



URBAN **DISPLACEMENT** Project

San Jose's Diridon Station Area

March 2016

Berkeley
UNIVERSITY OF CALIFORNIA

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This case study was funded in part by the Regional Prosperity Plan¹ of the Metropolitan Transportation Commission as part of the “Regional Early Warning System for Displacement” project and from the California Air Resources Board² as part of the project “Developing a New Methodology for Analyzing Potential Displacement.”

Cover Photograph Source: <http://sharks.nhl.com/club/gallery.htm?id=45278>

¹ The work that provided the basis for this publication was supported by funding under an award with the U.S. Department of Housing and Urban Development. The substance and findings of the work are dedicated to the public. The author and publisher are solely responsible for the accuracy of the statements and interpretations contained in this publication. Such interpretations do not necessarily reflect the views of the Government.

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Anti-Displacement Policy Case Study: San Jose's Diridon Station Area

Within the Bay Area, San José stands out for long providing affordable homes for a wide range of incomes, and an ethnically diverse population including many immigrants. By annexing more and more land throughout the 20th century, San José's sprawling housing development has "carried the burden of housing for decades" in Silicon Valley, in the words of former Mayor Chuck Reed (Hepler 2014b). It is now the biggest city in the Bay Area, and city leaders have their sights set on jobs, with a "jobs first" general plan meant to correct its jobs housing imbalance.

One major site of attention is Diridon Station, a transit hub on the western edge of downtown San José, with stops for Caltrain, Amtrak, VTA light rail, ACE, and multiple bus lines. The station is also a planned stop for BART's extension to San José, and for high-speed rail. While there is significant vacant and non-residential land surrounding Diridon, there are also surrounding neighborhoods that are home to low- and middle-income residents where displacement spurred by rising housing costs is a major concern. Despite San José's strong track record of building housing, including deed restricted affordable housing, housing costs in San José are now at an all-time high, while wages for low-income workers are stagnant.

However, one of the census tracts in the area (5019), while vulnerable for gentrification in 2000, had not experienced the gentrification expected as of 2013. This area is the focus of this case study. Housing production—market rate and affordable—as well as rent stabilization are probably responsible for the lack of gentrification here.

Methodology

This case study considers a place that was vulnerable to but did not experience the gentrification or displacement we would have expected there. The neighborhood (occupying one Census tracts) was chosen from among all the Bay Area tracts that were



Figure 1: Census Tracts At Risk for Gentrification/Displacement in 1990 and 2000, but did not experience gentrification between 2000-2013

Source: UC-Berkeley Analysis

low-income places at risk of gentrification and/or displacement³ in 1990-2000, but did not experience gentrification⁴ between 2000 and 2013, shown in Figure 1.

³ "At risk of gentrification" defined as: Population in 2013 over 500; Percent low income (80% or less than surrounding county's median income) greater than regional median (39%); Signs of vulnerability to gentrification/loss of low income household (at least 4 out of 7): 1. Has rail station in tract 2. Percent of units in prewar buildings greater than regional median, 3. Loss of market rate units affordable to low income households greater than regional median (1990-2000), 4. Employment density greater than regional median (2000), 5. Rent increase greater than regional median (1990-2000), 6. Real estate sales value increase more than regional median (1990-2000), 7. Development of market rate units greater than regional median (1990-2000).

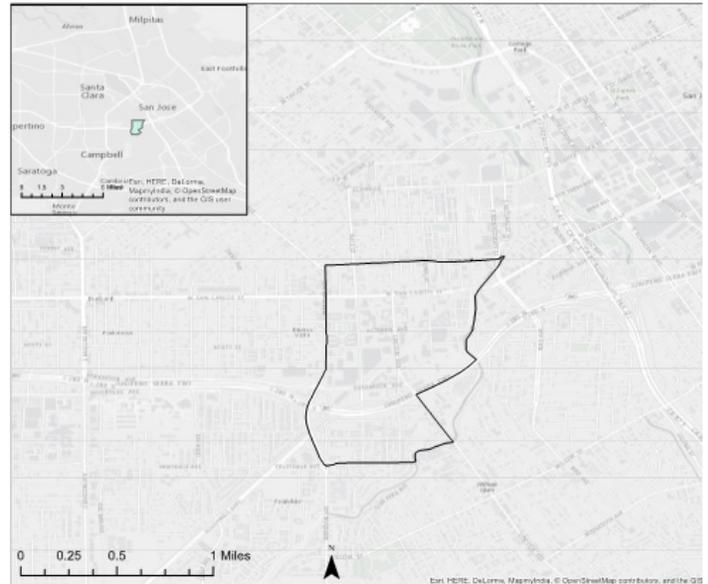
⁴ Gentrification defined as: Growth in percent college educated greater than region; Growth in median household income greater than region; Percent market rate units built between 2000-2013 greater than regional median; At least one of the following: Single family sales price per square foot greater than regional median, Multi-family sales price per square foot greater than regional median, Home values greater than regional median.

In terms of methods, this report relies on literature review and secondary data analysis, as well as primary data from surveys and stakeholder interviews. We reviewed both academic and practitioner literature on anti-displacement strategies. In terms of secondary data, we used Census and American Community Survey data as well as various other data sets from the state of California, Bay Area and Los Angeles counties, and cities. A survey on the effectiveness of anti-displacement strategies was sent to staff at all of the planning departments in the Bay Area as well as housing-related community based organizations; we refer to responses from this survey as “stakeholder” comments. Finally, we conducted interviews with many stakeholders, including community advocates, staff of community organizations, and individuals involved with local, regional, and state policy.

Neighborhood Overview

The area surrounding Diridon Station is home to a wide range of neighborhoods and land uses, including industrial and commercial areas, residential neighborhoods dominated by single-family homes, new luxury condominium development and lower income renter communities. While Diridon Station itself is considered to be in downtown San José, Highway 87 creates a barrier between the station area and the denser parts of downtown; though one can walk or drive directly from the station to downtown, the highway limits high-density development in this area. This may be a stabilizing factor for the neighborhood (Talen 2006).

The case study area (Figure 2), called West San Carlos, hosts a commercial corridor surrounded by older residential neighborhoods which have experienced varying levels of change. It has been slated as an “Urban Village” in the San José General Plan. A planner described this commercial corridor as “full service, with a gritty character... it is the most practical street in the whole city! ... [P]eople think of it as pretty funky, and we got push back from the community – we want to keep the funk.”



**Figure 2: Case Study Area Map
(Census Tract 5019)**

Demographic and Housing Changes

Several features of the case study area indicate it has experienced some change consistent with gentrification—population growth, much construction, fewer families, increased educational attainment and incomes, declining renter population, and increased rent—and some inconsistent with gentrification and displacement—increasing people of color, and, most significant, an increase in the number of low-income households.

The case study area showed a steady increase in population throughout the decades: from 2,220 in 1990 to 3,300 in 2000 to 5,745 in 2013. Enabling this population growth has been a significant spurt of construction, particularly in for-sale housing. Between 2000 and 2013, 1,087 new units of market-rate housing were built.⁵ Of these, 589 were for-sale units, which comprise 76% of the owner-occupied housing stock in the area.

⁵ Source: US Census 2000, American Community Survey 2009-2013, CHPC Dataset, 2014.

- These new residents have been more likely not to be families, to be highly educated, and to earn higher salaries:
- Since 1980, the area has had a significantly lower percentage of family households than San José as a whole. Just under half of the households in the area were families in 2013. By way of comparison, $\frac{3}{4}$ of San José's 300,000 households were family households in 2013.
- The case study area has seen major changes in educational attainment in the past thirty years. The percentage of residents with college degrees increased from 22% to 44% between 2000 and 2013.
- Accompanying this shift was an increase in median incomes: from \$47,891 to \$82,192, both in 2013 dollars, from 1990 to 2013.

The study area has been dominated by renter households since 1990, when 81% of occupied housing units were rented; in 2000, the figure was roughly the same, 85%. But by 2013, the figure had dropped to 67%, indicating an increase in owner-occupied housing units as new condominium units were built. However, the share of renter occupied units is still higher than in San José as a whole, where 42% of occupied housing units are rented.

Rents have been climbing in the study area (from \$1,073 in 1990 to \$1,404 in 2013, in 2013 dollars), although historically they have been lower than in the city as a whole. Yet advocates have expressed concern that it is really within the last several years that housing costs have skyrocketed, and the recently released draft Housing Element confirms that rents in the city at large are at an all-time high with average the rent now at \$2,169. This average underestimates the cost of newly constructed rental housing which can range between \$2,200 - \$2,700 per month for a one-bedroom unit and between \$3,000 - \$3,500 for a two-bedroom unit in North San José (City of San José 2014).

However, even in the face of all these signs of gentrification, the area has expanded its low-income population: the number of low-income households⁶ has increased from 681 in 1990 to 1,092 in 2013. This change is concurrent with the loss of all the area's naturally affordable rental housing stock, from 184 units to none between 1990 to 2013. To stay in this area, some families are squeezing more people into their units to afford rent (17% of rented units were overcrowded in 2013); low-income households are paying a higher portion of their income to afford rent (49% pay more than 30% of their income, in 2013); and others live in some of the many new subsidized affordable housing units constructed here (discussed below).

In terms of race/ethnicity, all racial groups have increased their numbers from 2000 to 2013, with Asian Americans increasing the most dramatically (by 837 people—nearly 300%), African Americans by 185%, while whites and Hispanic/Latinos increased at a lesser rate (whites by 36% and Hispanics by 21%) (Figure 3). Between 1990 and 2013, the percentage of residents who were not white increased from 46% to 72%.



Figure 3: Race/Ethnicity and Population Change, 1990-2013

Source: U.S. Census 1980, 1990, 2000 (Geolytics 2014); American Community Survey 2009-2013

⁶ Low-income defined as at or below 80% of the county's median income.

Anti-Displacement Policy

The city of San Jose has the following anti-displacement policies in place (of the fourteen from our inventory):

- Rent Review Board
- Rent Stabilization
- Mobile Home Rent Control
- Housing Impact fee
- Inclusionary Zoning
- Foreclosure Assistance
- Housing Trust Fund

What is responsible for the area's lack of displacement? We consider three possible contributing factors: market-rate housing production, affordable housing production, and rent control.

Housing Production

Besides these policies, a key to this area's success at not displacing low-income households seems to be its high levels of housing production. New, higher-income households could be living in these units, which may have taken pressure off the existing housing stock, allowing low-income households to stay there, albeit at higher rents, as discussed above.

Affordable Housing Production

Besides this increase in market rate supply, the case study area also gained 322 subsidized housing units between 1990 and 2000, including the following developments:

- Parkview Senior Apartments – 1998 – 138 units
- Parkview Family Apartments – 1997 – 88 units
- La Fenetre Apartments – 1995 – 50 units
- Willow Apartments – 1999 – 46 units

Overall, about 10% of housing units are subsidized.

Several city policies enable this production of affordable housing. The housing impact fee is too new to have funded these units, but the city's use of Federal funds (HOME, CDBG, and others) and its Housing Trust Fund have been available as sources for affordable development.

Rent Stabilization

A fair number of units (496) in this area fall under San Jose's rent stabilization ordinance (Figure 4). The protection of these units from dramatic rent increases likely helped low-income people continue to afford living in the area.

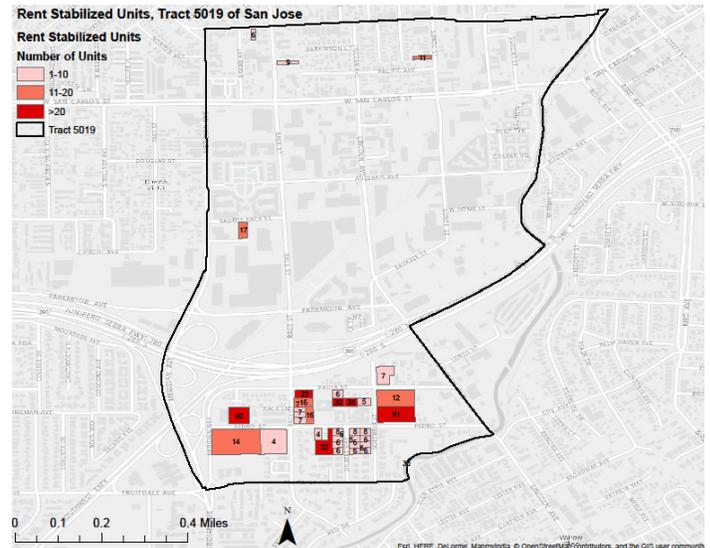


Figure 4: Rent Stabilized Units in Tract 5019, San Jose

Source: San Jose's Roster of Rent Controlled Units Through 1979, obtained through personal correspondence.

Conclusion

While housing production and rent stabilization seems to have helped this neighborhood retain its low-income population, one local expert thought it was reaching its "tipping point" when displacement would really kick in. The neighborhood is facing "encroachment" from all sides, with already gentrified neighborhoods all around it. The expert thinks that the gritty and uneven character of West San Carlos has perhaps kept the neighborhood from gentrifying as dramatically as these surrounding places, but that in time it would, too. The development of more affordable housing (using the city's funds from its linkage fees and affordable housing trust fund) could help retain the area's low-income population in the face of such changes.

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