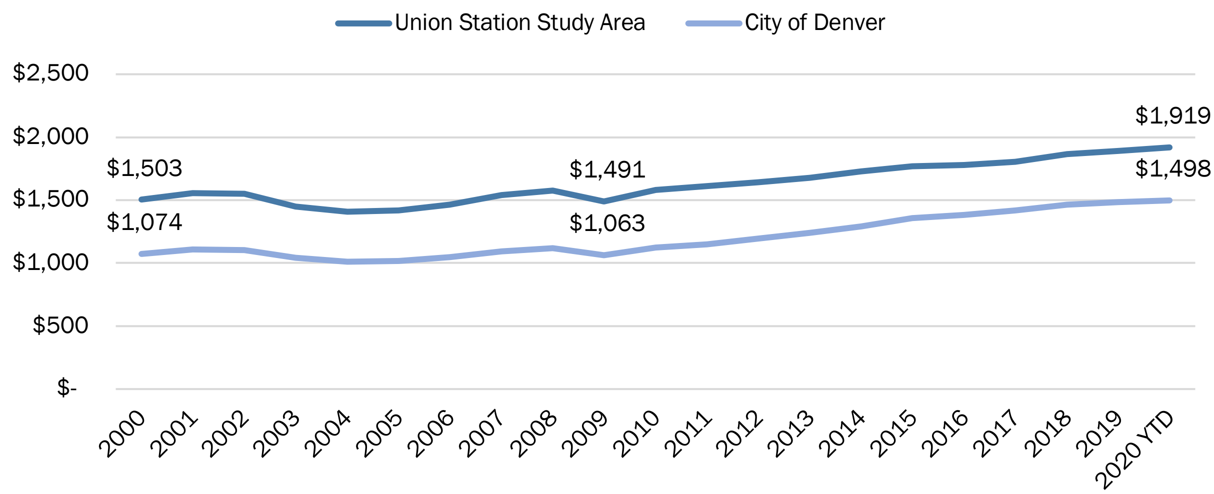
This case study focuses on the Census Tracts that are roughly within a half-mile radius of Union Station (the "Study Area"), based on findings from the literature (described above) that property value and demographic effects of new transit investments tend to be concentrated within a half-mile radius of the stations. In addition to LoDo, the Study Area includes several distinct neighborhoods including part of Denver's Downtown; the River North Art District (RiNo), which is a new neighborhood that has accommodated a significant amount of new residential development since the mid-2000s; and the Highlands, an increasingly popular residential neighborhood that is separated from Union Station by Interstate 25 and the Platte River (Figure 3).

FIGURE 3. UNION STATION STUDY AREA



The following charts provide further data on the neighborhood change that has occurred in the Study Area since 2000, focusing on changes in rental affordability, household incomes, race and ethnicity, and education levels. The analysis focuses on the rental market because (as discussed above) renters are typically more vulnerable to displacement than homeowners. Figure 4 shows the asking unit rent in the study area compared to Denver from 2000 to 2020, while Figures 5 and 6 provide full detail on demographic trends for the study area and Denver over the same period

FIGURE 4. AVERAGE ASKING PRICE PER UNIT FOR MULTIFAMILY APARTMENTS: UNION STATION STUDY AREA AND DENVER, 2000-2020 (UNADJUSTED FOR INFLATION)



Source: Costar, 2020; Strategic Economics, 2020.

FIGURE 5. POPULATION, HOUSEHOLDS, HOUSING TENURE AND RENTER COST BURDEN: UNION STATION STUDY AREA AND DENVER, 2000-2018

	2000		2018		Change, 2000-2018	
	Number	% of Total	Number	% of Total	Number	% Change
UNION STATION STUDY AREA						
Total Population	30,540		43,555		13,015	43%
Total Number of Households	12,786		24,321		11,535	90%
Tenure						
Owner Occupied	3,887	31%	6,802	28%	2,915	75%
Renter Occupied	8,796	69%	17,519	72%	8,723	99%
Total Occupied Housing Units	12,683		24,321		11,638	92%
Renter Housing Cost Burden						
Cost-Burdened Renter Households *	3,722	43%	6,862	39%	3,140	84%
Severely Cost-Burdened Households **	1,879	22%	3,241	19%	1,362	72%
Total Renter-Occupied Housing Units	8,729		17,519		8,790	101%
DENVER						
Total Population	554,636		693,417		138,781	25%
Total Number of Households	239,415		294,358		54,943	23%
Tenure						
Owner Occupied	125,539	53%	146,083	50%	20,544	16%
Renter Occupied	113,696	48%	148,275	50%	34,579	30%
Total Occupied Housing Units	239,235		294,358		55,123	23%
Renter Housing Cost Burden						
Cost-Burdened Renter Households *	43,788	39%	68,251	46%	24,463	56%
Severely Cost-Burdened Renters **	20,731	18%	32,850	22%	12,119	58%
Total Renter-Occupied Housing Units	113,448		148,275		34,827	31%

*Cost-burdened households are defined as those spending more than 30% of income on housing costs.
**Severely cost-burdened households are defined as those spending more than 50% of income on housing costs.
Source: U.S. Census, 2000; American Community Survey, 2014-2018; Strategic Economics, 2020

FIGURE 6. INCOME, ETHNICITY AND EDUCATIONAL ATTAINMENT: UNION STATION STUDY AREA AND DENVER, 2000 AND 2018

	2000		2018		Change, 2000-2018	
	Number	Percent	Number	Percent	Number	Percent
UNION STATION STUDY AREA						
Median Household Income (In $2018)	$39,627		$75,221		$35,594	90%
Households by Income Category (In $2018)						
Less than $25,000	4,641	36%	5,164	21%	523	11%
$25,000 to $49,999	2,737	21%	3,095	13%	358	13%
$50,000 - $99,999	3,145	25%	6,674	27%	3,529	112%
$100,000 to $149,000	1,130	9%	4,541	19%	3,411	302%
$150,000 to $199,999	485	4%	2,269	9%	1,784	368%
$200,000 or more	650	5%	2,578	11%	1,928	297%
Race/Ethnicity						
Hispanic/Latinx	15,770	52%	7,852	18%	-7,918	-50%
Not Hispanic/Latinx	14,770	48%	35,703	82%	20,933	142%
White Alone	10,679	35%	30,144	69%	19,465	182%
Black or African American Alone	2,537	8%	2,535	6%	-2	0%
American Indian and Alaska Native Alone	328	1%	287	1%	-41	-13%
Asian Alone	654	2%	1,267	3%	613	94%
Native Hawaiian and Other Pacific Islander Alone	7	0%	0	0%	-7	-100%
Some other race Alone	85	0%	25	0%	-60	-71%
Two or more races	480	2%	1,445	3%	965	201%
Educational Attainment for Population 25 Years and Older						
High School Degree or Less	11,699	57%	6,007	17%	-5,692	-49%
Some College or Associate's Degree	3,643	18%	6,600	19%	2,957	81%
Bachelor's Degree or Higher	5,073	25%	22,505	64%	17,432	344%
Total Population 25 Years and Older	20,415	100%	35,112	100%	14,697	72%

FIGURE 6 CONT'D

	2000		2018		Change, 2000-2018	
	Number	Percent	Number	Percent	Number	Percent
DENVER						
Median Household Income (In $2018)	$59,718		$63,793		$4,075	7%
Households by Income Category (In $2018)						
Less than $25,000	43,936	19%	54,553	19%	10,617	24%
$25,000 to $49,999	54,751	23%	60,950	21%	6,199	11%
$50,000 - $99,999	77,680	33%	87,595	30%	9,915	13%
$100,000 to $149,000	34,564	14%	43,794	15%	9,230	27%
$150,000 to $199,999	13,576	6%	21,188	7%	7,612	56%
$200,000 or more	14,908	6%	26,278	9%	11,370	76%
Hispanic/Latinx Residents						
Hispanic/Latinx	175,704	32%	209,859	30%	34,155	19%
Not Hispanic/Latinx	378,932	68%	483,558	70%	104,626	28%
White Alone	287,997	52%	372,710	54%	84,713	29%
Black or African American Alone	59,921	11%	62,617	9%	2,696	4%
American Indian and Alaska Native Alone	3,846	1%	3,359	1%	-487	-13%
Asian Alone	15,137	3%	25,698	4%	10,561	70%
Native Hawaiian and Other Pacific Islander Alone	473	0%	835	0%	362	77%
Some other race Alone	975	0%	1,455	0%	480	49%
Two or more races	10,583	2%	16,884	2%	6,301	60%
Educational Attainment for Population 25 Years and Older						
High School Degree or Less	153,956	41%	148,308	30%	-5,648	-4%
Some College or Associate's Degree	91,457	24%	110,388	22%	18,931	21%
Bachelor's Degree or Higher	129,065	35%	237,877	48%	108,812	84%
Total Population 25 Years and Older	374,478	100%	496,573	100%	122,095	33%

Source: U.S. Census, 2000; American Community Survey, 2014-2018; Strategic Economics, 2020.

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SOUTH LAKE UNION, SEATTLE

The South Lake Union area is a mixed-use residential and commercial neighborhood located to the north of Seattle's Central Business District. Until the late 1990s, it was an economically disinvested area characterized by primarily industrial uses. However, over the last 15-20 years the district has attracted significant public and private investment, including:

- The private redevelopment by Vulcan Real Estate (a development company founded by Microsoft co-founder Paul Allen and his sister Jody Allen) of a 60-acre area in 2006 that added of 7,500 housing units and more than 3 million square feet of commercial office and other mixed-use projects.
- The introduction of a 1.3-mile streetcar line that began operations in 2007, and that connects the South Lake Union neighborhood with Downtown Seattle as well as well as other regional transit service (see **Error! Reference source not found.**).
- Development of an Amazon campus in the South Lake Union area, announced in 2007 and completed in 2011. As of 2017, Amazon had 40,000 employees in the area and was occupying or planning to occupy roughly three dozen buildings in South Lake Union.[33]
- Various new campuses and offices for philanthropic, medical centers, and research entities, including the Bill and Melinda Gates Foundation and the Seattle Children's Hospital and Regional Medical Center.

Since 2000, the Southlake Union area (broadly defined here to include the Census Tract that encompasses the neighborhood, shown in Figure 7) has added 16 million square feet of office, more than tripling the area's office inventory.

Consistent with the Union Station Case Study, the following section describes neighborhood change that has occurred within a half-mile radius of South Lake Union (the South Lake Union Study Area). The Study Area (shown in **Error! Reference source not found.**) includes South Lake Union and portions of Capitol Hill, Belltown, Downtown Seattle, Queen Anne, and Eastlake neighborhoods.

Figures 8-10 show further data on housing cot and demographic change within the South Lake Union Study area and Seattle overall. Figure 8 shows average asking rents for the study area and Seattle from 2000 to 2020 while Figures 9-10 provide full demographic trend details for the two geographies over the period.

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[33] https://www.seattletimes.com/business/amazon/ten-years-ago-amazon-changed-seattle-announcing-its-move-to-south-lake-union/; https://www.businessinsider.com/seattle-before-and-after-amazon-south-lake-union-2018-2

FIGURE 7. SOUTH LAKE UNION STUDY AREA

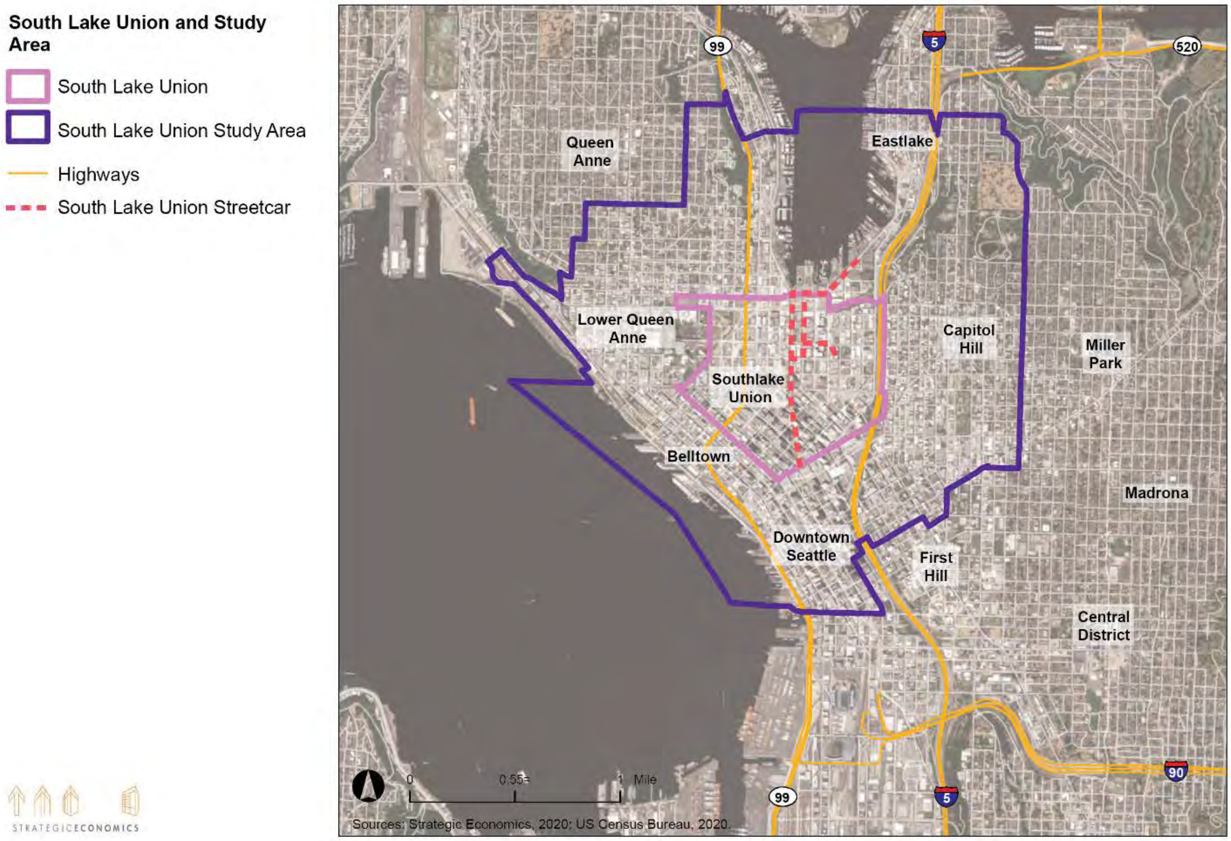
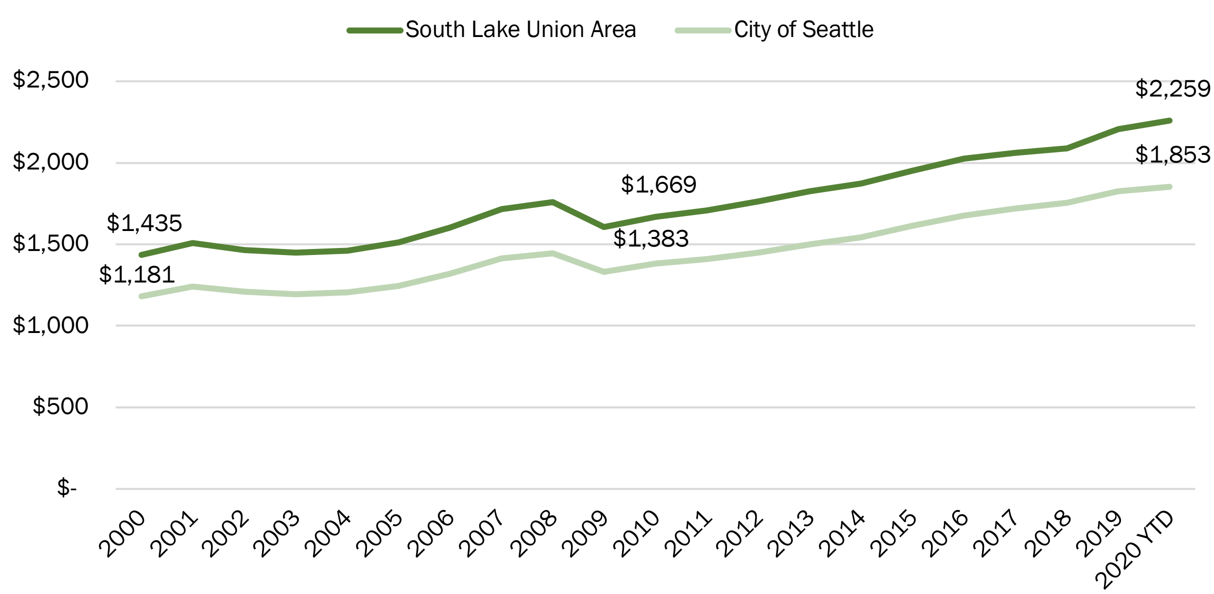


FIGURE 8. AVERAGE ASKING PRICE PER UNIT FOR MULTIFAMILY APARTMENTS: SOUTH LAKE UNION STUDY AREA AND CITY OF SEATTLE, 2000-2020 (UNADJUSTED FOR INFLATION)



Source: Costar, 2020; Strategic Economics, 2020

FIGURE 9. POPULATION, HOUSEHOLDS, AND HOUSEHOLD INCOME: SOUTH LAKE UNION STUDY AREA AND SEATTLE, 2000-2018

	2000		2018		Change, 2000-2018	
	Number	% of Total	Number	% of Total	Number	% Change
SOUTH LAKE UNION STUDY AREA						
Total Population	59,690		100,770		41,080	69%
Total Number of Households	39,169		63,649		24,480	62%
Tenure						
Owner Occupied	7,736	20%	13,982	22%	6,246	81%
Renter Occupied	31,458	80%	49,667	78%	18,209	58%
Total Occupied Housing Units	39,194		63,649		24,455	62%
Renter Housing Cost Burden						
Cost-Burdened Renter Households *	12,119	39%	18,047	36%	5,928	49%
Severely Cost-Burdened Renter Households **	5,065	16%	7,754	16%	2,689	53%
Total Renter-Occupied Housing Units	31,448		49,667		18,219	58%
SEATTLE						
Total Population	563,374		708,823		145,449	26%
Total Number of Households	258,635		323,446		64,811	25%
Tenure						
Owner Occupied	125,165	48%	149,017	46%	23,852	19%
Renter Occupied	133,334	52%	174,429	54%	41,095	31%
Total Occupied Housing Units	258,499		323,446		64,947	25%
Renter Housing Cost Burden						
Cost-Burdened Renter Households *	52,677	40%	74,781	43%	22,104	42%
Severely Cost-Burdened Renter Households **	23,115	17%	34,118	20%	11,003	48%
Total Renter-Occupied Housing Units	133,305		174,429		41,124	31%

Source: U.S. Census, 2000; American Community Survey, 2014-2018; Strategic Economics, 2020.

FIGURE 10. RACE AND EDUCATIONAL ATTAINMENT: SOUTH LAKE UNION STUDY AREA AND CITY OF SEATTLE, 2000 AND 2018

	2000		2018		Change, 2000-2018	
	Number	% of Total	Number	% of Total	Number	% Change
SOUTH LAKE UNION STUDY AREA						
Median Household Income (In $2018)	$52,802		$85,260		$32,458	61%
Households by Income Category (In $2018)						
Less than $25,000	8,703	22%	9,645	15%	942	11%
$25,000-$49,999	9,789	25%	9,489	15%	-300	-3%
$50,000-$99,999	11,670	30%	16,850	27%	5,180	44%
$100,000-$149,000	4,380	11%	11,863	19%	7,483	171%
$150,000-199,999	1,837	5%	6,662	11%	4,825	263%
$200,000 or more	2,789	7%	9,140	14%	6,351	228%
Race/Ethnicity						
Hispanic/Latinx	2,878	5%	5,794	6%	2,916	101%
Not Hispanic/Latinx	56,812	95%	94,976	94%	38,164	67%
White Alone	45,897	77%	67,095	67%	21,198	46%
Black or African American Alone	3,731	6%	3,873	4%	142	4%
American Indian and Alaska Native Alone	733	1%	844	1%	111	15%
Asian Alone	4,183	7%	17,348	17%	13,165	315%
Native Hawaiian and Other Pacific Islander Alone	154	0%	182	0%	28	18%
Some other race Alone	183	0%	99	0%	-84	-46%
Two or more races	1,931	3%	5,535	6%	3,604	187%
Educational Attainment (Population 25 Years and Over)						
High School Degree or Less	9,493	19%	7,847	9%	-1,646	-17%
Some College or Associate's Degree	14,198	29%	16,277	19%	2,079	15%
Bachelor's Degree or Higher	25,625	52%	61,265	72%	35,640	139%
Total Population 25 Years and Older	49,316	100%	85,389	100%	36,073	73%

FIGURE 10, CONT'D

	2000		2018		Change, 2000-2018	
	Number	% of Total	Number	% of Total	Number	% Change
SEATTLE						
Median Household Income (In $2018)	$69,146		$85,562		$16,416	24%
Households by Income Category (In $2018)						
Less than $25,000	41,606	16%	48,517	15%	6,911	17%
$25,000-$49,999	50,271	20%	49,178	15%	-1,093	-2%
$50,000-$99,999	80,419	31%	84,271	26%	3,852	5%
$100,000-$149,000	44,121	17%	57,446	18%	13,325	30%
$150,000-199,999	19,634	8%	33,156	10%	13,522	69%
$200,000 or more	22,584	9%	50,878	16%	28,294	125%
Race/Ethnicity						
Hispanic/Latinx	29,719	5%	46,648	7%	16,929	57%
Not Hispanic/Latinx	533,655	95%	662,175	93%	128,520	24%
White Alone	382,532	68%	457,374	65%	74,842	20%
Black or African American Alone	46,545	8%	48,553	7%	2,008	4%
American Indian and Alaska Native Alone	5,004	1%	3,661	1%	-1,343	-27%
Asian Alone	73,512	13%	105,887	15%	32,375	44%
Native Hawaiian and Other Pacific Islander Alone	2,715	1%	2,000	0%	-715	-26%
Some other race Alone	1,656	0%	1,969	0%	313	19%
Two or more races	21,691	4%	42,731	6%	21,040	97%
Educational Attainment (Population 25 Years and Over)						
High School Degree or Less	105,649	26%	79,834	15%	-25,815	-24%
Some College or Associate's Degree	110,611	27%	115,747	22%	5,136	5%
Bachelor's Degree or Higher	193,322	47%	330,237	63%	136,915	71%
Total Population 25 Years and Older	409,582	100%	525,818	100%	116,236	28%

Source: U.S. Census, 2000; American Community Survey, 2014-2018; Strategic Economics, 2020.

APPENDIX B: AFFORDABLE HOUSING FUNDING SOURCES COMPETITIVENESS METHODOLOGY

This appendix provides additional information on the affordable housing funding sources that are considered most relevant for affordable housing TOD, as well as the methodology used to assess the competitiveness of locations within the Diridon Station Area for the various sources.

Stand-alone, 100-percent affordable housing projects will be a critical source of new affordable housing development in the Diridon Station Area. Financing for these projects will require layering multiple public and private funding sources, including county, state, and federal sources that are awarded through competitive application processes. Figure 4 summarizes some of the key competitive funding programs that are commonly used to finance affordable housing developments in San José, as well as several newly funded state programs. Among other criteria used to evaluate (or score) project applications for funding, many programs incorporate location-related criteria such as radius or walkshed distance to transit and/or various other amenities. For example, some programs only provide funding for projects that are located within a certain distance of transit or on an urban infill site. For other programs, projects may be more competitive (score additional points) if they meet certain location-related criteria. Key location-related criteria of the various programs are summarized in Figure 11. Note that with some exceptions, location-related criteria only comprise a small portion of the total score that projects receive during the application process.[34]

Strategic Economics evaluated the competitiveness of locations within the Diridon Station Area for the funding programs shown in Figure 11, using the following approach:

- **Evaluate current competitiveness for funding programs.** The analysis evaluated the competitiveness of locations within the Station Area for various funding programs based on existing transit service levels, street network, and location of amenities. While the Diridon Station Area will change dramatically over the next several decades as the DSAP is implemented and private development projects (including the Downtown West project) are completed, affordable housing projects are scored based on existing conditions or very near-term planned investments. In addition, funding availability and program criteria are likely to change over the course of DSAP implementation.
- **Focus on amenities within walking distance.** The funding programs shown in Figure 11 generally measure distance to amenities based on walkshed (AHSC, IIGP, TOD), or radius, while taking into account barriers such as freeways (LIHTC, Measure A). Amenities located south of I-280 (in the Gardner neighborhood) were excluded from the scoring analysis because they are only accessible from the Station Area by one road, Bird. Ave., which is not pedestrian-friendly. Amenities located on the eastern side of Highway 87 were incorporated into the scoring analysis because there are multiple access points from the Station Area under the highway (see maps below in Figures 12-15).

[34] As shown in Figure 4, AHSC and the TOD Housing Program require sites to be located within a certain distance of high-quality transit.

FIGURE 11. SUMMARY OF PUBLIC FUNDING SOURCES FOR AFFORDABLE HOUSING DEVELOPMENT IN SANTA CLARA COUNTY

Program	Description	Agency that Administers Funding	Key Location Requirements to be Eligible for Funding	Other Location-Related Scoring Criteria
9% Low Income Housing Tax Credit (LIHTC)	Federal and state tax credits that allow developers to leverage private equity for affordable housing development.	TCAC	None.	Points are available for proximity to a variety of transit, recreation, grocery, pharmacy, and medical amenities.
4% Low Income Housing Tax Credit (LIHTC)	Federal and state tax credits that allow developers to leverage private equity and tax-exempt, multi-family bonds for affordable housing development.	TCAC, CDLAC	None.	Points are available for proximity to a variety of transit, recreation, grocery, pharmacy, and medical amenities. Additional points may be available for being in a Community Reinvestment Area.
Multifamily Housing Program (MHP)	Deferred payment loans to assist affordable housing development focused on permanent and transitional rental housing for lower income households.	CA HCD	None.	If a project receives a maximum site amenity score in LIHTC 9% scoring procedure, then a project receives additional points for MHP.
Measure A	Bond to fund affordable housing, particularly for vulnerable groups including homeless and disabled populations.	Santa Clara County	Must be in Santa Clara County.	A site receives more points if it is 1) located in a Census Tract with a very low poverty rate; and 2) if it is within a one-quarter mile radius of grocery, transit, and recreation amenities.
Affordable Housing and Sustainable Communities (AHSC)	Grants and loans available through the state's cap-and-trade program; funds projects that support compact development and active transportation, and reduce greenhouse gas emissions.	CA HCD (Strategic Growth Council)	For projects in TOD Project Areas,[35] development site must be within a half-mile walkshed of high-quality transit (i.e., rail or BRT service with headway frequency of 15 minutes or better).	Amenities, such as parks, grocery, or pharmacy, within one-mile of the nearest transit station (the “Project Area”) increase points.
Transit Oriented Development Housing Program (TOD)[36]	Low-interest loans available for gap financing for rental housing developments and mortgage assistance for homeownership developments. Grants are also available for infrastructure improvements.	CA HCD	Project site must be within one-quarter mile radius and one-half mile walkshed of a Qualifying Transit Station (i.e., station served by heavy, light, or commuter rail, BRT, and/or express bus).	Points are weighted toward sites near stations that serve heavy rail, and in census tracts with high population density.

[35] Projects applying for AHSC funds fall into three area categories based on existing transit service and urban context: 1) TOD Project Areas, which focus on areas near High Quality Transit; 2) Integrated Connectivity Project Areas, which focus on corridors; and 3) Rural Innovation Project Areas. The Dirdon Station Area would be considered a TOD Project Area.
[36] While funds have not been available for this source since 2013, a new NOFA is expected to be released April 2020. Note the program overview is based on the 2013 Guidelines and may be updated when the 2020 NOFA is released.

Program	Description	Agency that Administers Funding	Key Location Requirements to be Eligible for Funding	Other Location-Related Scoring Criteria
Infill Infrastructure Grant Program (IIGP)	Grants available as gap financing for capital improvement projects that support infill housing development.	CA HCD	For large jurisdictions including Santa Clara County: The project must be considered a Qualifying Infill Project or located in a Qualifying Infill Area.[37]	Points are available for being within one-quarter mile walkshed of high-quality transit station or bus transfer stops, and parks.

[37] Qualifying Infill Projects and Areas have either previously been developed or are bordered by previously developed sites (in which case at least 75 percent of the site or area perimeter must be adjacent to previously developed sites).

Findings

Within the Diridon Station Area, all sites are expected to be competitive for Low Income Housing Tax Credit (LIHTC) and Multifamily Housing Program (MHP) funding. Findings related to the location-based criteria for these sources are described below:

- **9% LIHTC:** Based on Strategic Economics' initial analysis, all locations within the Diridon Station Area would likely score the maximum amount of site amenity points on the 9% LIHTC application.[38] However, note that 9% tax credits are very highly competitive in the South Bay because of the region's high construction costs and other factors, and therefore cannot be relied upon as a subsidy for most projects.[39]
- **4% LIHTC:** While these tax credits have historically been awarded on a non-competitive basis, the program is increasingly competitive due to limited availability of the tax-exempt multi-family bonds that are key to financing projects that receive 4% credits.[40] The site amenity scoring for 4% credits is similar to that of the 9% LIHTC scoring process, and the entire Diridon Station Area is expected to receive maximum site amenity points. However, projects that are located in a Community Revitalization Area (or CRA, defined as Census Tracts where over 50% of households have incomes at 60% AMI or lower) may be slightly more competitive. Data on CRAs were not readily available and mapping their location would require additional analysis.
- **MHP:** Location-based scoring for this program is based on the 9% LIHTC application criteria, so all locations within the Station Area are expected to score the maximum amount of location-related points.

There is likely to be more variability within the Station Area in competitiveness for Measure A funding. Santa Clara County's Measure A funding is targeted to housing the homeless and extremely low-income households. Measure A is a very important source of subsidy in Santa Clara County that has funded many projects in recent years. Projects that meet the following location-related criteria can earn more points and be more competitive in the Measure A application process:

- **Locations within a one-quarter mile radius of transit, and recreational (park, library, community center, or sports/recreation facility) amenities or within one-half mile of grocery.**[41] Projects can receive "locational amenity" points for being located within a quarter-mile of transit or recreation amenities, or within a half-mile of grocery stores. To receive full points for transit proximity, the project site must be located within a quarter-mile radius of either a transit station or a bus stop with 30-minute headways or better. Because many locations countywide are eligible for these locational amenity points, projects that do not meet these criteria are at a disadvantage.

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[38] It is fairly easy for a proposed project to "max out" on site amenity points in the LIHTC 9% application for a variety of reasons, including: 1) There are many amenity categories for a project to receive points. 2) The highest-scoring measurements for amenity categories are typically broader than other programs. 3) Partial points are available for being located outside the highest scoring measurement area. 4) Additionally, the maximum site amenity score can typically be reached in just a few amenity categories.

[39] Santa Clara and San Mateo counties together will receive just 6% of the state's total 9% credit apportionments for 2020.

40 Although the state recently directed additional funds to expand the amount of 4% credits available, it did not increase the supply of CDLAC's tax-exempt, multi-family bonds, which are key to financing projects which receive 4% credits.

[41] In addition, large-family projects can receive points for being located within a half-mile of a public school; see discussion of large-family projects below.

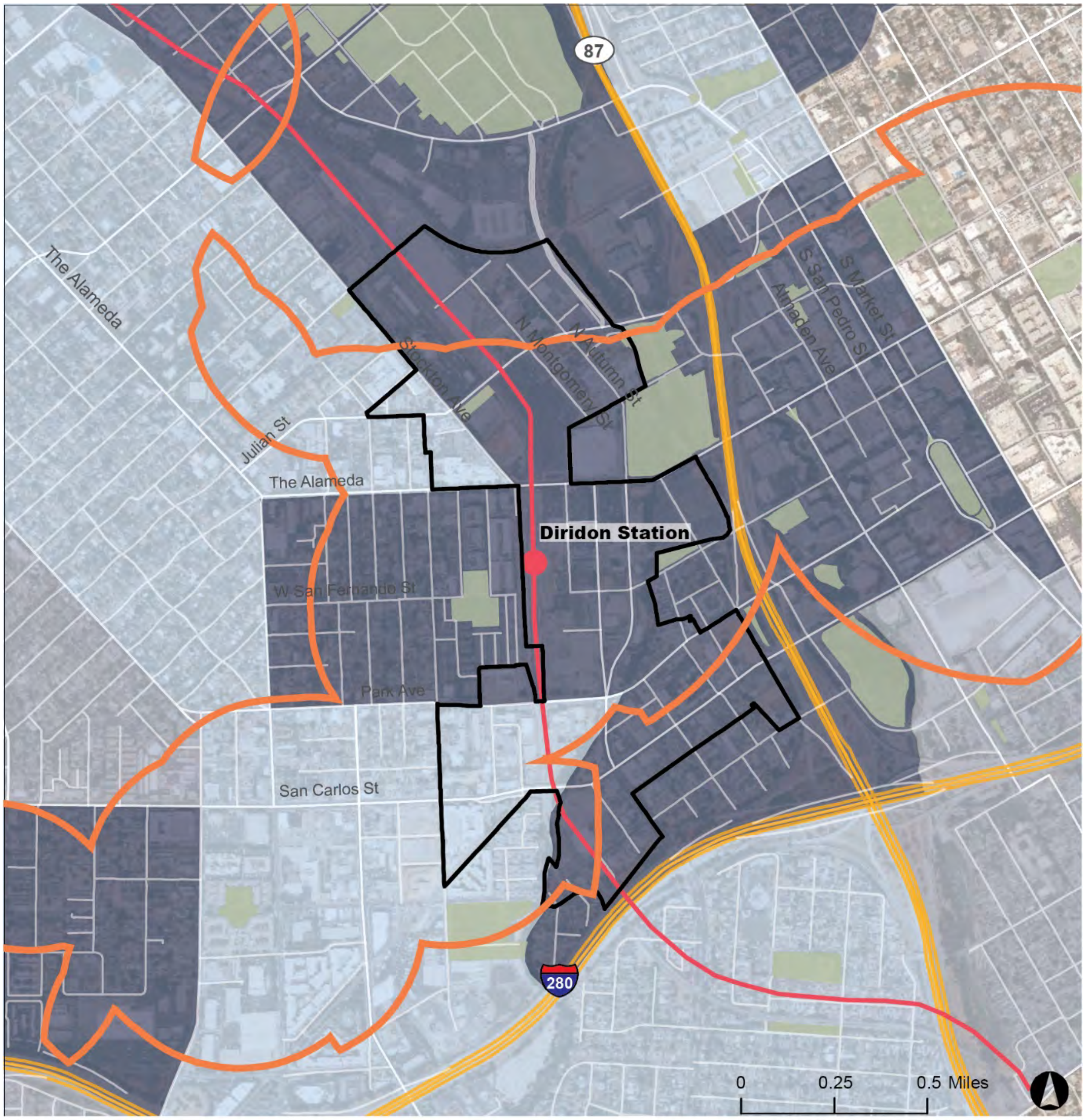
- **Location within a low-poverty rate Census Tract.** Projects in Census Tracts where the poverty rate is less than five percent receive full points in Measure A's poverty de-concentration scoring category. Areas in Census Tracts with higher poverty rates receive fewer points, and areas in Census Tracts with poverty rates over 25 percent do not receive any points in this category.[42] Note that this component of the Measure A scoring procedure is associated with Project-Based Voucher requirements, because Santa Clara County currently partners with the Housing Authority of Santa Clara County in tying project-based voucher distribution to Measure A capital funding in order to deliver extremely low-income units. As of 2020, Santa Clara County has nearly distributed all vouchers allotted to Measure A. As the program evolves to provide extremely low-income units independently from Section 8, it is likely the poverty rate scoring criteria will no longer be applicable.

Figure 12 shows the competitiveness of areas within the Diridon Station Area for Measure A funding, based on the criteria described above. **As shown, areas located roughly north of Julian Street and south of San Carlos Street will not be eligible for Measure A's full locational amenity points because these areas fall outside the quarter-mile radius from the Diridon transit station.** The area north of Julian Street would receive locational amenity points in grocery and recreation categories. However, the area south of San Carlos Street would not receive points in the grocery category, and only part of the area south of San Carlos Street would receive points in the recreation amenity category.

Within the Diridon Station Area, the lowest-poverty Census Tracts have poverty rates between five and 10 percent. Sites in these Census Tracts would score the second-greatest amount of points possible in the Measure A poverty de-concentration category (Figure 12).

[42] Santa Clara County has partnered with the Housing Authority of Santa Clara County to provide Section 8 Project Based Vouchers (PBV) in tandem with Measure A capital funding. The Census Tract poverty de-concentration measurement is informed by current guidelines regarding PBV distribution.

FIGURE 12. MEASURE A LOCATION SCORING ANALYSIS IN DIRIDON STATION AREA



Measure A Scoring Analysis

Scoring Full Locational Amenities Points*

Poverty Rate

5 - 10%

10 - 15%

15 - 20%

Diridon Station Plan Boundary

Parks

Highways

Caltrain Line

*Note: This incorporates transit, recreation, and grocery amenity measurements, but does not incorporate measurements to public schools, which are only counted for family projects.

Sources: City of San José, 2020; Strategic Economics 2020.

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Sites located in closer proximity to Diridon Station are likely to be most competitive for state sources that are focused on facilitating transit-oriented development (TOD), including Affordable Housing for Sustainable Communities (AHSC), the TOD Housing Program, and the Infill Infrastructure Grant Program (IIGP). While these programs provide relatively small amounts of funding compared to other sources, affordable housing developers and experts believe that AHSC, the TOD Housing Program, and IIGP will be particularly important for financing affordable housing in the Diridon Station Area because all three programs prioritize projects with excellent transit access.

he specific transit proximity criteria for each source are summarized below:

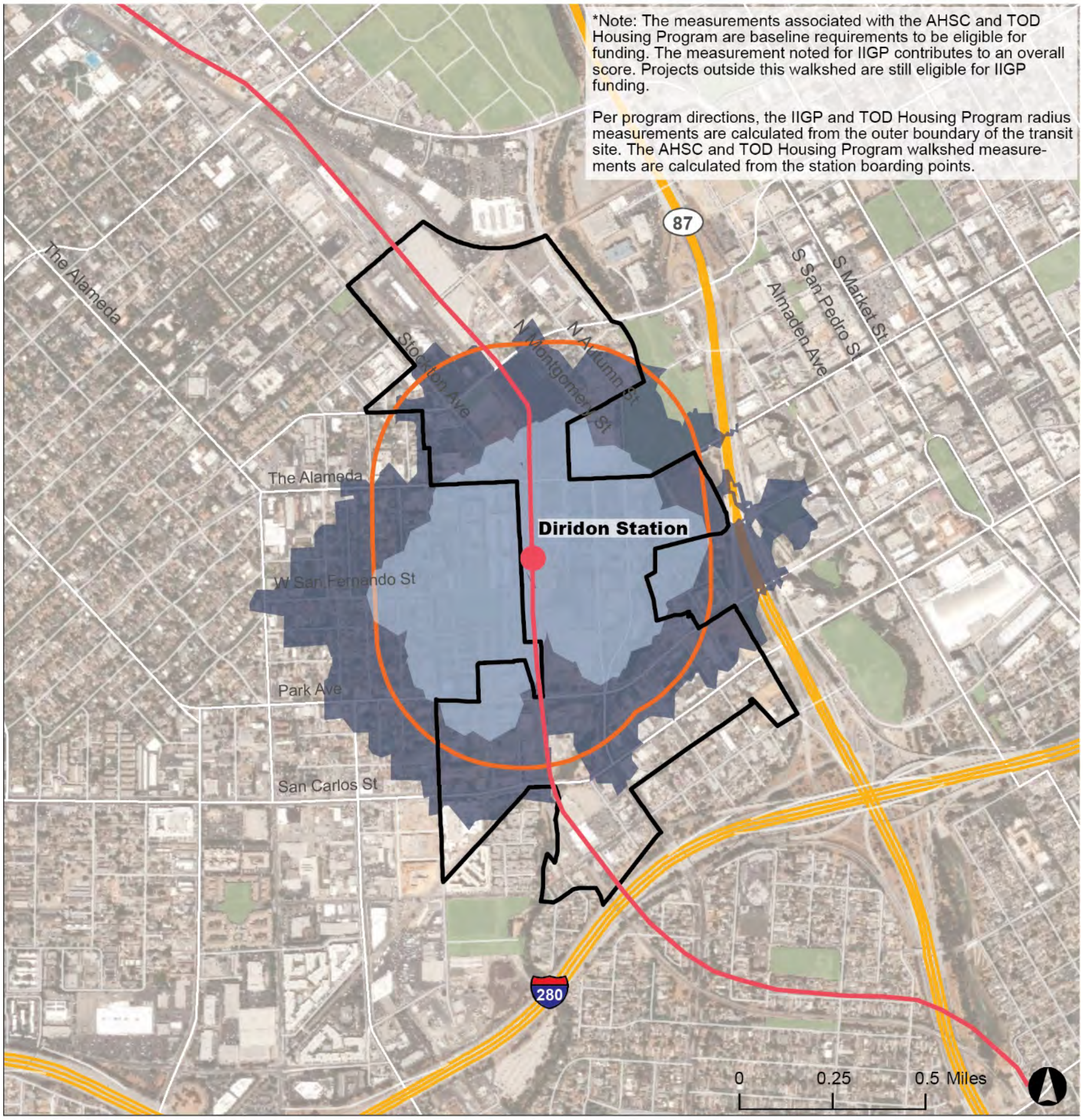
- **AHSC:** In order to be eligible for AHSC funding in the TOD Project Area category,[43] projects must be located within a one-half mile walkshed of high-quality transit (i.e., rail or BRT service with headway frequency of 15 minutes or better).
- **TOD Housing Program:** In order to be eligible for the TOD Housing Program, projects must be located within a one-quarter mile radius *and* a one-half mile walkshed of a Qualifying Transit Station (i.e., station served by heavy, light, or commuter rail, BRT, and/or express bus).
- **IIGP:** While not a baseline eligibility requirement, sites within a one-quarter mile walkshed of a high-quality transit station or major transit stop[44] receive additional points in the IIGP application process.

Figure 13 provides a map of the areas that are most competitive for funding based on these transit-related criteria.[45] Note that AHSC and IIGP also incorporate other location-related criteria into the scoring process (e.g., related to proximity to groceries, parks, and/or other amenities); the areas that score well for transit access are also expected to score well for these other location-related criteria.

[43] Projects applying for AHSC funds fall into three area categories based on existing transit service and urban context: 1) TOD Project Areas, which focus on areas near High Quality Transit; 2) Integrated Connectivity Project Areas, which focus on corridors; and 3) Rural Innovation Project Areas. The Dirdon Station Area would be considered a TOD Project Area.

[44] The IIGP program materials define a major transit stop as the intersection of two or more bus routes with headways of 15 minutes or better during peak hours. No bus stops in the Diridon Station Area currently qualify.

FIGURE 13. TRANSIT PROXIMITY SPECIFICATIONS FOR FUNDING SOURCES IN DIRIDON STATION AREA



Locations Meeting Funding Sources' Transit Proximity Specifications*

- 1/2 Mile Walkshed from Station Entrances (AHSC, TOD)
- 1/4 Mile Walkshed from Station Entrances (IIGP)
- 1/4 Mile Radius from Transit Station (TOD)
- Diridon Station Area Boundary
- Parks
- Highways
- Caltrain Line

Sources: City of San José, 2020; Strategic Economics 2020.

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Some locations within the Diridon Station Area may be competitive for senior and special needs housing; however, the area is likely to be somewhat less competitive for large family projects. Some funding sources (including 9% LIHTC, MHP, and Measure A) set aside funding for projects serving special populations including seniors, people with special needs, and families. In addition to the more general location-related criteria described above, most programs allow projects targeted to these populations to earn additional points for being near specialized amenities as described below:

- **Projects serving Seniors and Special Needs Populations:** Projects serving seniors and special needs populations have the opportunity to earn extra points for being located near senior centers and social service providers, respectively. Different programs evaluate proximity to these services differently. In general, the northern portion of the Diridon Station Area may be most competitive for these types of projects because of proximity to On Lok Lifeways (a senior center) and the Santa Clara County Social Services Agency.

- **Large Family Projects:** Large family projects (projects with a large share of two-bedroom-plus units) earn extra points for locations in High or Highest Resource Areas, as defined by CA HCD; proximity to public schools; and, in some cases, proximity to community colleges. Different programs evaluate proximity to schools differently. In general, however, the Diridon Station Area is not in a High Resource Area. In addition, few schools are located nearby, and some of the nearest schools are separated from the Station Area by significant pedestrian barriers (freeways). As a result, the Station Area is likely to be less competitive for funding in the large family category.

Figure 14 provides a map of senior centers, social service providers, and schools in the vicinity of the Diridon Station Area.

Conclusions

All sites in the Diridon Station Area are expected to be competitive for some sources, such as LIHTC 9%, LIHTC 4%, and the Multifamily Housing Program. However because of the low threshold to achieve a maximum location score for these sources, the Diridon area is likely to be on a level playing field with many other locations when vying for these sources' funds.

Sites located nearest Diridon Station will be most competitive for affordable housing funding sources, while sites located north of Julian Street and south of San Carlos Street will generally be less competitive. Proximity to the Diridon Station is important for Measure A, AHSC, the TOD Housing Program, and IIGP. Within the Diridon Station Area, all sites are expected to be equally competitive for Low Income Housing Tax Credit (LIHTC) and Multifamily Housing Program (MHP) funding.

Two areas within the Station Area are expected to be most competitive for Measure A funding. These areas are shown in green in Figure 8 and include: 1) sites south of Park Ave. and northwest of the VTA rail right-of-way; and 2) sites west of Stockton Ave. These areas receive Measure A's highest locational amenity score and they fall within Census Tracts with a low poverty rate (five to 10 percent).

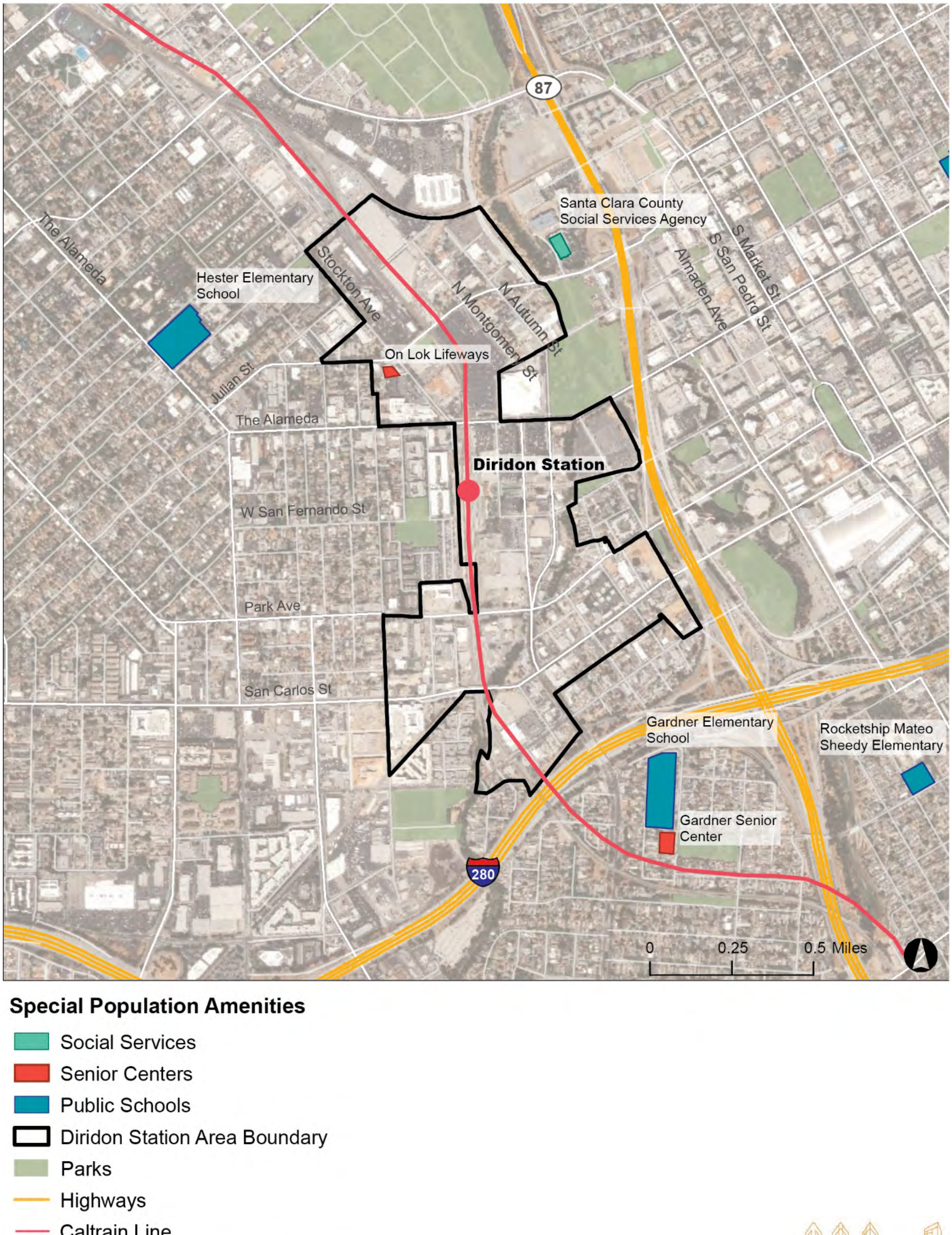
Sites shown in yellow on Figure 15 are also expected to competitive because they achieve the full locational amenities score, although they are in areas with higher poverty rates. Sites north of Julian Street and south of San Carlos Street are generally less competitive for Measure A funds because they are located further from Diridon Station and other amenities.

Sites within a quarter- to half-mile walkshed will be most competitive for TOD-focused funding sources (AHSC, TOD Housing Program, and IIGP). Figure 16 shows the half-mile walkshed in green. This area roughly covers the area between Julian and San Carlos streets. Sites in red, which are outside the one-half mile walkshed, are ineligible for both AHSC and TOD Housing Program funds and are also expected to be less competitive for leveraging IIGP funds.

AHSC, which is a major funding source for affordable housing near transit, provides a great opportunity for affordable housing proposals near Diridon given that AHSC requires projects be located near high quality transit and be associated with a transit investment that reduces greenhouse gasses (GHGs). While AHSC applications are known to be arduous, given that developers must partner with the municipality and transit agency involved with the transit investment, projects with completed applications are likely to be awarded funding. Therefore, it is highly encouraged that the City of San José take a lead exploring AHSC partnership opportunities with developers associated with affordable housing proposals in the area, and with Caltrain and/or VTA.[46]

[46] Caltrain is a more likely AHSC partner for projects in the near future because the Caltrain Modernization Program, which is a leverageable AHSC transit investment that will reduce greenhouse gas emissions, is beginning to ramp up. In contrast, the BART Phase II Extension will not be constructed for at least a decade, at which point funding sources could have changed.

FIGURE 14. AMENITIES SERVING SPECIAL POPULATIONS IN DIRIDON STATION AREA



Sources: City of San José, 2020; Strategic Economics 2020.

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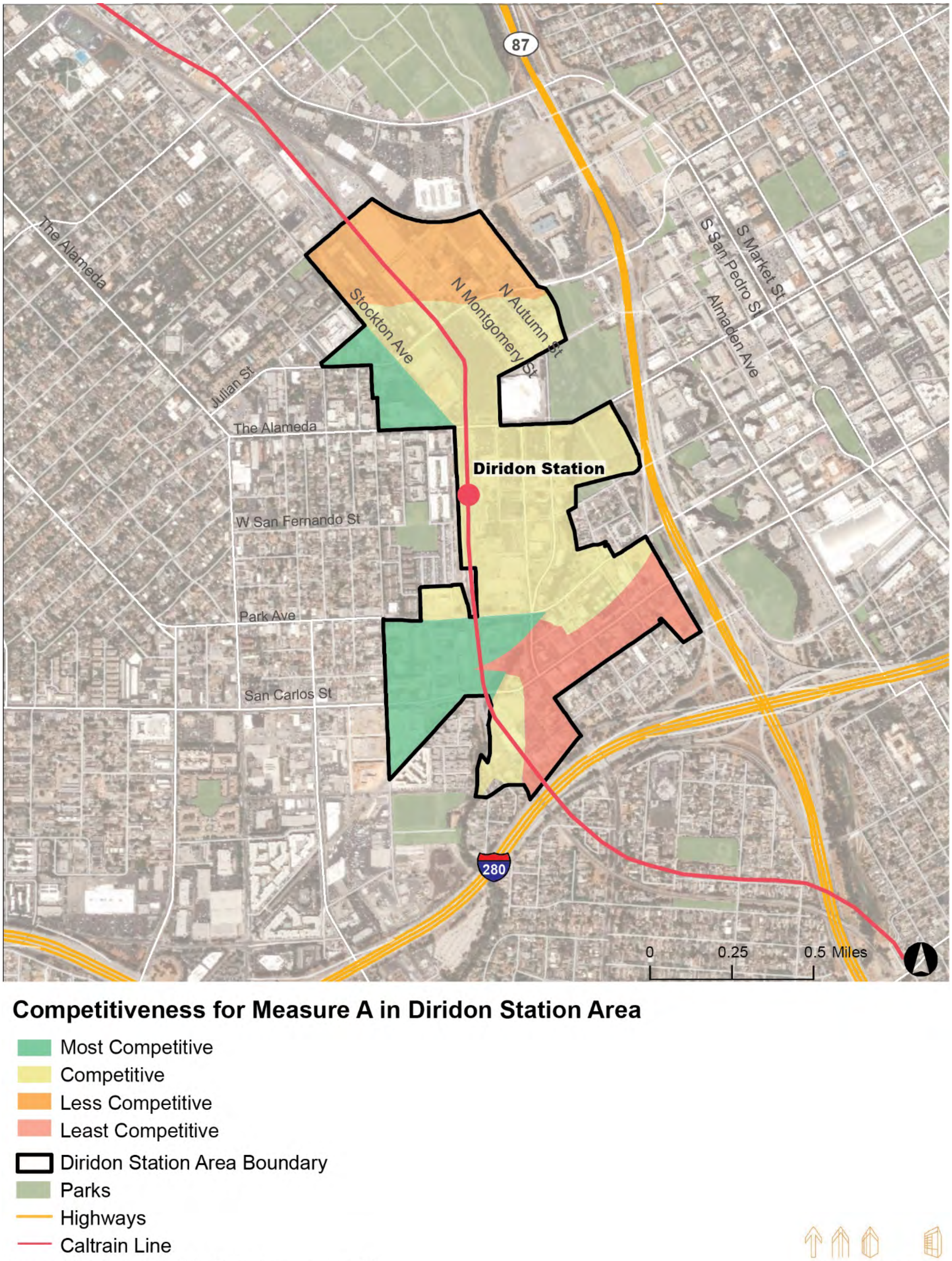
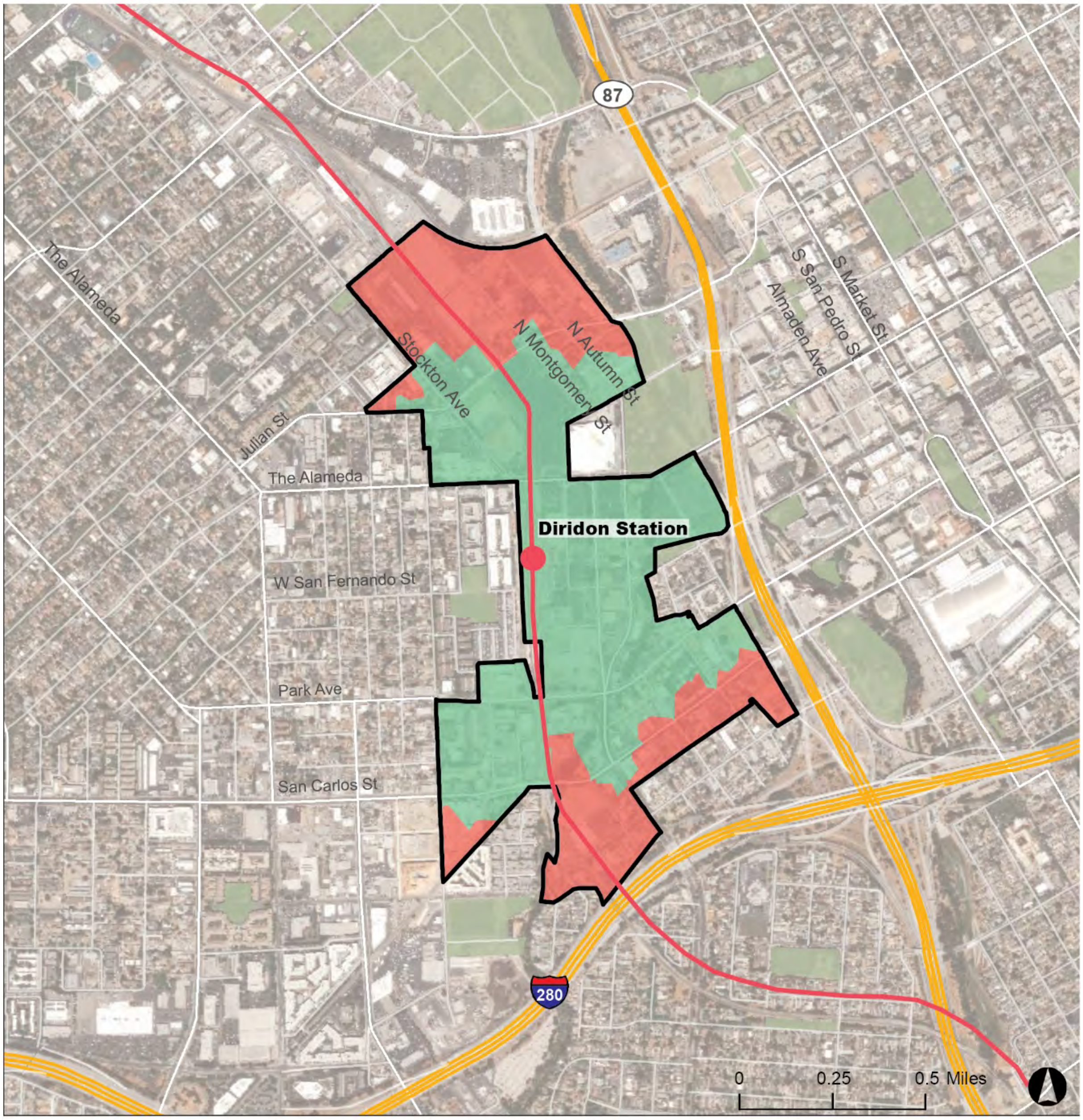
FIGURE 15. COMPETITIVENESS FOR MEASURE A FUNDS IN DIRIDON STATION AREA



Sources: City of San José, 2020; Strategic Economics 2020.

Figure 16. Competitiveness for TOD-Focused Funding Sources in Diridon Station Area



Competitiveness for TOD-Focused Funding Sources in Diridon Station Area

- Competitive Area for TOD-Focused Funding Sources
- Non-Competitive Area
- Diridon Station Area Boundary
- Parks
- Highways
- Caltrain Line

STRATEGICECONOMICS

Sources: City of San José, 2020; Strategic Economics 2020.

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LOW INCOME HOUSING TAX CREDITS (LIHTC)

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9% LIHTC

2019 California Tax Credit Allocation Committee Regulations Implementing the Federal and State Low Income Housing Tax Credit Laws: https://www.treasurer.ca.gov/ctcac/programreg/2019/20190227/regulations-clean.pdf

4% LIHTC

Qualified Residential Rental Project Self Scoring Worksheet: https://www.treasurer.ca.gov/cdlac/applications/qrrp/worksheet.pdf

Multifamily Housing Program

Program Details: https://www.hcd.ca.gov/grants-funding/active-funding/mhp.shtml

MHP January 2020 Notice of Funding Availability: https://www.hcd.ca.gov/grants-funding/active-funding/mhp/docs/MHP-NOFA-Round-2-12-19.pdf

Measure A

Program Details: https://www.sccgov.org/sites/osh/HousingandCommunityDevelopment/AffordableHousingBond/Pages/home.aspx

Santa Clara County Notice of Funding Availability: https://www.sccgov.org/sites/osh/HousingandCommunityDevelopment/Documents/2016MeasureA_NOFA.pdf

Project-based Voucher Program: https://www.scchousingauthority.org/assets/1/6/Chapter_16_-_Project_Based_Voucher_Program_rev._10-30-191.pdf

Affordable Housing and Sustainable Communities (AHSC)

General Resources: http://sgc.ca.gov/programs/ahsc/

Program Details: https://www.hcd.ca.gov/grants-funding/active-funding/ahsc.shtml

Round 5 2018-2019 AHSC Guidelines: http://sgc.ca.gov/programs/ahsc/docs/20191209-FINAL_AHSC_Round_5_FY18-19_Guidelines_Amended_12.9.19.pdf

Transit-Oriented Development Housing Program

Program Details: https://www.hcd.ca.gov/grants-funding/active-funding/tod.shtml

TOD Housing Program Guidelines 2013: https://www.hcd.ca.gov/grants-funding/nofas/docs/FINAL_TOD_HOUSING_PROGRAM_GUIDELINES_051013.pdf

Infill Infrastructure Grant Program (IIGP)

Program Details: https://www.hcd.ca.gov/grants-funding/active-funding/iigp.shtml

IIGP 2019 Guidelines: https://www.hcd.ca.gov/grants-funding/active-funding/iigp/docs/IIG%20Guidelines%20Amendment%202020-02-14-clean.pdf

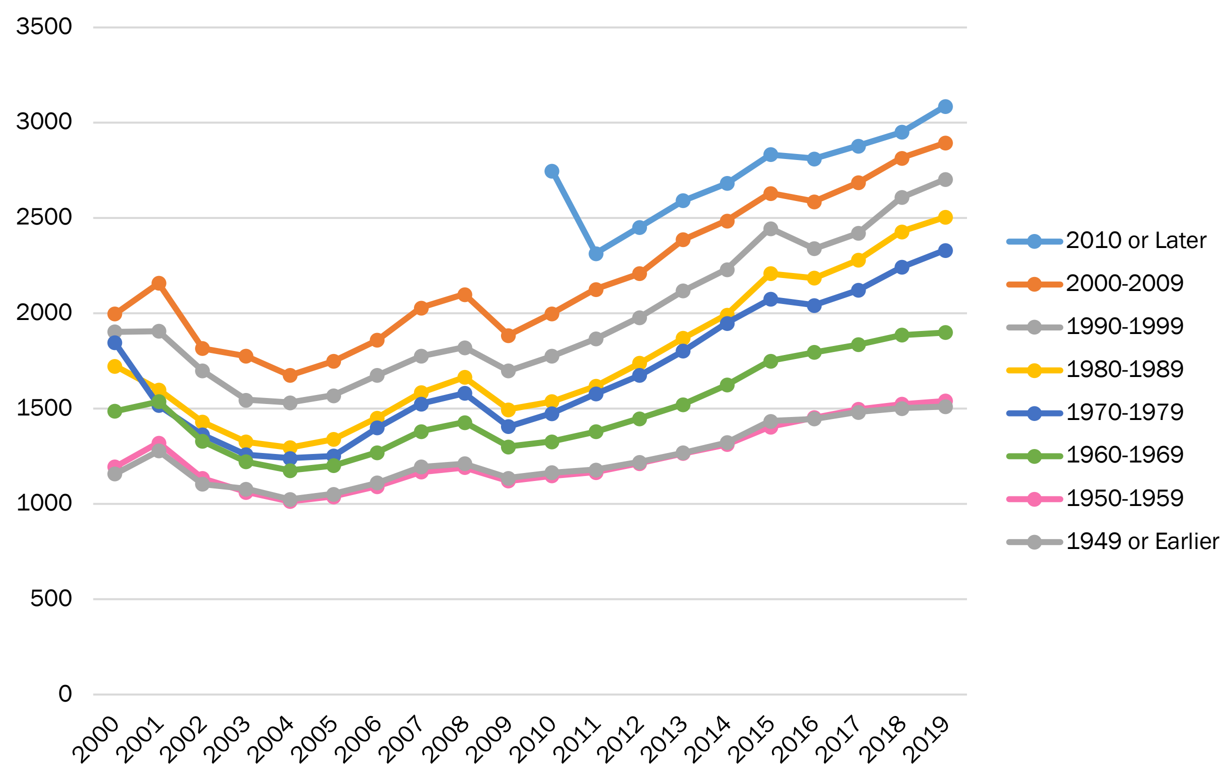
APPENDIX C: TRENDS IN AFFORDABILITY OF UNSUBSIDIZED MULTIFAMILY HOUSING IN SAN JOSÉ

This appendix provides an overview of affordability trends among San José's existing rental stock, with a focus on "unsubsidized affordable" multifamily housing, which is defined as market-rate housing built 1979 or earlier.

The affordability trends of older, unsubsidized multifamily buildings within San José overall and within the Downtown West submarket provide a greater understanding of the likely affordability of unsubsidized multifamily housing stock in the Neighborhood Stabilization Area. Because the Diridon area demographics and housing stock are very comparable to that of the City overall, it is likely that the citywide (and submarket-level) analyses are appropriate indicators of housing trends near Diridon.

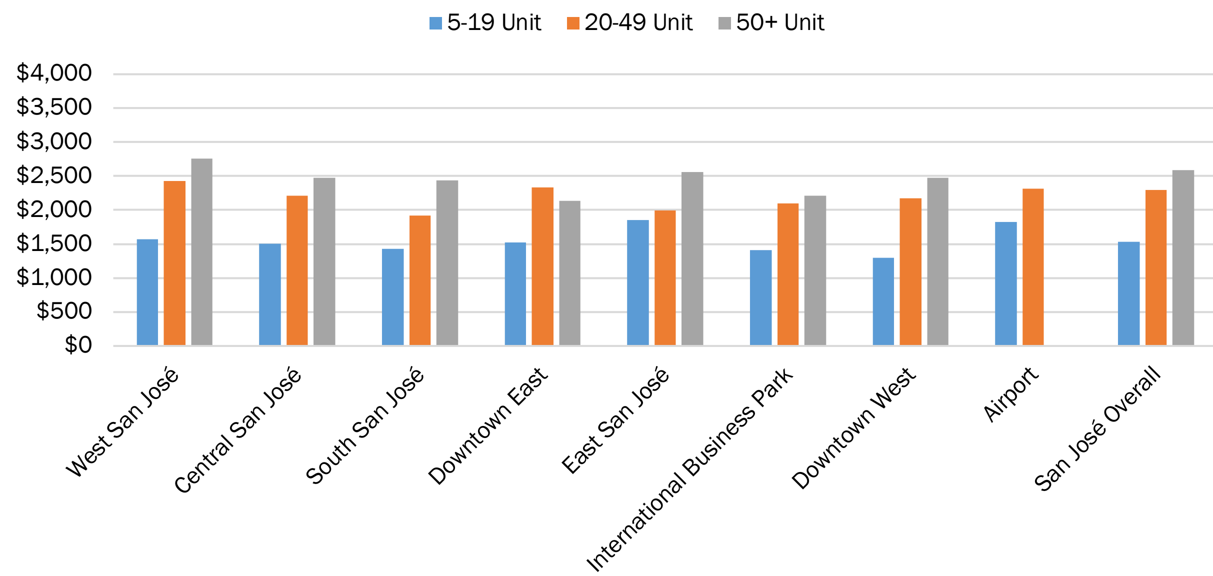
Figures 10-12, which illustrates these trends, shows market-rate multifamily affordability trends by decade built, by building size, and by San José Costar submarket. Building size tends to have a greater impact on unit affordability, as larger-scale multifamily projects, regardless of year built, are more likely to have undergone significant renovations and upgrading. Additionally, older units in the two Downtown submarkets, which includes the DSA, are generally more affordable than other submarkets, such as South San José or West San José (Figure 12).

FIGURE 17. MULTIFAMILY UNIT RENTS BY YEAR BUILT IN SAN JOSÉ, 2000-2019



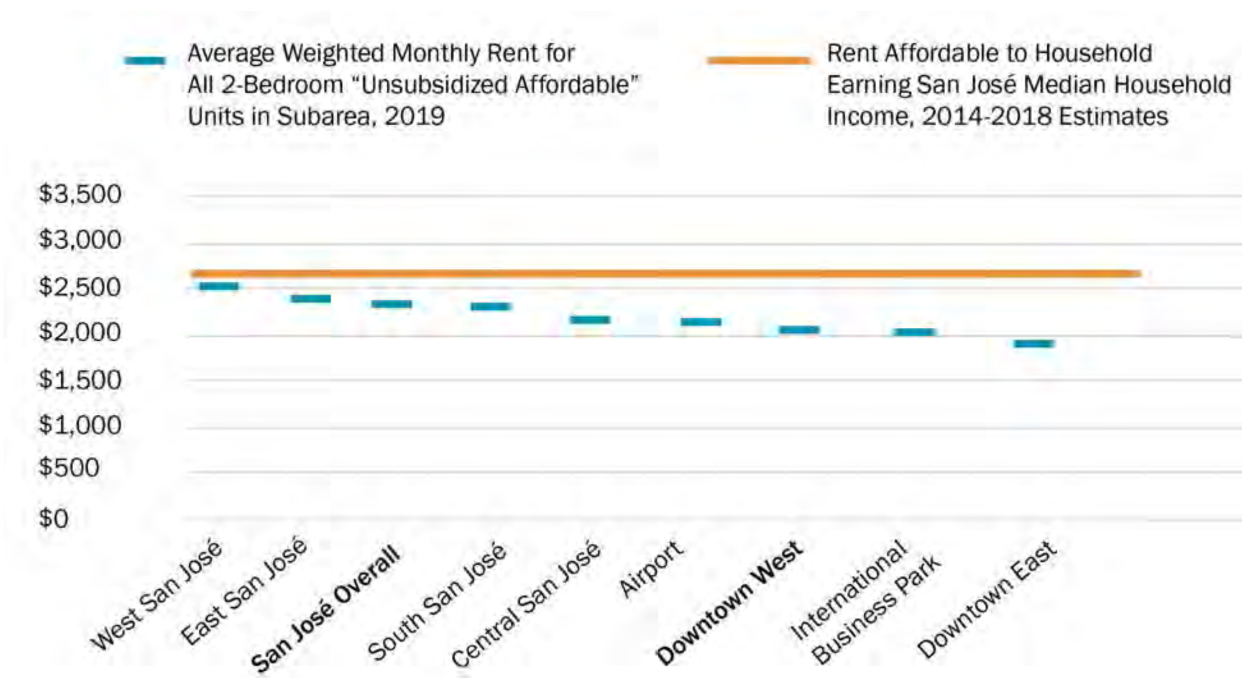
Source: Costar, 2019; Strategic Economics, 2019.

FIGURE 18. AVERAGE EFFECTIVE RENTS FOR 2-BEDROOM UNITS BUILT 1979 OR EARLIER IN SAN JOSÉ BY UNITS IN BUILDING



Source: Costar, 2019; Strategic Economics, 2019.

FIGURE 19. AVERAGE 2-BEDROOM UNIT RENTS FOR "UNSUBSIDIZED AFFORDABLE" UNITS BY SUBAREA AND SAN JOSÉ MEDIAN HOUSEHOLD INCOME, ORGANIZED FROM HIGHEST AVERAGE RENT TO LOWEST AVERAGE RENT



Source: Costar, 2020; American Community Survey, 2014-2018, Strategic Economics, 2020.
Note:
"Unsubsidized affordable" includes all market-rate multifamily units built 1979 or earlier.

Rental units in older, duplexes and single-family homes are also likely to be generally more affordable than in newer buildings, though with some caveats.

- While single-family rentals have less tenant protections, they also tend to be rented at levels higher than small multifamily units. This is partly because a greater share of single-family homes were built before World War II, than multifamily buildings, in which case their aesthetics makes them more competitive. Single-family home rentals are also more expensive because they have amenities that families view more favorably (private yards, in-unit washer and dryer hookups).[47]
- Data on duplex rentals is limited, but it is likely they are within the range of single-family and small multifamily unit rents.
- There is also limited data on townhome/condo unit rents, which are likely to be tied to other building factors and may be varied.

[47] An analysis of 18 Zillow and Craigslist rental listings in Downtown West submarket in May, 2020 found that units were typically rented for approximately $3,500 or over $3.00 per square foot a month.

APPENDIX D: DEMOGRAPHIC AND HOUSING STOCK ANALYSIS DETAIL

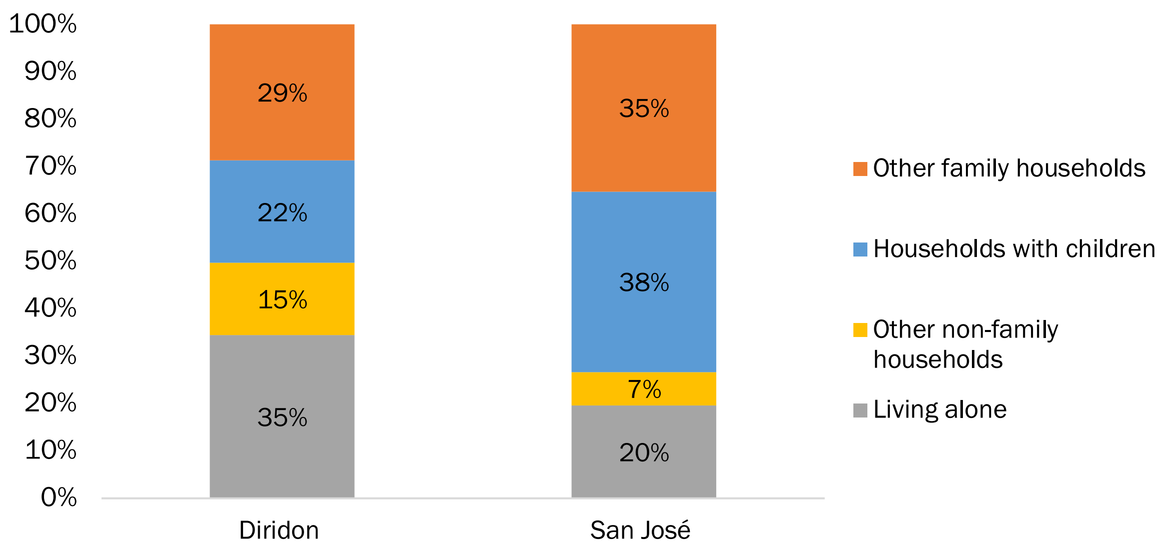
This appendix provides more detail on the demographic and housing stock analyses that informed the implementation plan.

Demographic Detail

The following section relies on demographic data associated with Census Study Area, which includes six census tracts that roughly align with the area within a one-half mile radius of the Diridon Station Area.

Compared to the City of San José, the Census Study Area has a larger share of one-person households and non-family households (Figure 18). These types of households account for 51 percent of total households, compared to just 27 percent in the City. This is partly driven by a rise in multifamily development in the study area which are typically comprised of smaller units.

FIGURE 20. HOUSEHOLD STRUCTURE IN CENSUS STUDY AREA AND CITY OF SAN JOSÉ



Source: ACS Community Survey, 2014-2018; Strategic Economics, 2020.

Figures 19-21 show income detail for the Census Study Area and San José. Figure 19 shows the change in median household income from 2010 to 2018 while Figures 20 and 21 provide more detail on change among income groups. Note the income groups are roughly aligned with Santa Clara County's 2018 AMI levels for a three-person household.

As a result of new household growth, the Census Study Area's income distribution more closely resembles the income characteristics of the City of San José, more than it did in 2010.

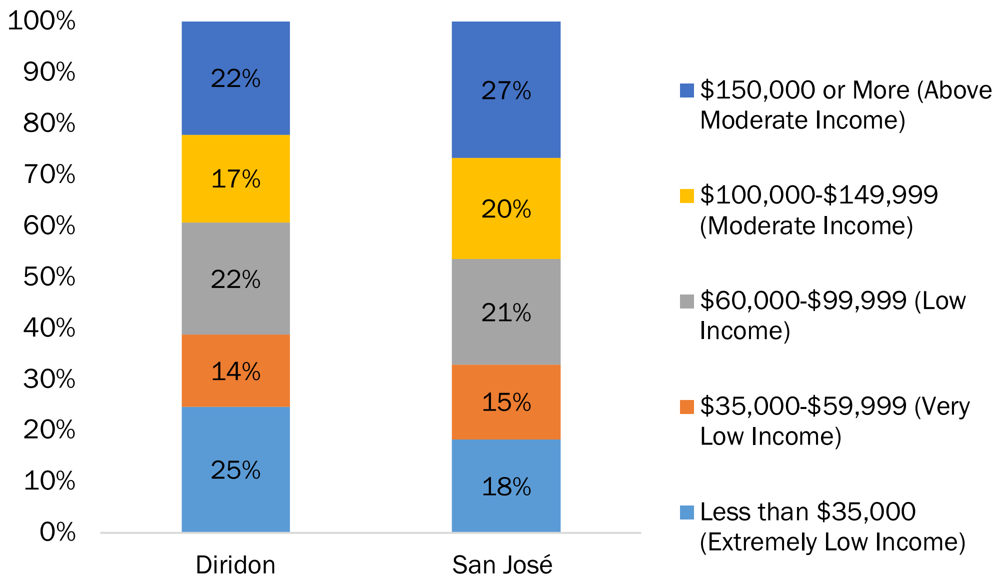
FIGURE 21. MEDIAN HOUSEHOLD INCOME IN CENSUS STUDY AREA AND SAN JOSÉ, 2010 AND 2018

	Diridon	San José
2010 Median Household Income (2018 Dollars)	$77,240	$91,650
2018 Median Household Income	$101,270	$104,230

Source: American Community Survey, 2006-2010; American Community Survey, 2014-2018; Strategic Economics, 2020.

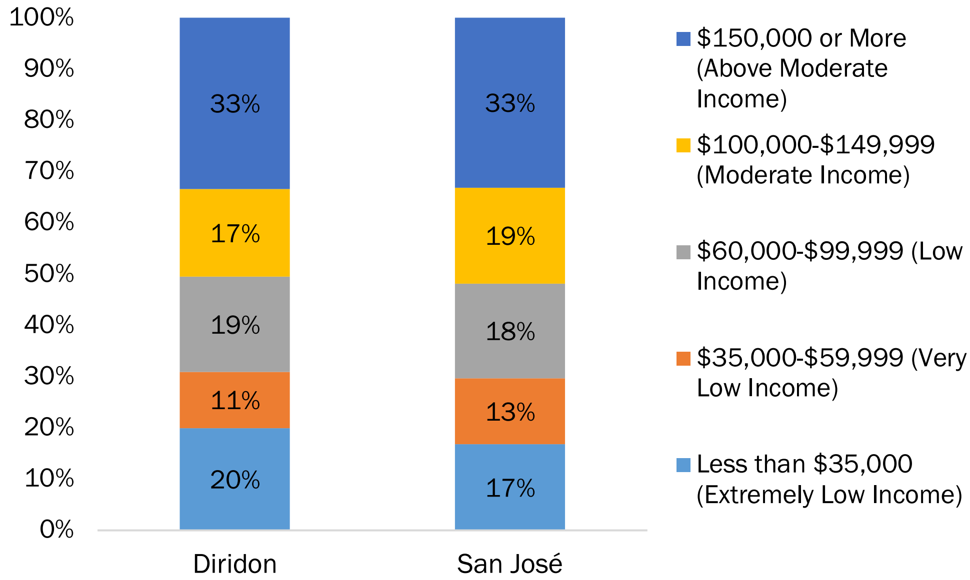
An influx of high-income households in the Census Study Area account for the rise in median household income. While in 2010, households earning over $150,000 (in 2018 dollars) accounted for just 22 percent of households, in 2018 they accounted for one-third of all households. In contrast, the share of households earning less than $100,000 declined from 61 percent to 50 percent, in the Census Study Area.

FIGURE 22. HOUSEHOLDS BY INCOME LEVEL, 2010 (2018 DOLLARS)



Source: American Community Survey, 2006-2010; Strategic Economics, 2020.

FIGURE 23. HOUSEHOLDS BY INCOME LEVEL IN CENSUS STUDY AREA AND SAN JOSÉ, 2018

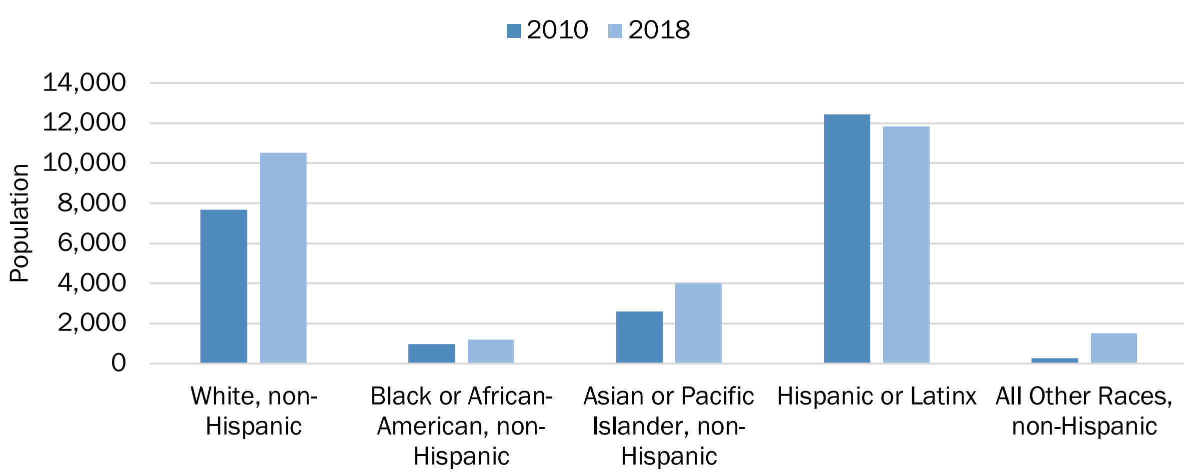


Source: American Community Survey, 2014-2018; Strategic Economics, 2020.

Figures 22 and 23 display the change in race and ethnic groups in the Census Study Area and San José over time.

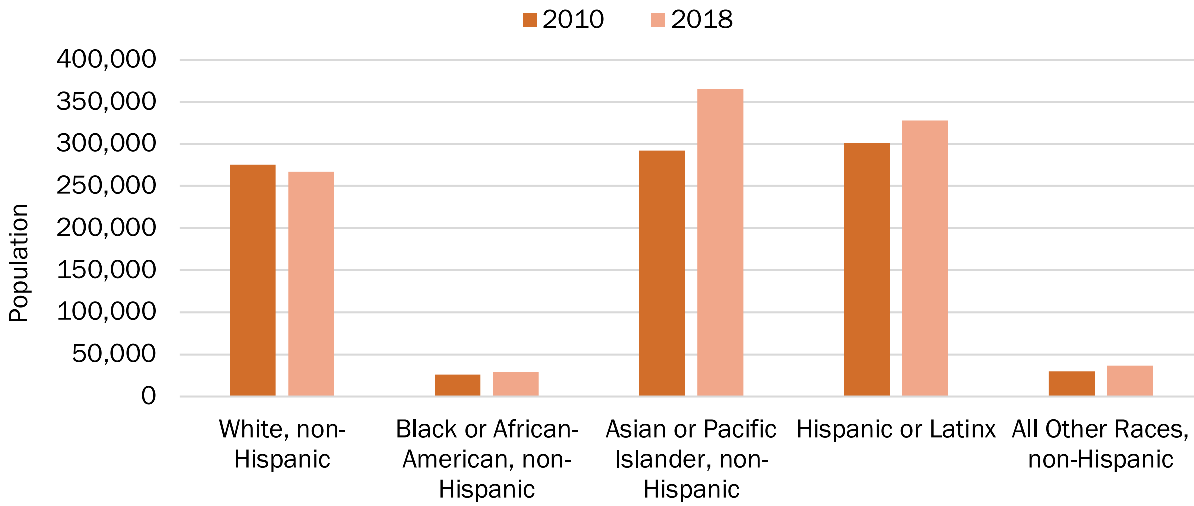
The Census Study Area has lost Latinx residents, while the number of Asian and White residents has increased. This contrasts with trends in San José, which saw the number of Latinx residents increase while the number of White residents decreased.

FIGURE 24. CENSUS STUDY AREA CHANGE IN POPULATION BY RACIAL AND ETHNIC IDENTITY



Source: American Community Survey, 2006-2010; American Community Survey, 2014-2018; Strategic Economics, 2020.

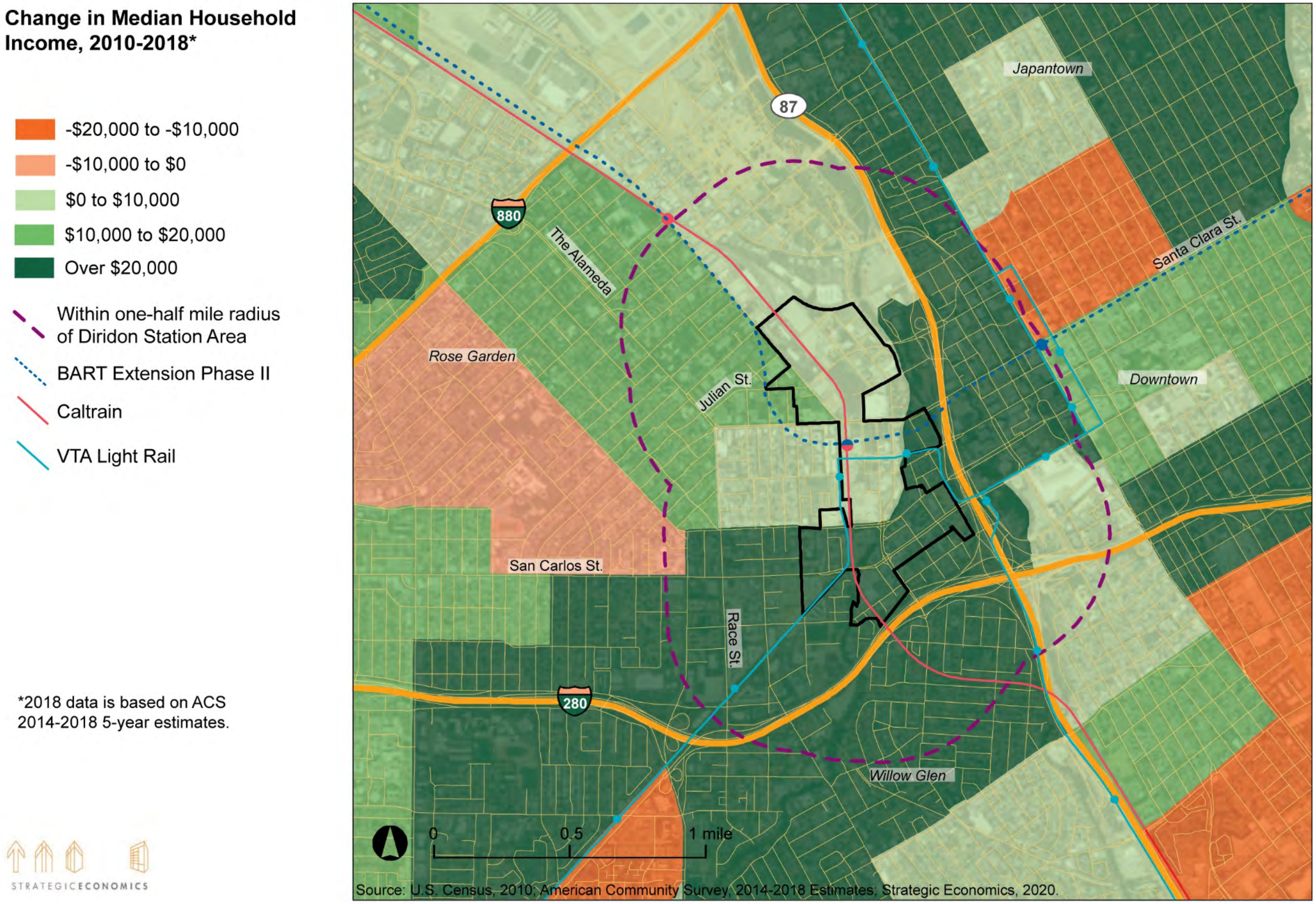
FIGURE 25. SAN JOSÉ: CHANGE IN POPULATION BY RACIAL AND ETHNIC IDENTITY



Source: American Community Survey, 2006-2010; American Community Survey, 2014-2018; Strategic Economics, 2020.

The influx of new households, and the educational and income characteristics associated with those new households are discussed in the implementation plan. Maps of these income and education trends are shown below. Figure 24 shows change in median income by census tract, while Figures 25 and 26 show the change in the population with a high school degree or less and the change in the population with a bachelor's degree or more, respectively.

Figure 26. Change in Median Household Income in Neighborhood Stabilization Area, 2010-2018



*2018 data is based on ACS 2014-2018 5-year estimates.

Source: U.S. Census, 2010; American Community Survey, 2014-2018 Estimates; Strategic Economics, 2020.

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FIGURE 27. CHANGE IN POPULATION WITH A HIGH SCHOOL DEGREE OR LESS IN NEIGHBORHOOD STABILIZATION AREA, 2010-2018

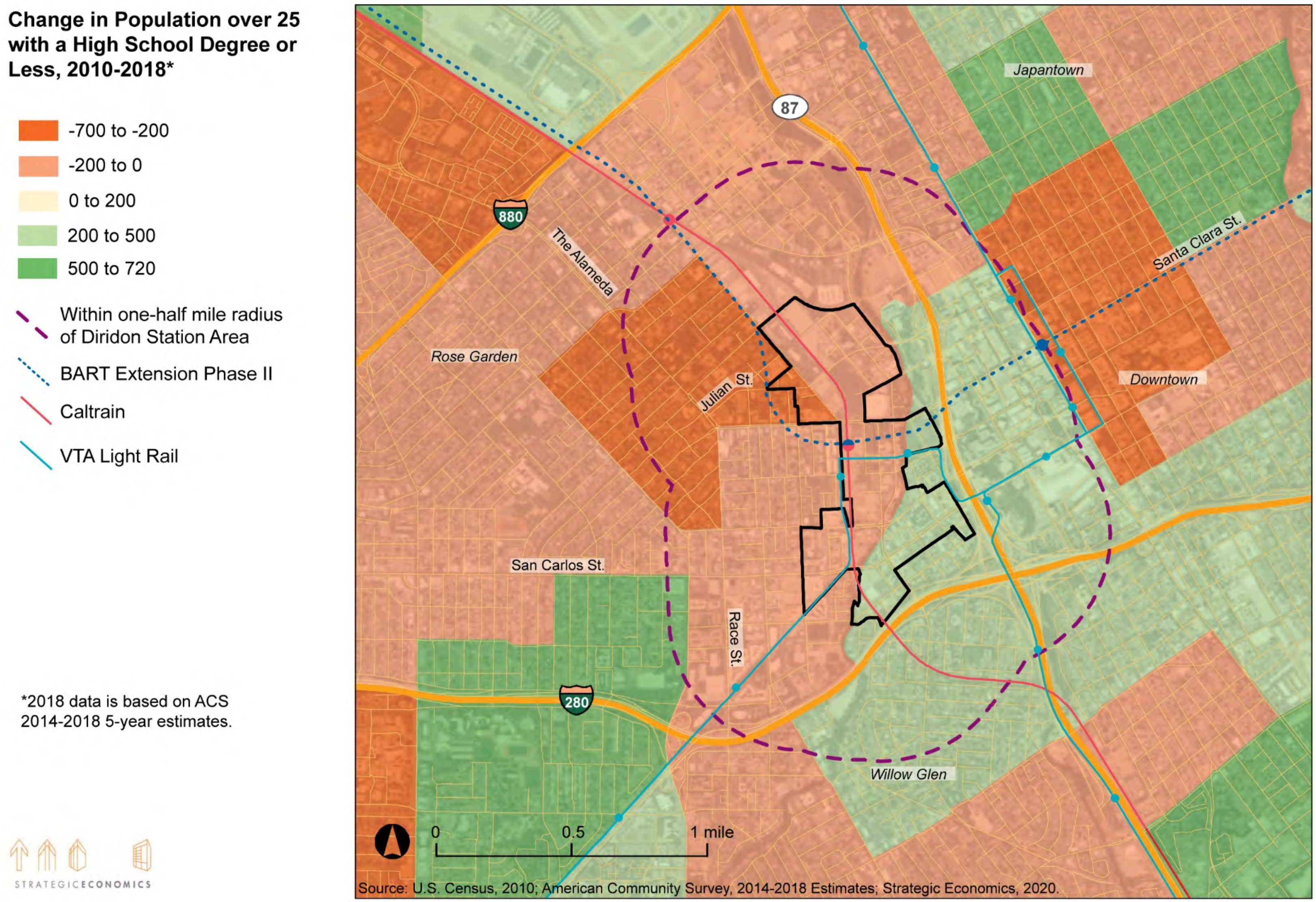
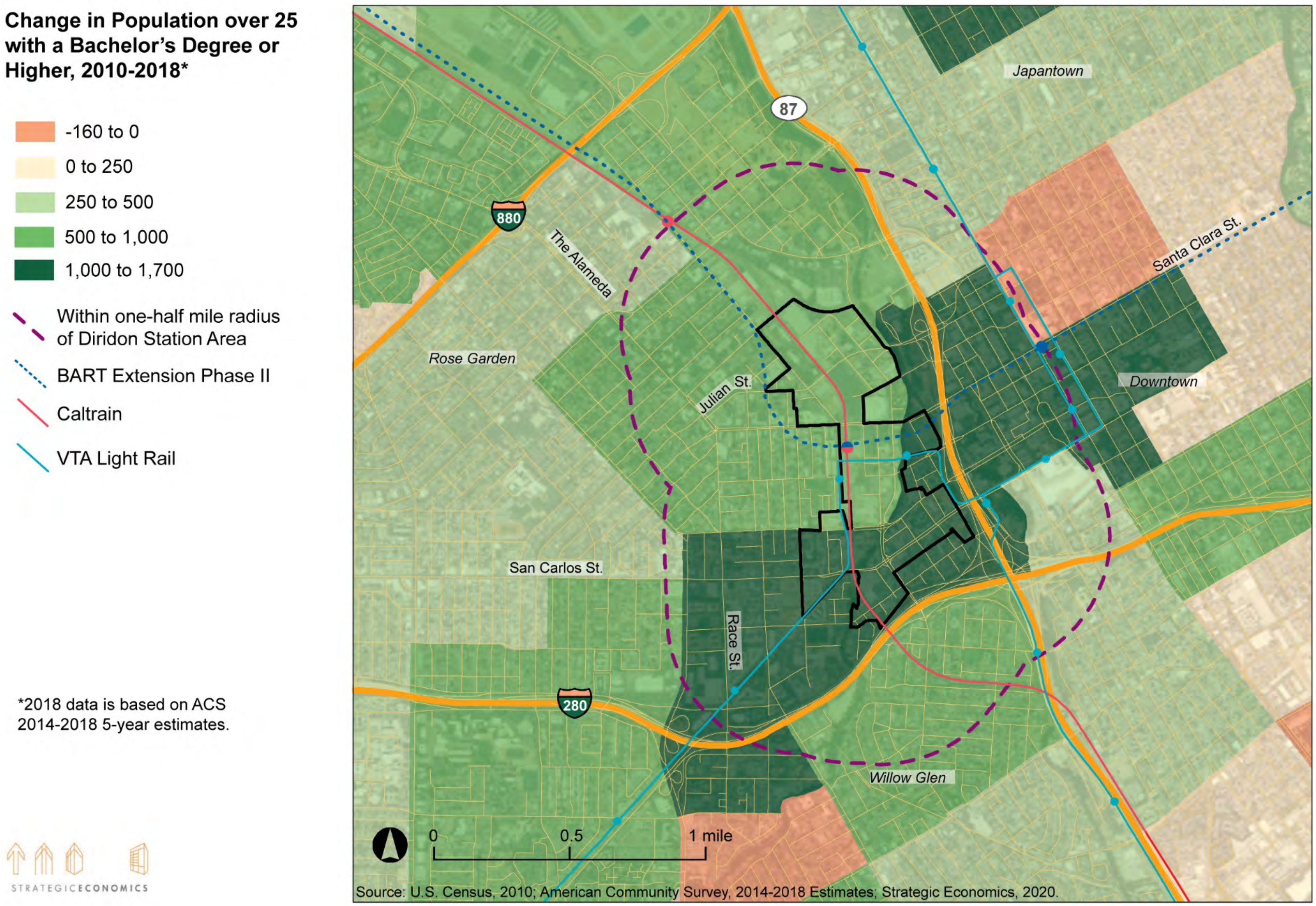


FIGURE. 28. CHANGE IN POPULATION WITH A BACHELOR'S DEGREE OR HIGHER, 2010-2018



Figures 27 and 28 provide more detail on the Urban Displacement Project methodology and mapping,. Figure 27 describes the displacement typologies present in the census tracts that correspond to the Neighborhood Stabilization Areawhile Figure 28 shows the displacement and gentrification status of the census tracts spatially. The Urban Displacement Project, which refers to 2015 ACS data, characterized most of the census tracts in the study area as low-income tracts with ongoing gentrification and/or displacement.

Despite recent demographic changes, there are still concentrations of low-income households within the Census Study Area. Figures 29-32 show extremely low-, very low-, low- and moderate-income household concentrations by census tract in the Neighborhood Stabilization Area.

FIGURE 29. URBAN DISPLACEMENT TYPOLOGY DESCRIPTIONS

Urban Displacement Typology	Description
Advanced gentrification	A census tract was in advanced stages of gentrification in 2015 if: • It had the characteristics of a "vulnerable neighborhood" in 2000. This is defined as having at least three out of the following four variables greater than the regional median: share of low-income population, less-than-college educated population, renter population, or non-white population. • It was a moderate to high income (MHI) tract in 2015. • It saw an absolute loss of low-income households between 2000 and 2015. And, between 1990 and 2000, and/or 2000 and 2015, it experienced processes of gentrification measured as change in demographic composition (income, educational levels) and change in real estate investment (new housing construction and increased sales prices) at rates greater than the region.
Ongoing gentrification/ displacement	A census tract was experiencing ongoing gentrification/displacement in 2015 if: • It had the characteristics of a "vulnerable neighborhood" in 2000. See above. • It experienced an absolute loss of low-income households between 2000 and 2015, but still retained a share of low income households in 2015 higher than the regional median (LI tract); • And if one of the two following occurred in the same period: a reduction in the in-migration of low-income households at a rate faster than the region with signs of a hot real estate market, or gentrification measured as change in demographic composition real estate markets.
At risk of gentrification/ displacement	A census tract was considered at-risk of gentrification or displacement in 2015 if: • It had the characteristics of a "vulnerable neighborhood" in 2000. See above. • It was a lower income (LI) tract in 2015; • It did not experience gentrification or a loss of low-income households between 2000 and 2015; • If it displayed at least two of the following "risk variables": (1) included a rail station in 2015; (2) share of pre-war housing stock greater than the region in 2015; (3) employment density in 2015 higher than the region; (4) increase in median rents or home value between 2000 and 2015 occurred at a faster rate than the region.

Source: Urban Displacement Project, 2017; Strategic Economics, 2020.

FIGURE 30. URBAN DISPLACEMENT PROJECT: GENTRIFICATION AND DISPLACEMENT STATUS FOR DIRIDON CENSUS TRACTS, 2015

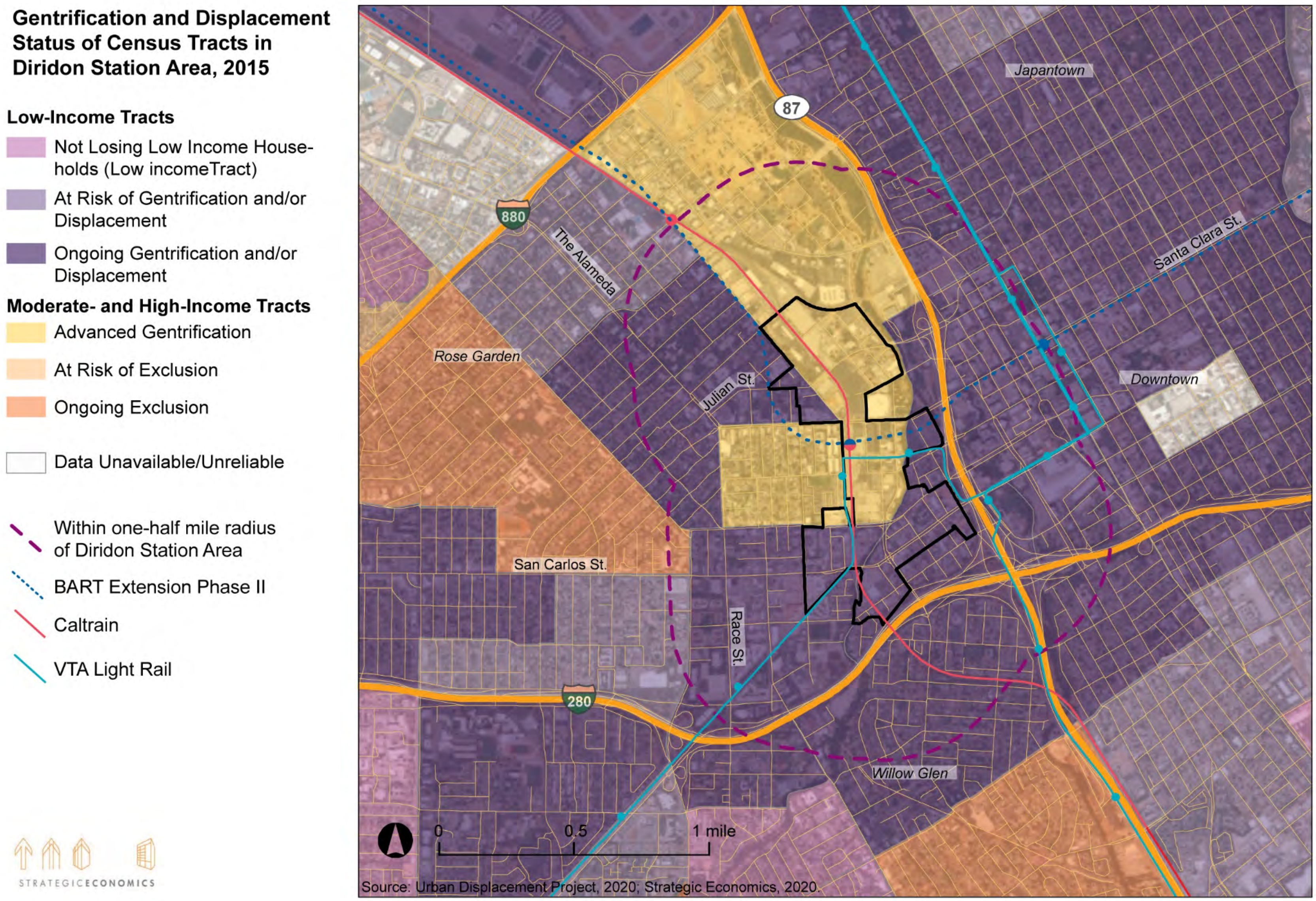


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FIGURE 31. EXTREMELY LOW-INCOME HOUSEHOLDS IN THE NEIGHBORHOOD STABILIZATION AREA, 2018

Number of Households Earning less than $35,000 Annually*, ACS 2014-2018 Estimates

- Under 100
- 101 - 250
- 251 - 500
- 501 - 750
- 751 - 1,000

- Within one-half mile radius of Diridon Station Area
- BART Extension Phase II
- Caltrain
- VTA Light Rail

*In 2018, the 30% AMI limit for a three-person household in Santa Clara County was $35,950.

STRATEGICECONOMICS

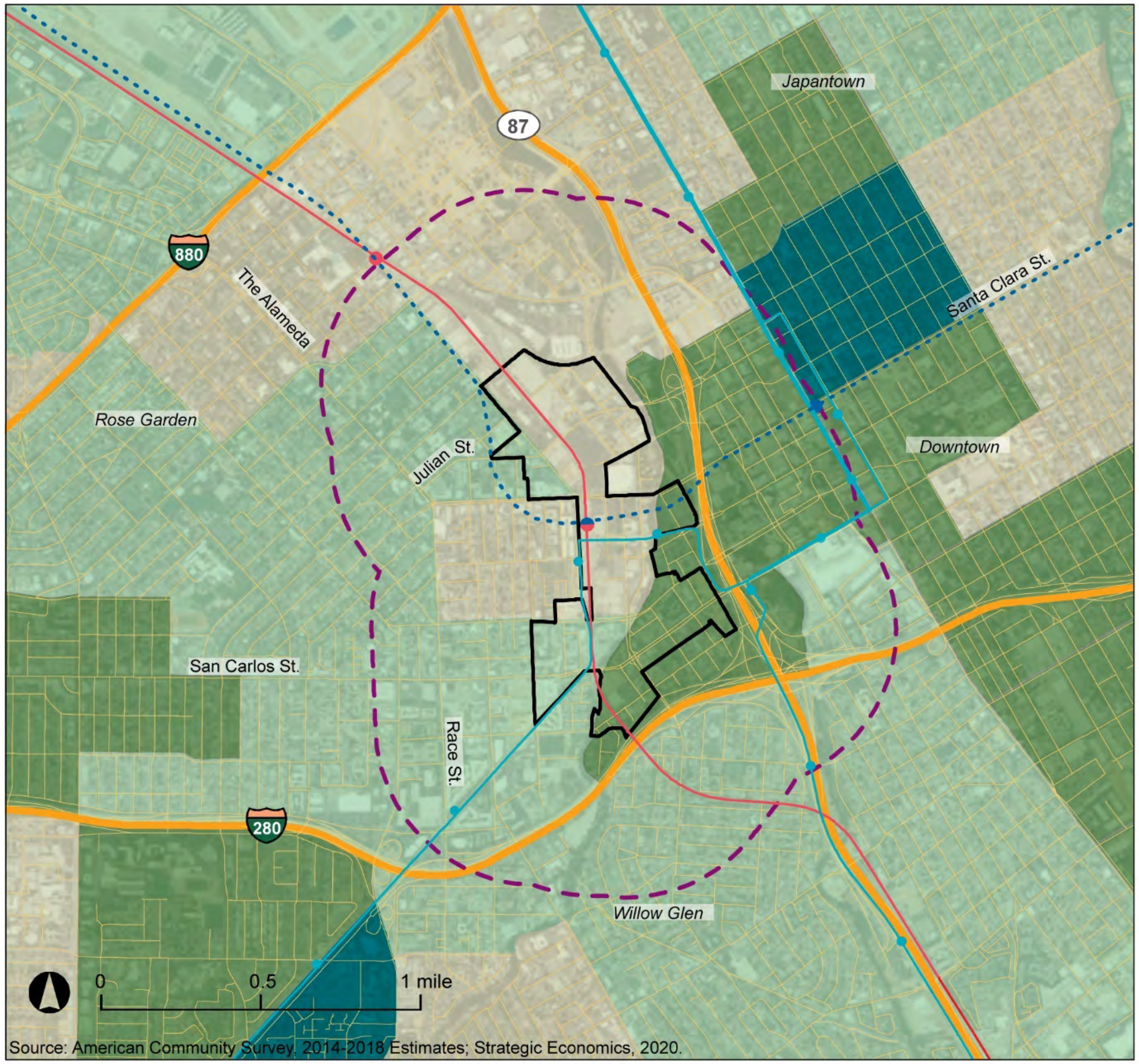
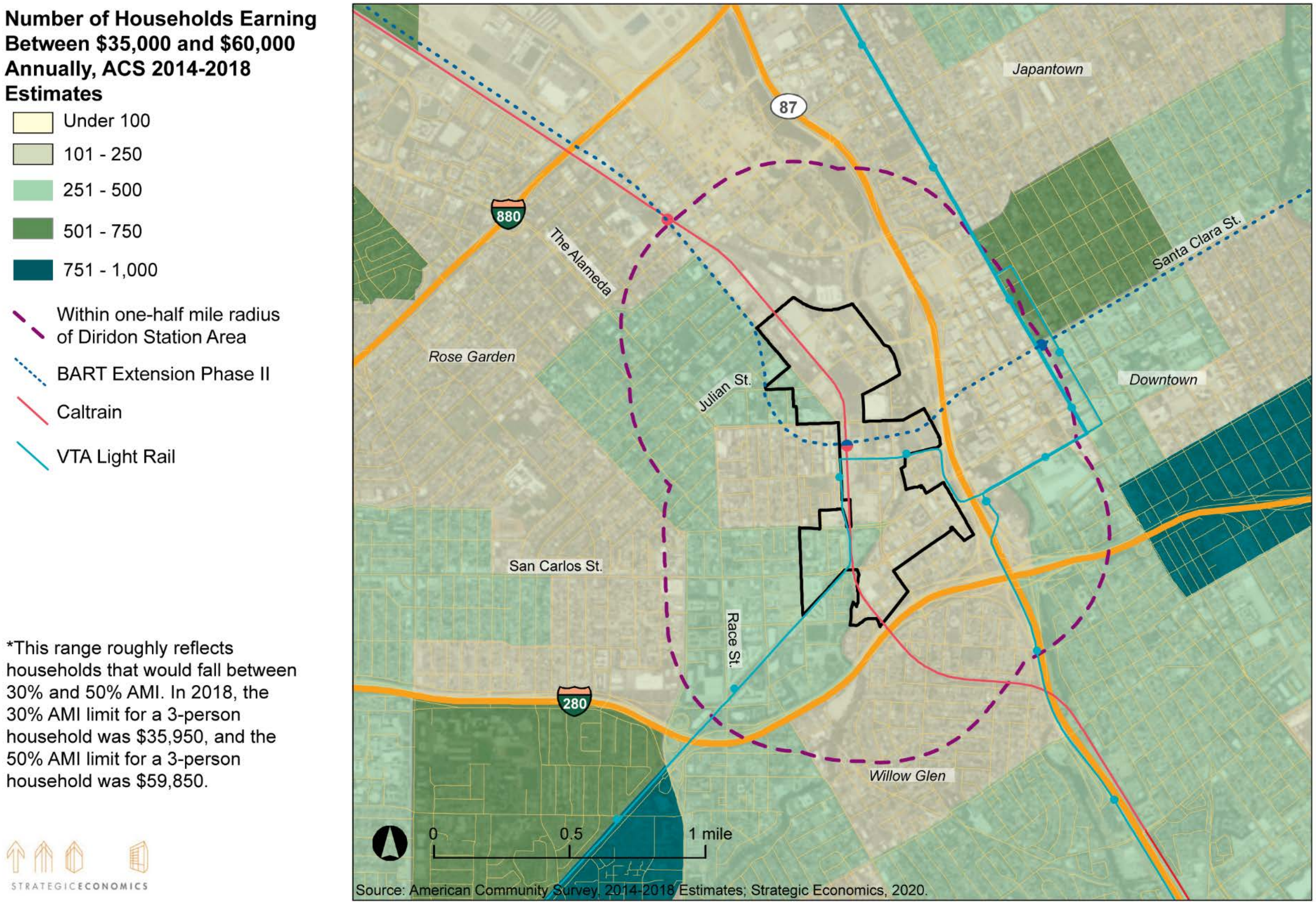


FIGURE 32. VERY-LOW INCOME HOUSEHOLDS IN THE NEIGHBORHOOD STABILIZATION AREA, 2018



*This range roughly reflects households that would fall between 30% and 50% AMI. In 2018, the 30% AMI limit for a 3-person household was $35,950, and the 50% AMI limit for a 3-person household was $59,850.

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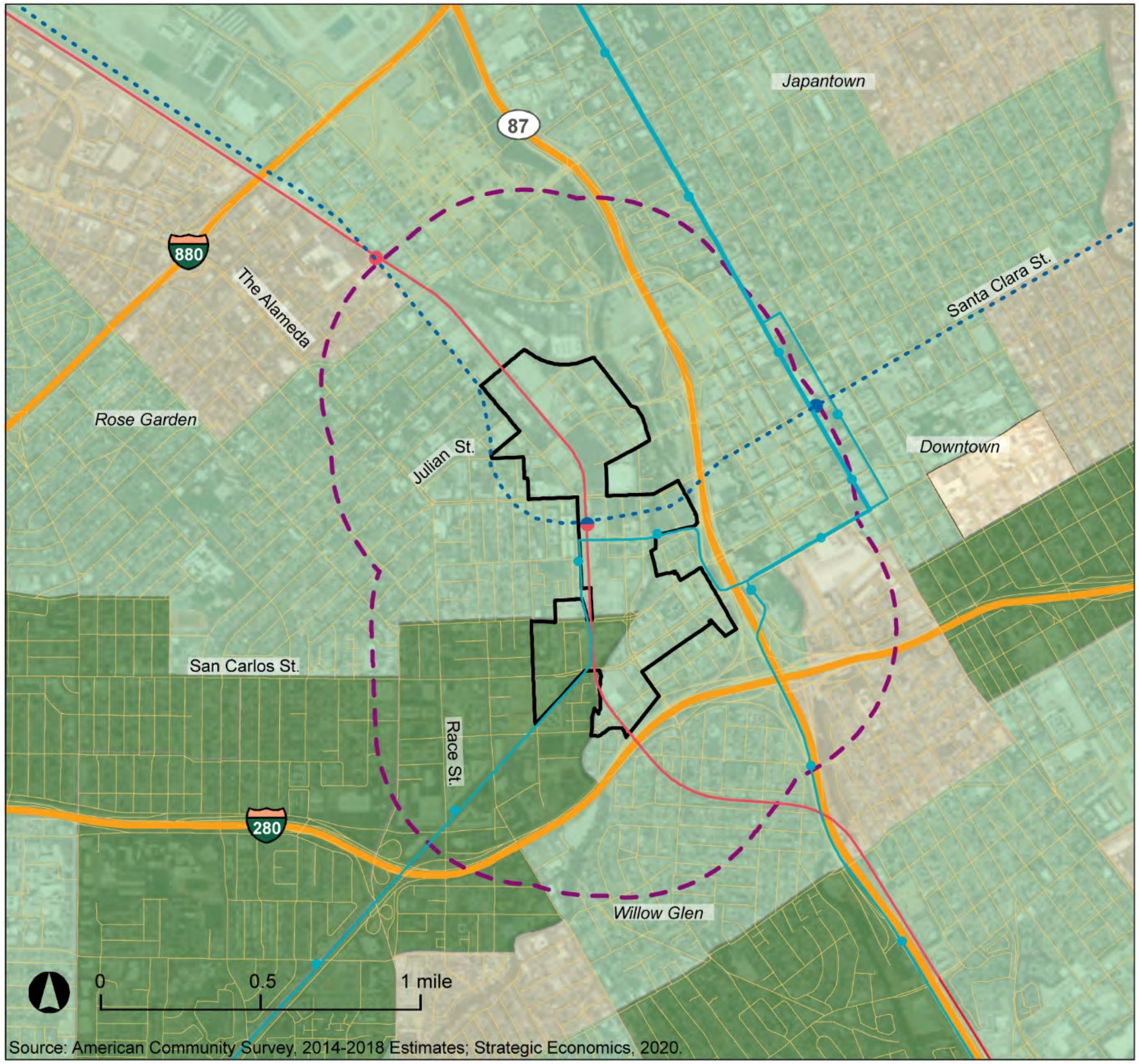
FIGURE 33. LOW-INCOME HOUSEHOLDS IN THE NEIGHBORHOOD STABILIZATION AREA, 2018

Number of Households Earning Between $60,000 and $100,000 Annually,* ACS 2014-2018 Estimates

- Under 100
- 101 - 250
- 251 - 500
- 501 - 750
- 751 - 1,000
- Within one-half mile radius of Diridon Station Area
- BART Extension Phase II
- Caltrain
- VTA Light Rail

*This range roughly reflects households that would fall between 50% and 80% AMI in Santa Clara County in 2018. The 50% AMI limit for 3-person households was $59,850, and the 80% AMI limit for 4-person households was $94,450.

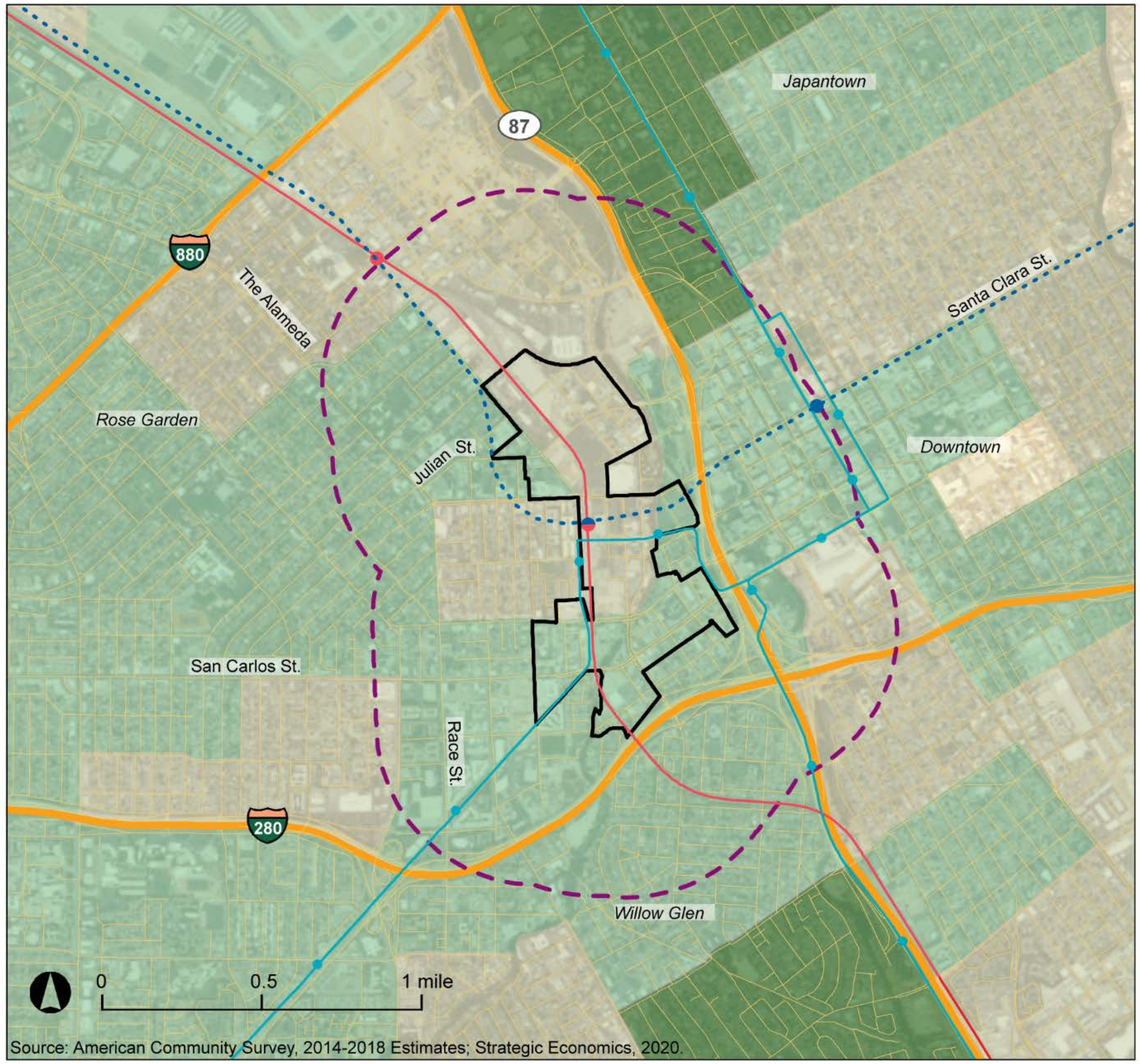


STRATEGICECONOMICS

FIGURE 34. MODERATE-INCOME HOUSEHOLDS IN THE NEIGHBORHOOD STABILIZATION AREA, 2018

Number of Households Earning Between $100,000 and $150,000 Annually, ACS 2014-2018 Estimates

- Under 100
- 101 - 250
- 251 - 500
- 501 - 750
- 751 - 1,000
- Within one-half mile radius of Diridon Station Area
- BART Extension Phase II
- Caltrain
- VTA Light Rail



*This range roughly reflects households that fall between 80% and 120% AMI. In 2018, the 80% AMI limit for a 4-person household was $94,450, and the 120% AMI limit for a 4-person household was $150,250, in Santa Clara County.

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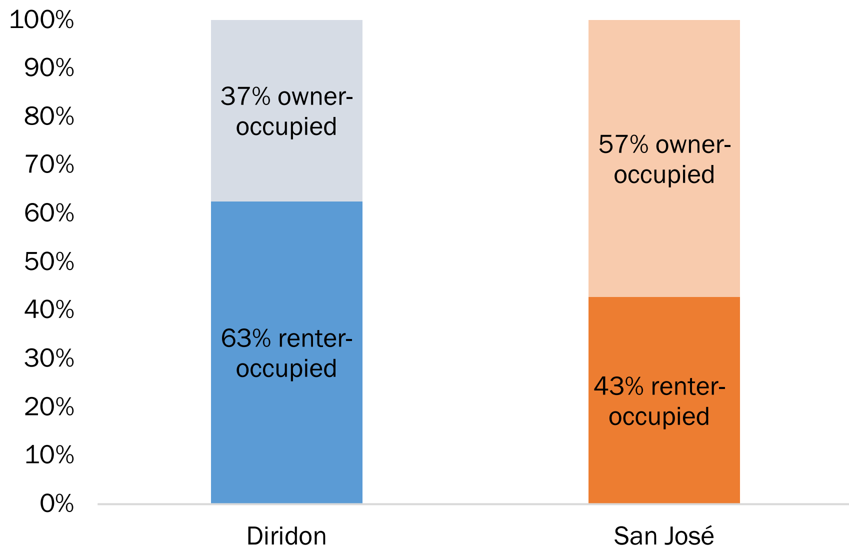
Figures 33-35 provide information on housing tenure in the Census Study Area. Figure 33 shows the share of renter and owner households in the Census Study Area compared to San José while Figure 34 shows the income breakdown of renters, specifically, who in general have lower incomes than homeowners. Figure 35 shows the full income and cost burden detail for both renters and owners in the Census Study Area and citywide.

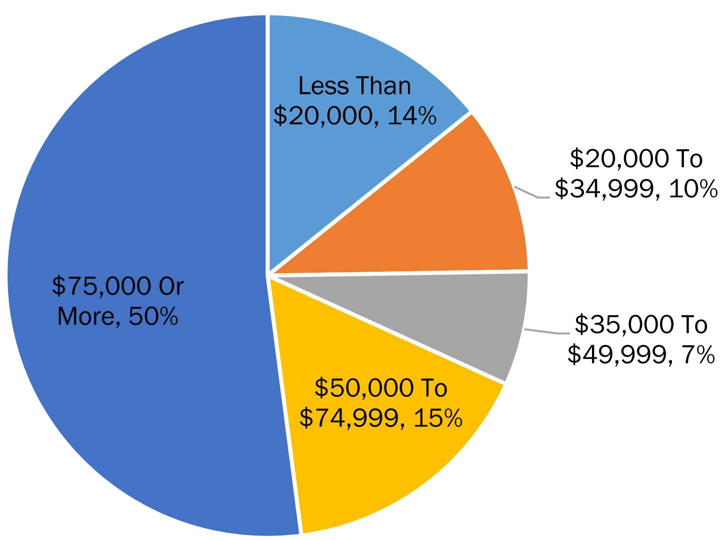
Renter households comprise a larger share of total households in the Census Study Area than they do citywide. While renters in San José account for just 43 percent of total households, they comprise 63 percent of households in the Census Study Area (Figure 35).

FIGURE 35. HOUSING TENURE IN DIRIDON AND SAN JOSÉ, 2018



Source: American Community Survey, 2014-2018; Strategic Economics, 2020.

FIGURE 36. RENTER HOUSEHOLDS BY INCOME IN THE CENSUS STUDY AREA, 2018



Source: American Community Survey, 2014-2018; Strategic Economics, 2020.

It is estimated that nearly half of renter households in the Census Study Area are very-low income, earning less than $75,000 annually, or approximately 60 percent of Santa Clara County AMI for a three-person household (Figure 35).

Renters in the Census Study Area are more likely to be cost-burdened than homeowners, and lower-income renters are particularly vulnerable. Approximately 90 percent of renters earning less than $50,000 a year are cost-burdened, which is in line with trends citywide.

FIGURE 37. COST BURDEN BY INCOME FOR RENTERS AND HOMEOWNERS IN CENSUS STUDY AREA AND SAN JOSÉ, 2018

	Diridon			San José		
Household Income	**Cost Burdened Renters**	**Total Renters**	**% Cost Burdened**	**Cost Burdened Renters**	**Total Renters**	**% Cost Burdened**
Less Than $20,000	932	1,000	93%	17,573	18,861	93%
$20,000 To $34,999	656	738	89%	12,676	13,703	93%
$35,000 To $49,999	459	495	93%	12,054	13,746	88%
$50,000 To $74,999	580	1,134	51%	14,183	20,418	69%
$75,000 Or More	712	3,656	19%	12,584	66,001	19%
Zero Income/No Cash Rent		296	N/A		4,924	N/A
Total	3,339	7,319	46%	69,070	137,653	50%
	Diridon			**San José**		
Household Income	**Cost Burdened Owners**	**Total Owners**	**% Cost Burdened**	**Cost Burdened Owners**	**Total Owners**	**% Cost Burdened**
Less Than $20,000	106	106	100%	6,836	7,661	89%
$20,000 To $34,999	119	257	46%	6577	9,886	67%
$35,000 To $49,999	43	165	26%	5857	10,661	55%
$50,000 To $74,999	241	506	48%	10315	19,892	52%
$75,000 Or More	709	3,340	21%	26019	135,110	19%
Zero or Negative Income		8	N/A		972	N/A
Total	1,218	4,382	28%	55,604	184,182	30%

Source: American Community Survey, 2014-2018; Strategic Economics, 2020.

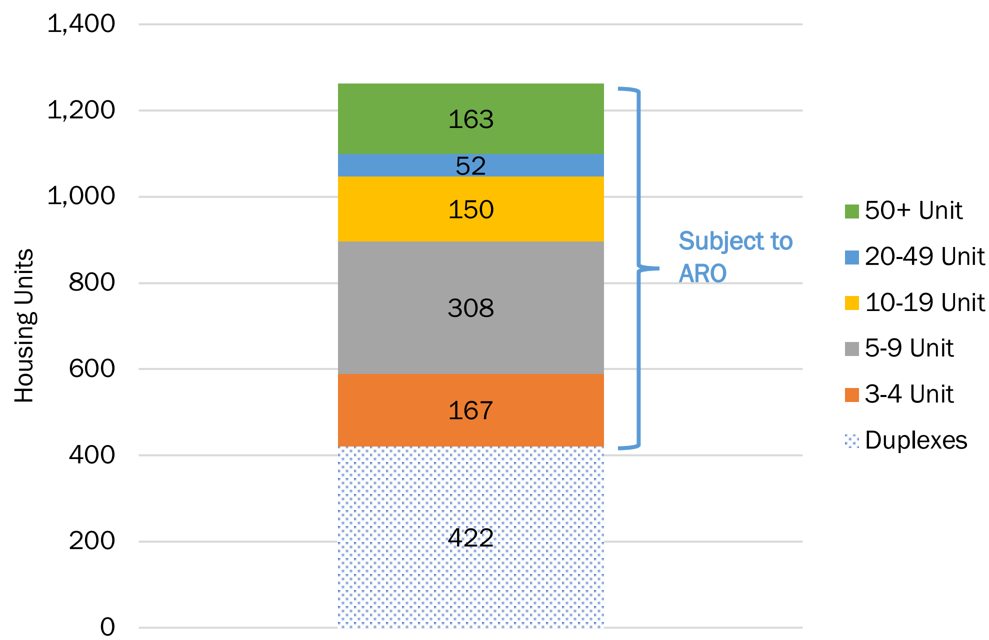
Housing Stock Detail

The following section provides further detail on the housing stock. This analysis is based on point data from the Neighborhood Stabilization Area, which is the one-half mile radius from the Diridon Station Area.

Figures 36-39 provide more detail on the characteristics of unsubsidized older multifamily housing in the Neighborhood Stabilization Area. Figure 36 shows the breakdown of units built 1979 and earlier by the number of units in the building, including ARO units (units in 3+ unit buildings), and duplex units. Figure 37 provides more detail on ARO units specifically and their properties, organized by the number of units at the property. Figure 38 compares the ARO units by building tier in San José and the Neighborhood Stabilization Area.

Nearly three-fourths of ARO units (625 units) in the Neighborhood Stabilization Area are at properties with 19 units or less, while 56 percent of units (475 units) are at properties with less than 10 units specifically. There are also 422 renter units in duplexes, which are not currently covered by ARO (Figure 36).

FIGURE 38. MARKET-RATE MULTIFAMILY RENTAL UNITS BUILT 1979 AND EARLIER BY PROPERTY SIZE IN THE NEIGHBORHOOD STABILIZATION AREA



Source: Santa Clara County Assessor, 2019; San José Multiple Housing List, 2020; Strategic Economics, 2020.
Note: The number of duplexes was calculated directly from Santa Clara County Assessor data. Residential properties with two units were clipped to the Neighborhood Stabilization Area boundary. Then, the number of renters in duplex units was estimated based on the homeowner's exemption status of each property. We assumed duplexes with owners that did not claim the exemption were investor-owned and contained two renter households. Duplexes with owners that claimed the exemption were assumed to have just one renter unit.

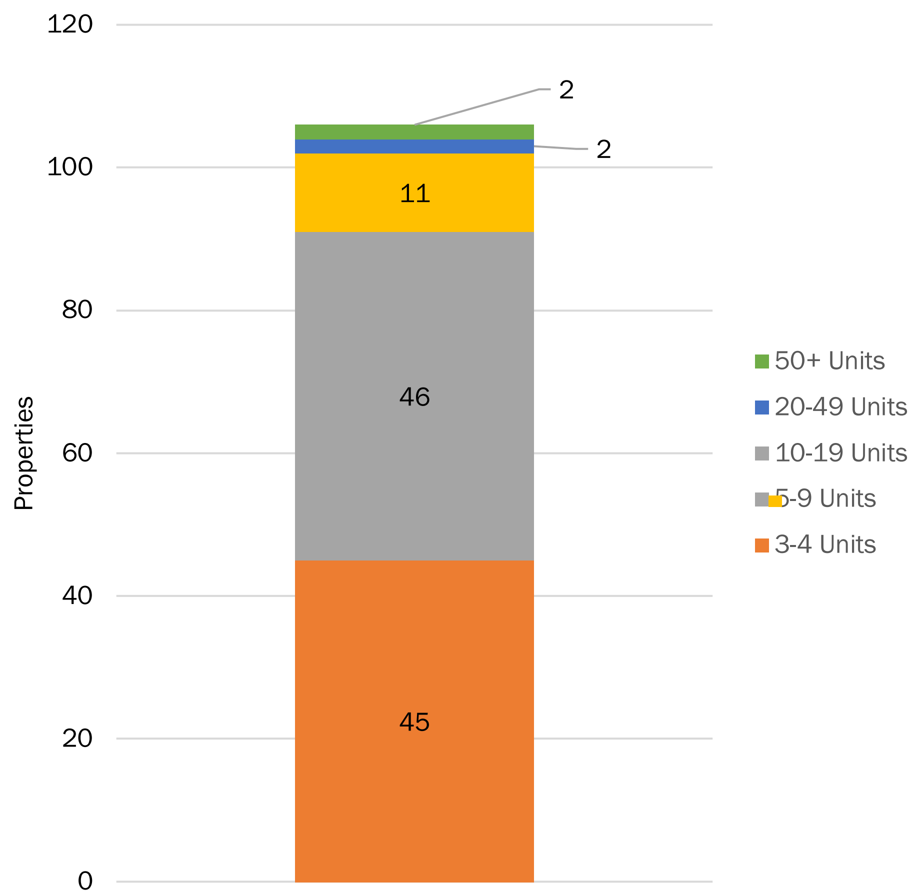
There are more acquisition opportunities associated with smaller properties. The 215 units at properties with 20 more units are associated with just four properties (Figure 37). The two largest properties-Alameda Gardens and Villa Apartments-account for 20 percent of total units, with 72 and 91 units respectively. In contrast, 86 percent of properties (91 properties) have less than 10 units.

ARO units in the Neighborhood Stabilization Area may be in poorer condition than ARO units citywide. The Neighborhood Stabilization Area has a larger share of Tier 3 units and a smaller share of Tier 1 units than San José overall [48] (Figure 38).

[48] Building tier roughly indicates building condition for San José's ARO properties. Multifamily buildings in San José are assigned tiers based on their compliance with the building code. Tier levels dictate required inspection schedules. Tier 1 properties have generally had the most comprehensive upkeep, while Tier 3 properties are likely to have the most code violations.

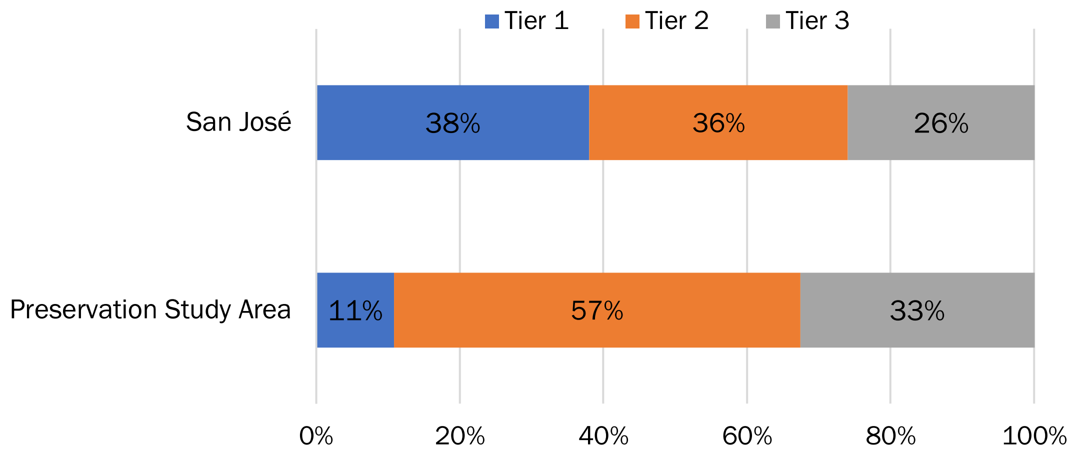
Figure 39 shows where ARO units are located within the Neighborhood Stabilization Area. Three-fourths of the 840 ARO units are concentrated within three neighborhood areas: Delmas Park, St. Leos, and along Villa Avenue.

FIGURE 39. ARO PROPERTIES BY NUMBER OF UNITS AT PROPERTY IN THE NEIGHBORHOOD STABILIZATION AREA



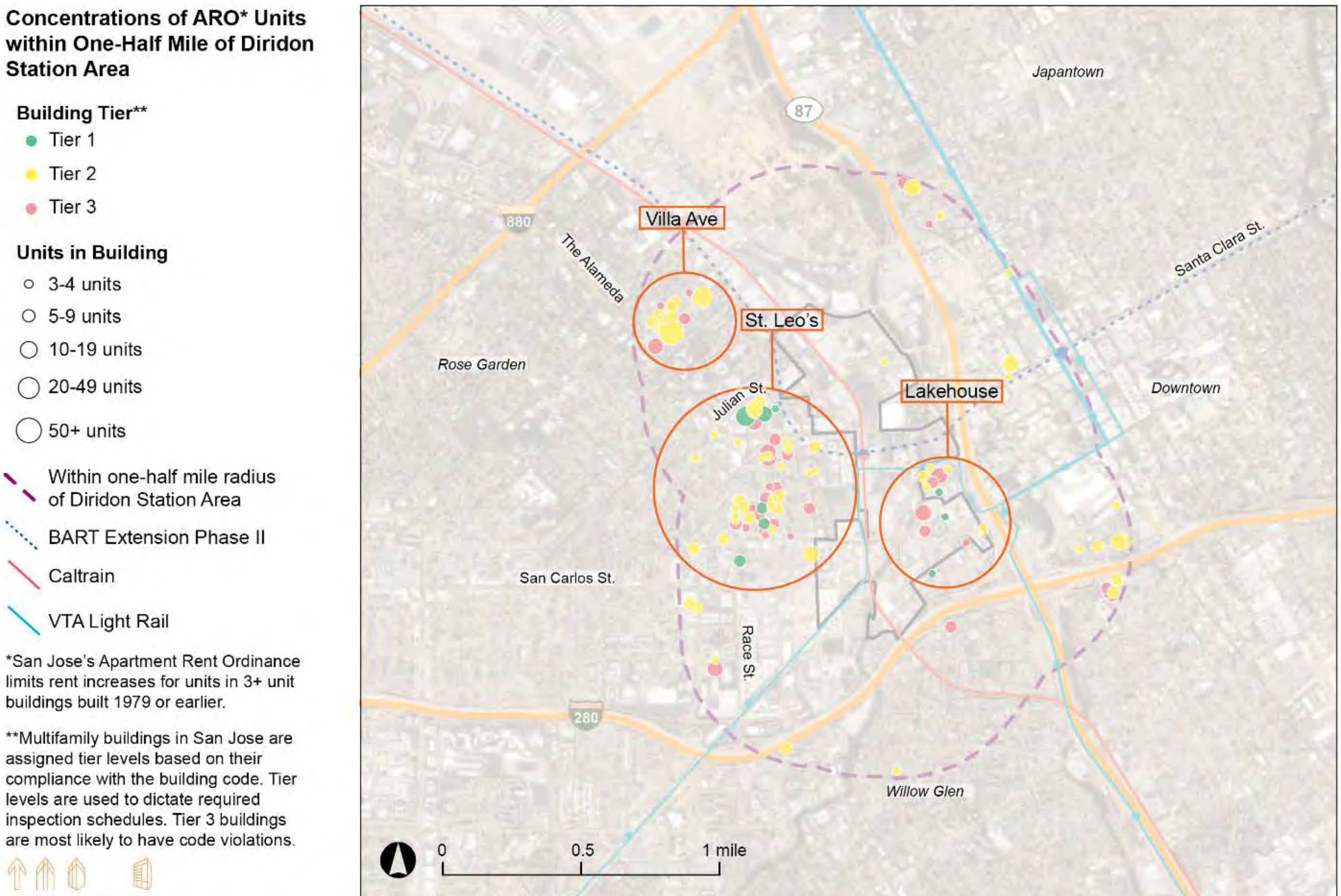
Source: San José Multiple Housing List, 2020; Strategic Economics, 2020.

FIGURE 40. ARO UNITS BY BUILDING TIER IN DIRIDON AND SAN JOSÉ, 2020



Source: San José Multiple Housing List, 2020; Strategic Economics, 2020.

FIGURE 41. ARO BUILDINGS BY UNIT SIZE AND TIER IN THE NEIGHBORHOOD STABILIZATION AREA, 2020



Source: City of San José, 2020; Strategic Economics, 2020.

The following tables provide more detail on market characteristics for both ARO units and single-family units. This data is associated with Costar's Downtown West submarket.

Figures 40 and 41 provide more information on market data of ARO units. Figure 40 shows the estimated rent and affordability levels by building size while Figure 41 shows recent sales data for unsubsidized affordable buildings. Figures 42 and 43 provide detail on single-family rental rates and sales.

Unsubsidized multifamily units overall offer deeper affordability than single-family rentals, and are also sold at a lower price point on a per-unit basis. Among multifamily buildings, multiplexes with less than 10 units are typically the most affordable for renters and are the cheapest to acquire, on a per-unit basis. Rents and per-unit transaction costs rise with building size. This may be because large multifamily properties are more likely to have already undergone renovation, and may offer amenities that can yield higher rents.

Single-family rental units tend to rent at rates near $3.00 per square foot. While this is based on just a snapshot of Craigslist and Zillow rentals in April, 2020, and therefore are asking rents rather than effective rents, the analysis still strongly suggested that single-family homes tend to be out-of-reach to lower-income households. This is partially because the vast majority of single-family homes in the Downtown West area were built before World War II, in which case they have features and interior amenities that are more desirable than that of post-war multiplexes reflected in the multifamily rent summary. Additionally, single-family homes tend to have large private outdoor space, an amenity not incorporated into the per square foot rent rates.

FIGURE 42. UNSUBSIDIZED MULTIFAMILY TWO-BEDROOM RENTS FOR 1979 OR EARLIER, Q1 2020

	Weighted Average Effective Rent	Weighted Average Unit Sq. Ft.	Weighted Average Rent Per Sq. Ft.	Affordable To
Small Multiplex (4-9 Units)	$1,438	777	$1.85	2 or 3 Person HH, 50% AMI
10-49 Units	$1,917	827	$2.32	2 Person HH, 80% AMI; 3 Person HH, 70% AMI
50+ Units	$2,244	961	$2.33	2 Person HH, 90% AMI; 3 Person HH, 80% AMI

Source: Costar, 2020; CA HCD, 2019; Strategic Economics, 2020.

FIGURE 43. TRANSACTIONS FOR MULTIFAMILY BUILDINGS BUILT 1979 AND EARLIER IN DOWNTOWN WEST, SOLD 2017-2020

	4-9 Units(a)	10+ Units (b)
Count (c)	12	3
Median Year Built	1953	1951
Median Number of Units	6	20
Median Sales Price	$1,587,500	$5,920,000
Median Sales Price Per Unit	$264,583	$296,000
Median Building Sq. Ft.	3,658	13,917
Median Sales Price Per Sq. Ft.	$434	$425

Source: Costar, 2020; Strategic Economics, 2020.

Notes:

(a) The smallest building with transaction data during this timeframe is a fourplex.

(b) This excludes 394 W San Fernando, which is a boarding house, with 12 rooms.

(c) This excludes properties identified that have been flipped.

FIGURE 44. SINGLE-FAMILY ASKING RENTS IN DOWNTOWN WEST. APRIL 2020

	Rent Estimate	Median Unit Sq. Ft.	Median Rent Per Sq. Ft.	Affordable To
Selection of Units in Small Properties for Rent, 4/2020 (a)	$3,462	1,147	$3.02	3 Person HH, 100% AMI (almost); 4 Person HH 100% AMI

Source: Zillow, 2020; Craigslist, 2020; Strategic Economics, 2020.

Notes:
(a) Includes data on 19 available single-family home rentals.

FIGURE 45. TRANSACTIONS FOR SINGLE-FAMILY HOMES BUILT 1979 AND EARLIER IN DOWNTOWN WEST, 4/1/18-3/31/20

	Single-Family Sales
Count	320
Median Year Built	1930
Median Sales Price	$1,177,500
Median Building Sq. Ft.	1,423
Median Sales Price Per Building Sq. Ft.	$819
Median Land Sq. Ft.	6,065
Median Sales Price Per Land Sq. Ft.	$193

Source: Redfin, 2020; Strategic Economics, 2020.

APPENDIX E: DEED-RESTRICTED PROPERTIES IN NEIGHBORHOOD STABILIZATION AREA

This appendix provides further detail on the deed-restricted properties and units near Diridon Station. Figure 44 shows a list of deed-restricted properties in the Diridon Station Area and within the Neighborhood Stabilization Area, and Figure 45 shows the locations of these properties by number of units.

FIGURE 46. DEED-RESTRICTED BUILDINGS IN THE NEIGHBORHOOD STABILIZATION AREA BY UNITS AND AFFORDABILITY PERIOD, 2020

Project Name	Units	Affordability Expiration/ Development Status (a)	Summarized Expiration	Extremely Low-Income	Very Low-Income	Low-Income	Moderate-Income (b)
Villa Torino	85	2025	By 2030	0	0	0	85
Masson Apartments	4	2028	By 2030	0	0	0	4
Museum Park (c)	19	2031	2031-2040	0	0	0	19
Fountain Plaza	46	2031	2031-2040	0	0	0	46
Paula Street	21	2049	Beyond 2040	0	10	0	11
La Fenetre	50	2053	Beyond 2040	0	10	40	0
Parkview Seniors	142	2053	Beyond 2040	14	124	0	0
Pensione Esperanza	109	2055	Beyond 2040	12	97	0	0
Delmas Park (c)	122	2062	Beyond 2040	26	40	56	0
Cinnabar Commons	243	2066	Beyond 2040	29	51	163	0
Lenzen Square	87	2067	Beyond 2040	0	23	64	0
Parkview Family	90	2069	Beyond 2040	9	26	53	0
Casa del Pueblo	163	2070	Beyond 2040	0	33	130	0
Lenzen Gardens Senior	94	2061	Beyond 2040	0	94	0	0
Plaza Hotel	47	Recently Completed	Unknown	47	0	0	0
Laurel Grove (d)	82	Recently Completed	Unknown	Unknown	Unknown	Unknown	Unknown
North San Pedro Studios	134	Under Construction	Under Construction	58	76	0	0
Park Avenue Senior Apartments (d)	99	Under Construction	Under Construction	10	89	0	0
The Aurora (aka Balbach)	86	Funding Committed	Funding Secured	18	38	30	0

Total Built	1404		137	508	506	165
Near-Term Pipeline	319		86	203	30	0
Total (with near-term pipeline)	1723		223	711	536	165

Source: City of San José, 2020; Strategic Economics, 2020.

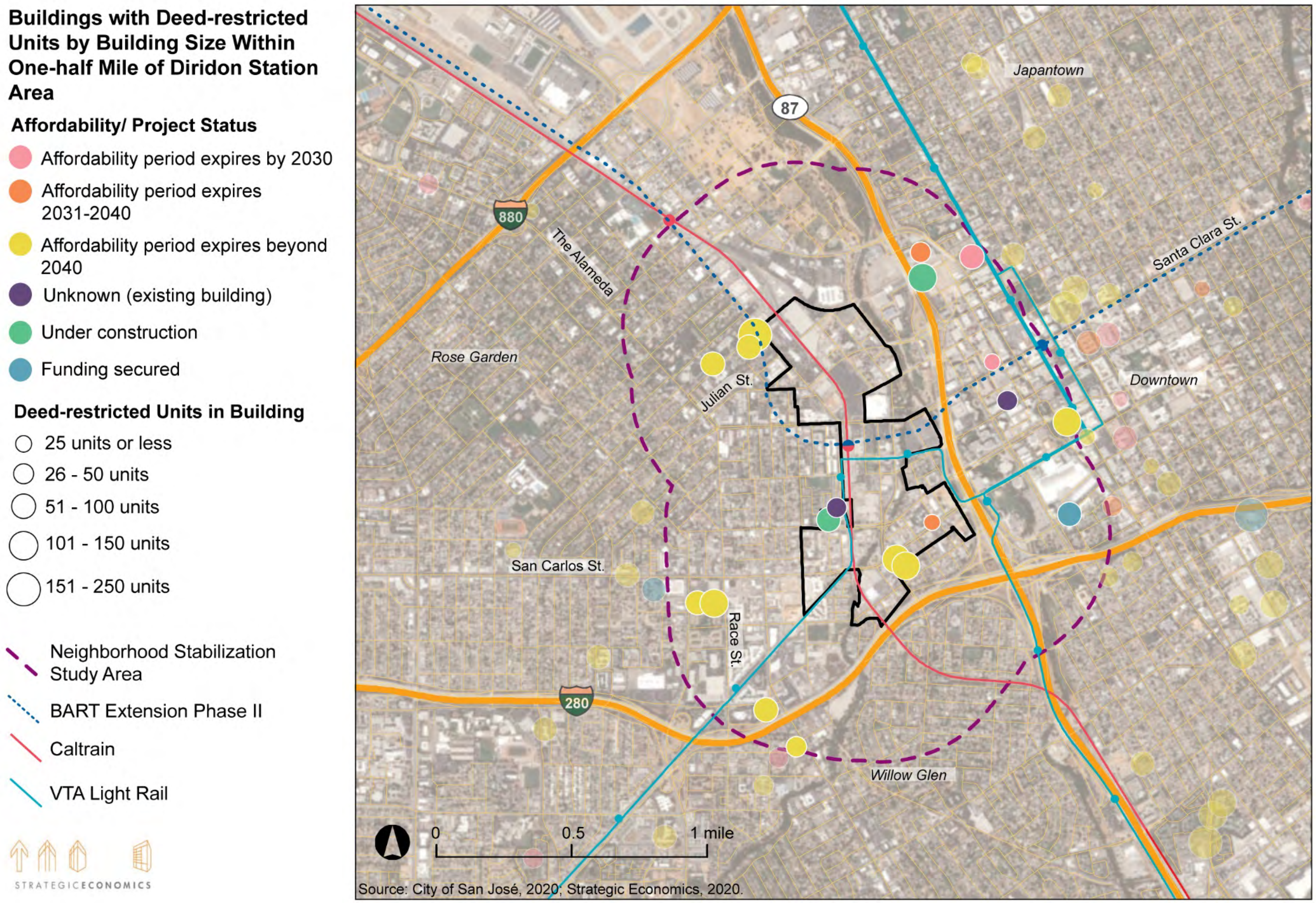
Notes:
(a) The affordability expiration dates for recently built and pipeline projects was often not yet available publicly. For these projects, the development status information is listed in this column. These projects are very likely to have affordability periods that extend beyond 2040.

(b) While these are technically categorized as "moderate-income" units, in practice they are actually priced to be affordable to low-income households.

(c) These two projects are also in the Diridon Station Area. Because they were completed prior to 2019, they are included in the 2019 DSA unit baseline calculation.

(d) These two projects are also in the Diridon Station Area. Because they were completed 2019 or later, they are not included in the 2019 DSA unit baseline calculation.

FIGURE 47. DEED-RESTRICTED BUILDINGS IN NEIGHBORHOOD STABILIZATION AREA, 2020



APPENDIX F: APARTMENT RENT ORDINANCE UNITS

There are 840 units within 116 buildings that are subject to the Apartment Rent Ordinance in the Neighborhood Stabilization Area. Note that there are eight buildings that fall within the two largest properties: Alameda Gardens and Villa Apartments. There are three other properties with multiple buildings, noted in the property address column. The buildings are listed and organized by neighborhood, number of units, and year built in Figure 46.

FIGURE 48. ARO BUILDINGS IN THE NEIGHBORHOOD STABILIZATION AREA

Property Address	Neighborhood	Units	Year Built
155 Gifford Ave.	Delmas Park	3	1900
446 W San Fernando St.	Delmas Park	3	1900
340 Gifford Ave.	Delmas Park	3	1907
141 Delmas Ave.	Delmas Park	3	1916
432 Lakehouse Ave.	Delmas Park	4	1912
375 Delmas Ave.	Delmas Park	4	1952
534 Columbia Ave.	Delmas Park	4	1954
240 Gifford Ave.	Delmas Park	4	1956
367 Delmas Ave.	Delmas Park	4	1961
125 Gifford Ave.	Delmas Park	5	1898
230 Josefa St.	Delmas Park	6	1957
436 W San Fernando St.	Delmas Park	7	1898
481 Park Ave.	Delmas Park	11	1950
426 W San Fernando St.	Delmas Park	18	1904
1145 Martin Ave.	St. Leos	3	1901
160 Race St.	St. Leos	3	1920
957 Park Ave.	St. Leos	3	1950
36 Race St.	St. Leos	3	1951
1024 Luther Ave.	St. Leos	3	1953
32 S Morrison Ave.	St. Leos	4	1905
1232 Martin Ave.	St. Leos	4	1910
1031 Park Ave.	St. Leos	4	1919
142 Race St.	St. Leos	4	1922
225 N Morrison Ave.	St. Leos	4	1940
47 Atlas Ave.	St. Leos	4	1948
139 Rainer St.	St. Leos	4	1948
1080 Eugene Ave.	St. Leos	4	1948
1088 Eugene Ave.	St. Leos	4	1948
97 Sunol St.	St. Leos	4	1950
86 Sunol St.	St. Leos	4	1951
43 Atlas Ave.	St. Leos	4	1951
97 Atlas Ave.	St. Leos	4	1951
59 S Morrison Ave.	St. Leos	4	1956
166 Rainer St.	St. Leos	4	1961
1035 Park Ave.	St. Leos	4	1964
1072 Luther Ave.	St. Leos	4	1975
159 S Morrison Ave.	St. Leos	5	1961
1040 Luther Ave.	St. Leos	5	1968
118 Rainer St.	St. Leos	6	1899
145 Sunol St.	St. Leos	6	1900
180 Rainer St.	St. Leos	6	1948
1068 Eugene Ave.	St. Leos	6	1950
1085 Eugene Ave.	St. Leos	6	1951

Property Address	Area	Units	Year Built
154 Race St.	St. Leos	6	1954
1114 Park Ave.	St. Leos	6	1955
40 Sunol St.	St. Leos	6	1961
185 Rainer St.	St. Leos	6	1963
189 Rainer St.	St. Leos	6	1963
135 S Morrison Ave.	St. Leos	6	1964
990 The Alameda	St. Leos	7	1924
1012 W San Fernando St.	St. Leos	7	1948
36 S Morrison Ave.	St. Leos	7	1965
26 S Morrison Ave.	St. Leos	8	1950
1041 Eugene Ave.	St. Leos	8	1955
223 Meridian Ave.	St. Leos	8	1957
1077 Eugene Ave.	St. Leos	8	1958
248 Race St.	St. Leos	9	1899
39 Atlas Ave.	St. Leos	10	1958
255 Sunol St.	St. Leos	11	1899
43 N Keeble Ave. (Alameda Gardens)	St. Leos	12	1959
53 N Keeble Ave. (Alameda Gardens)	St. Leos	12	1959
63 N Keeble Ave. (Alameda Gardens)	St. Leos	12	1959
33 N Keeble Ave. (Alameda Gardens)	St. Leos	12	1959
73 N Keeble Ave. (Alameda Gardens)	St. Leos	24	1962
33 Atlas Ave.	St. Leos	16	1964
940 W Taylor St.	Villa	3	1900
1025 Schiele Ave.	Villa	4	1898
839 Villa Ave.	Villa	4	1978
920 Villa Ave.	Villa	5	1964
1021 Villa Ave.	Villa	6	1920
1049 Villa Ave.	Villa	7	1955
939 Villa Ave.	Villa	8	1966
949 Villa Ave.	Villa	8	1967
820 Villa Ave.	Villa	9	1961
1000 Villa Ave. (Villa Apartments)	Villa	15	1962
1010 Villa Ave. (Villa Apartments)	Villa	24	1962
1624 The Alameda (Villa Apartments)	Villa	52	1962
1634 The Alameda	Villa	18	1955
840 Villa Ave.	Villa	30	1964
456 N San Pedro St.	Other	3	1898
115 W William St.	Other	3	1908
145 Clayton Ave.	Other	3	1952
203 N Autumn St.	Other	4	1898
365 N Autumn St. (building 1)	Other	4	1941
365 N Autumn St. (building 2)	Other	4	1941
961 Harmon Ct.	Other	4	1950
490 Page St. (building 1)	Other	4	1955
490 Page St. (building 2)	Other	4	1955
263 N 1st St.	Other	4	1890
86 Pierce Ave.	Other	4	1910
553 Vine St.	Other	4	1910
111 W Reed St.	Other	4	1912
461 N San Pedro St.	Other	4	1969
12 S Almaden Ave.	Other	4	1977
569 N San Pedro St.	Other	5	1900
143 W Reed St.	Other	6	1948
596 W William St.	Other	6	1957
691 Almaden Ave.	Other	6	1958
685 Almaden Ave.	Other	6	1958

Property Address	Area	Units	Year Built
575 Almaden Ave.	Other	6	1959
702 Vine St.	Other	6	1962
40 Clayton Ave.	Other	6	1963
690 Vine St.	Other	7	1957
102 Pierce Ave.	Other	7	1957
684 Vine St.	Other	7	1958
660 Vine St.	Other	7	1958
780 Northrup St. (building 1)	Other	7	1973
780 Northrup St. (building 2)	Other	7	1973
780 Northrup St. (building 3)	Other	8	1973
353 Meridian Ave.	Other	9	1950
351 Meridian Ave.	Other	9	1950
151 W Reed St.	Other	10	1957
515 N San Pedro St.	Other	12	1955
959 Harmon Ct.	Other	13	1950
161 W Santa Clara St.	Other	15	1910
712 Vine St.	Other	16	1958

Source: City of San José, 2020; Strategic Economics, 2020.