

HOW SANTA CLARA COUNTY'S HOUSING MARKET IS FAILING TO MEET THE NEEDS OF LOW-INCOME FAMILIES

RECOMMENDATIONS TO THE LEADERS OF THE STATE OF CALIFORNIA AND SANTA CLARA COUNTY

Santa Clara County has the fifth largest shortfall of homes affordable to low-income families in California. Many of those families live in unhealthy or unsafe conditions, crowd multiple people into each room, and still pay more than 50 percent of their income in rent. The following report describes the magnitude of the shortfall, highlights those who are affected by cuts to housing programs, and recommends local policy solutions to help mitigate the impact of Santa Clara County's affordable housing crisis.

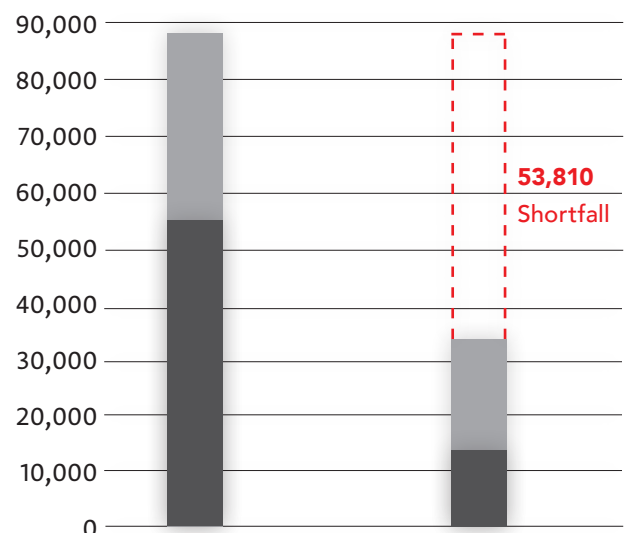
KEY ELEMENTS OF SANTA CLARA COUNTY'S AFFORDABLE HOUSING MARKET FAILURE:

- There is a **shortfall of 53,810 homes** affordable to Santa Clara County's very low-income (VLI) and extremely low-income (ELI) households.
- **Median rents in Santa Clara County increased by 10% between 2005 and 2012**, while the median income increased by only 1%, driving up the percentage of income that households must spend on rent.
- **Nearly 60%** of very low-income households **pay more than 50% of their income in rent.**

85% of Santa Clara County's very low-income renter households pay more than 30% of income in rent.

SOURCE: NLIHC Analysis of 2012 PUMS data

FIGURE 1: SHORTFALL OF AFFORDABLE AND AVAILABLE HOMES IN SANTA CLARA COUNTY



Number of Very and Extremely Low-Income Households

Rental Housing with Rents Affordable to VLI and ELI renters*

Very Low-Income

Extremely Low-Income

*Not all units with rents affordable to low-income households are occupied by low income households.

SOURCE: NLIHC Analysis of 2006-2010 CHAS data

THE HOUSING MARKET HAS FAILED TO MEET THE NEEDS OF AN ENTIRE SEGMENT OF SANTA CLARA COUNTY'S POPULATION

Rent is considered affordable when it consumes no more than 30 percent of household income. In Santa Clara County there are homes with affordable rents for fewer than three out of ten extremely low-income (ELI) renter households—those earning 30 percent or less of the metro area's median income. There are 53,020 ELI households in the county.¹ Very low-income (VLI) households, those who earn up to half of their area's median income, fair only slightly better: there are homes with affordable rents for fewer than four out of every ten VLI households in the county.

More than 50 percent of ELI households are elderly or disabled, while VLI households are more likely to include low-wage workers.² In fact, there are 200,950 workers in Santa Clara County earning less than half the county's median income. TABLE 1 provides examples of working VLI adults in Santa Clara County who earn far less than the income required to afford the fair market rent on a two-bedroom apartment.

San Jose recently raised the city's minimum wage. This increase along with proposals to increase the

minimum wage in other jurisdictions in the county and at the state level will boost lower-wage workers' incomes. However, the affordable housing shortfall can not be offset by increases in wages of a few dollars.

RENTS ARE HIGH AND RISING, ESPECIALLY IN RELATION TO STAGNANT INCOMES

According to a 2014 report by the National Low Income Housing Coalition, Santa Clara County is the country's fifth most expensive metro rental market. Census data shows that inflation-adjusted median household income in Santa Clara County in 2012 was only one percent higher than in 2005. However, inflation-adjusted median rent was ten percent higher. FIGURE 3 shows the imbalance between growth in median rents and median income since 2005.

Together, stagnant wages and steeply increasing housing costs have pushed many low-income households' budgets to the breaking point. According to the California Poverty Measure, the poverty rate in Santa Clara County is 19 percent.⁴

Rents increase in response to demand. More than 38,000 new renter households have entered the Santa Clara market since 2006,⁵ many because of displacement during the foreclosure crisis.

TABLE 1: WHO IS BEING LEFT OUT OF THE SANTA CLARA HOUSING MARKET?

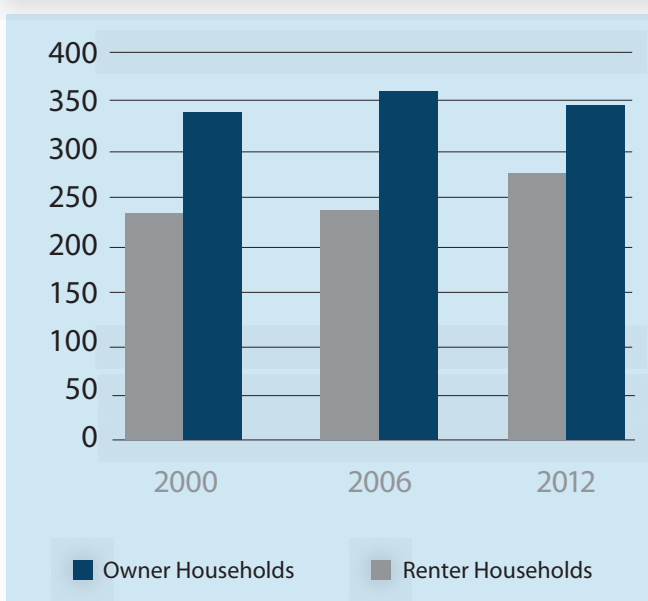
HUD 50% of Area Median Income (AMI) in Santa Clara Co. for a three person household: \$47,250
Total workers earning < 50% AMI: 200,950

Salary needed to afford Fair Market Rent: \$65,960

| JOB CATEGORY | MEDIAN INCOME IN SANTA CLARA COUNTY |
|---------------------|-------------------------------------|
| Substitute Teachers | \$41,810 |
| Medical Assistants | \$37,640 |
| Security Guards | \$30,970 |
| Childcare Workers | \$28,350 |
| Retail Salespersons | \$22,330 |
| Waiters/Waitresses | \$19,040 |

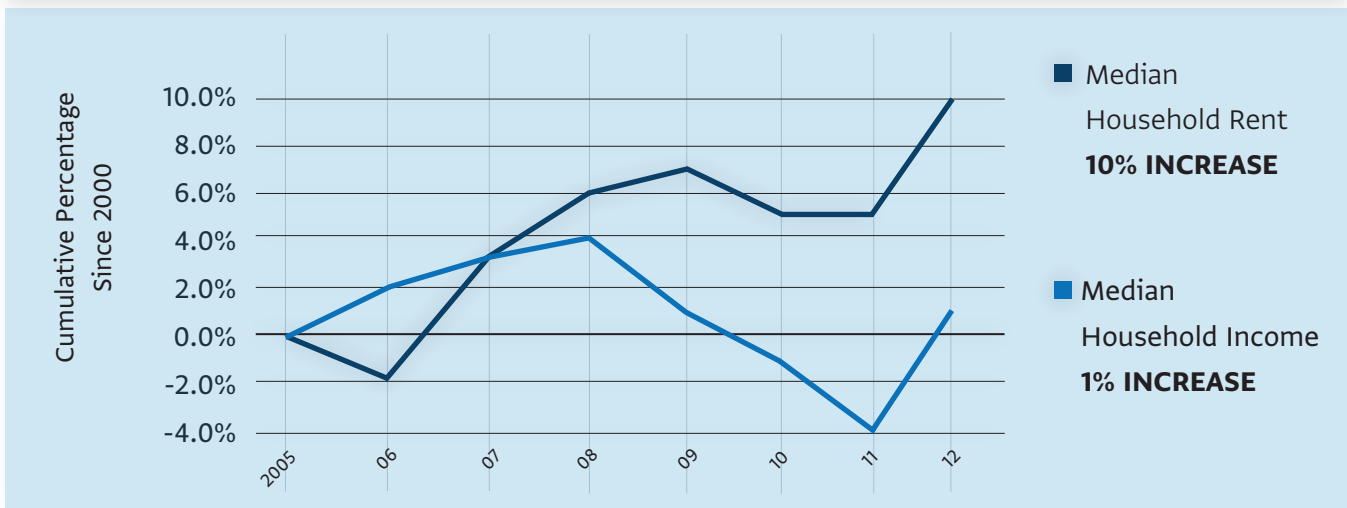
SOURCES: See Endnote 3

FIGURE 2: CHANGE IN OWNER AND RENTER HOUSEHOLDS (in thousands)



SOURCES: 2000 Census, 2006 1-year ACS, 2012 1-year ACS

FIGURE 3 : CUMULATIVE PERCENTAGE CHANGE IN INFLATION-ADJUSTED MEDIAN INCOME AND MEDIAN RENT IN SANTA CLARA COUNTY 2005 TO 2012



SOURCE: American Community Survey 2005-2012.

LOCAL, STATE, AND FEDERAL DISINVESTMENT IN AFFORDABLE HOUSING HAS EXACERBATED THE HOUSING MARKET’S FAILURE TO PROVIDE FOR LOW-INCOME FAMILIES

Even as Santa Clara County’s shortfall of affordable homes has become more acute, the state has reduced its direct funding for affordable housing dramatically. State Housing Bonds funded by Propositions 1C and 46 are exhausted, meaning the elimination of tens of millions of dollars in investment to provide homes to low- and moderate-income households in Santa Clara. The elimination of Redevelopment funds led to a loss

of nearly \$57 million annually in local investment in the production and preservation of affordable homes in Santa Clara County.

Exacerbating the state cuts is the simultaneous disinvestment in affordable housing by the federal government. Cuts to HOME and Community Development Block Grants (CDBG) have resulted in the loss of another \$6 million in funding. TABLE 2 highlights the loss of state and federal funding for affordable homes in Santa Clara County since 2008.

81% DECREASE in state and federal funding for affordable homes in Santa Clara County since 2008.

TABLE 2 : CHANGE IN SANTA CLARA COUNTY’S MAJOR AFFORDABLE HOUSING FUNDING SOURCES FY 2007/08 TO 2012/13

| FUNDING SOURCES | FY 2007/2008 | FY 2012/2013 | % CHANGE |
|--|----------------------|---------------------|-------------|
| State Housing Bonds Prop. 46 and Prop. 1C* | \$25,542,607 | \$3,000,000 | -88% |
| Redevelopment Funds for Affordable Housing | \$56,828,529 | \$0 | -100% |
| Federal CDBG Funds | \$16,766,757 | \$13,702,110 | -18% |
| Federal HOME Funds | \$6,666,766 | \$3,717,026 | -44% |
| Total | \$105,804,659 | \$20,419,136 | -81% |

SOURCES: CHPC tabulations of HCD’s Redevelopment Housing Activities Report and HUD’s CPD program formula allocations by fiscal year.

*Prop. 46 and Prop. 1C spending for FY 2007/2008 and 2012/2013 provided by HCD.

Correction: A previous version of this report erroneously reported funding levels for CDBG in 2007/08 as \$18,141,612 and in 2012/13 as \$12,929,468, and HOME funds in 2007/08 as \$7,213,451 and in 2012/2013 as \$3,747,548. The amounts have been adjusted above.

RECOMMENDATIONS to the leaders of the State of California, Santa Clara County, and local jurisdictions

If California is to rebuild a strong and diverse economy that includes low- and moderate-income households, our state must reinvest in affordable homes and develop responsive policy. Simply allowing a broken housing market to run its course is impoverishing and driving away our low-wage workforce, undermining our GHG-reduction goals, and forcing seniors, veterans, and people with disabilities into our shelters and emergency rooms, costing local governments five to ten times more in service costs.

STATEWIDE Policy Recommendations

1. Replace the exhausted state housing bonds (Propositions 46 and 1C) by:
 - Passing legislation to create a permanent source of funding at the state level for the production and preservation of affordable homes.
 - Making a general fund investment in existing state rental housing production programs.
2. Give local governments tools to replace lost funding and meet obligations to create and preserve affordable homes by:
 - Lowering the voter threshold for local funding of basic infrastructure including transportation, housing, and parks from two-thirds to 55 percent, the same as it is for school bonds.
 - Authorizing a new local Tax Increment Financing (TIF) program to fund investment in basic infrastructure including transportation, housing, and parks.
3. Help California meet its GHG reduction targets by investing a significant portion of Cap-and-Trade auction revenues in the California Department of Housing and Community Development's Transit Oriented Development (TOD) Housing Program⁶ and similar programs appropriate for rural areas.

LOCAL Policy Recommendations

1. Increase land available for affordable homes by:
 - Ensuring that Housing Element updates identify an adequate supply of affordable housing development sites competitive for Low Income Housing Tax Credits.
 - Adopting affordable housing requirements for publicly owned surplus land.
2. Fund development of affordable homes by:
 - Setting aside one-time AND recurring residual Tax Increment funds (Boomerang funds) for affordable housing. The State Dept. of Finance estimates these one-time funds in Santa Clara County at \$19 million.
 - Creating new or updating existing Housing Impact and Commercial Linkage fees.
 - Using Public Benefits Zoning for affordable housing.
 - Implementing a 1% real estate transfer tax on luxury homes (above \$1.5 million in cost).
3. Allow affordable housing development by right for example in affordable housing overlay zones.

For More Information on Affordable Housing in Santa Clara County:

Housing Trust Silicon Valley can be reached at (408) 436-3450 and housingtrustsv.org



NPH can be reached at (415) 989-8160 x35 and nonprophousing.org.

1 National Low Income Housing Coalition analysis of 2006-2010 CHAS data.

2 National Low Income Housing Coalition. "America's Affordable Housing Shortage and How to End it." Housing Spotlight 3, no. 2, (2013) http://nlihc.org/sites/default/files/HS_3-1.pdf

3 TABLE 1 Sources: CHPC Analysis of U.S. Department of Housing and Urban Development Section 8 Income Limits for 2012 and Bureau of Labor Statistics 2012 Occupational Employment Statistics from Los Angeles-Long Beach-Glendale MSA; National Low Income Housing Coalition. "Out of Reach," 2014.

4 The California Poverty Measure is an alternative to the conventional measure of poverty developed by the Public Policy Institute of California and Stanford that takes into account the social safety net and cost of living. http://www.ppic.org/content/pubs/report/R_1013SBR.pdf

5 CHPC Analysis of 2006 1-year ACS and 2012 1-year ACS

6 CHPC has authored and co-authored several reports on the environmental and social benefits of locating affordable homes near transit. A list of reports can be found at <http://www.chpc.net/GREEN/Publications.html>.