

Revised Report

February 2025

SANTA CLARA COUNTY REGIONAL HOUSING MARKET ANALYSIS

Prepared for

Santa Clara County Urban County and HOME Consortium

Prepared by

Root Policy Research

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Background

This component of the Consolidated Plan supplements the HUD-required Needs Assessment (NA) and Market Analysis (MA) sections. It provides additional detail on housing market conditions for Santa Clara County and local communities within the county.

Geographic Areas. This report uses HUD-defined geographic groupings that determine eligibility to receive HUD block grant funds. “Participating Jurisdictions” refers to entitlement communities receiving direct grants from HUD but collaborating on reporting requirements. “Urban County” jurisdictions can receive the Community Development Block Grant, or CDBG, from the County. The “HOME Consortium” is the group of jurisdictions eligible to receive the HOME Investment Partnership Program funding through the County.

Participating Jurisdictions are the cities of Cupertino, Gilroy, Milpitas, Mountain View, Palo Alto, Santa Clara, Sunnyvale, and the Santa Clara Urban County Program.

The Urban County Program includes the unincorporated communities within Santa Clara County, in addition to seven small jurisdictions: the cities of Campbell, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, and Saratoga.

The HOME Consortium consists of the cities of Cupertino, Gilroy, Palo Alto, and the Urban County.

*The City of San José is an important regional partner, but is

developing their HUD-required Consolidated Plan separately and therefore, not listed as a “Participating Jurisdiction.” Data for San José is included throughout this report for context.

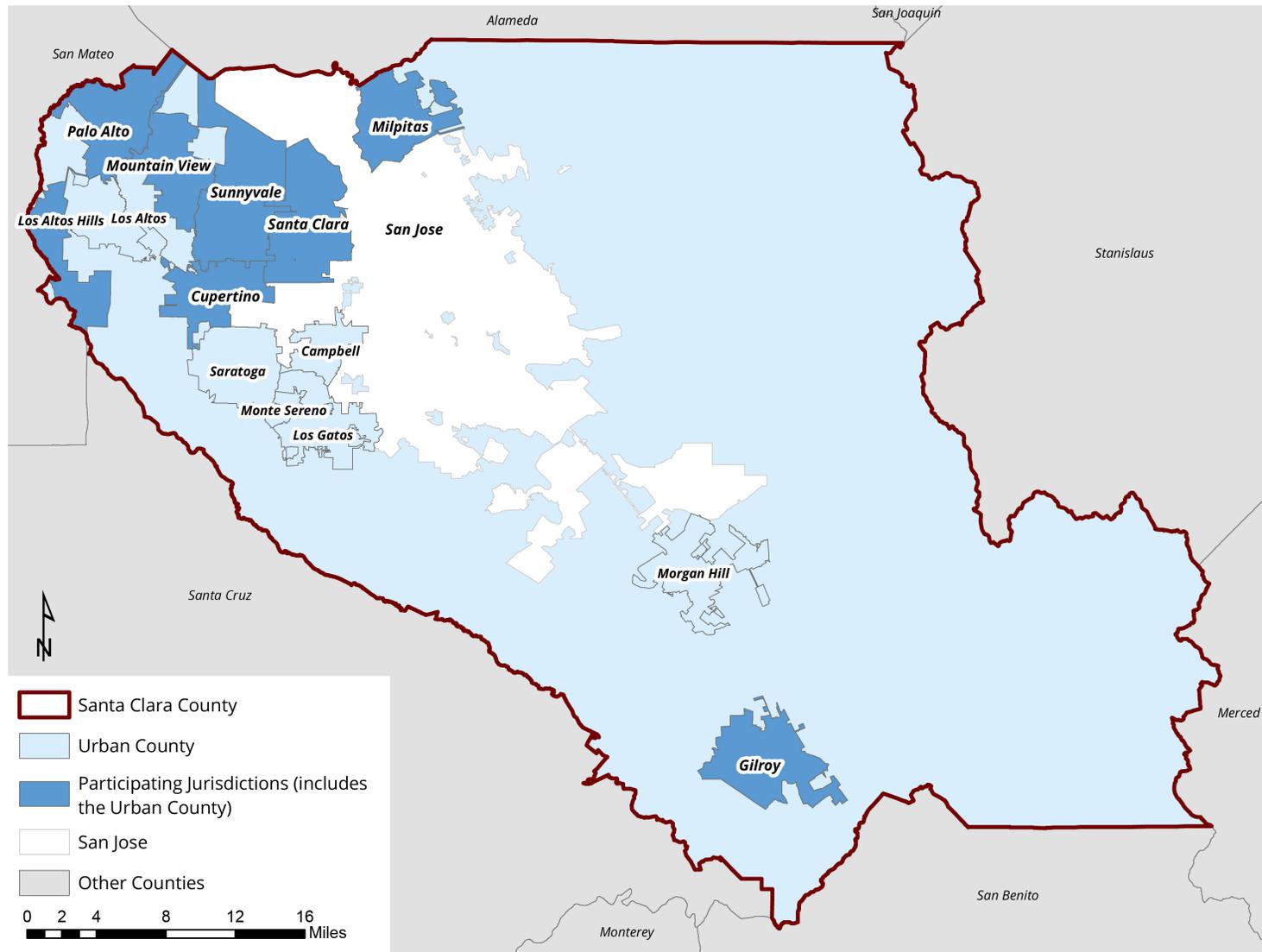
A note on methodology. The data used for the market analysis come from a variety of sources. In all cases, the data represent the latest, most readily available data to describe the housing market. Primary data sources include:

- American Community Survey (ACS) estimates from the United States Census Bureau (national, state, and county metrics reflect 1-year ACS estimates while sub-county geographies reflect 5-year ACS estimates);
- Comprehensive Housing Affordability Strategy (CHAS) data from HUD.
- Various market sources including Zillow Research and CoStar Group.

It is important to note that data contain a margin of error—meaning the actual market data could be larger or smaller than the estimate. Margin of error risk is greater in small geographies. Given this, the data in this section should be interpreted as suggesting a likely number or magnitude of change rather than a definitive number or percentage, especially in smaller jurisdictions.

Data labeled as “CHAS” are from a proprietary dataset maintained by the U.S. Department of Housing and Urban Development (HUD) and, at the time this section was prepared, newer data were not available. Use of these data for part of the analysis is required for the HUD Consolidated Plan.

Figure 1. Participating Jurisdictions and Urban County



Source: Root Policy Research.

Demographic Context

This section provides an overview of population and households as context for the subsequent housing market and affordability analyses.

KEY FINDINGS:

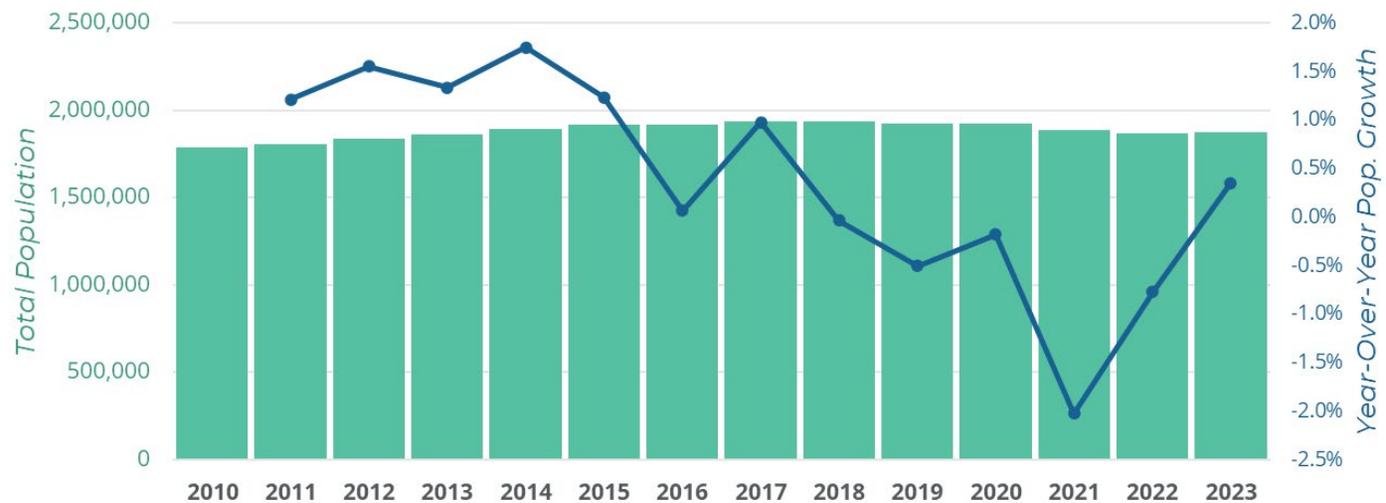
- The total population in Santa Clara County is relatively stable and the distribution of household types is similar to the state overall. The county's racial and ethnic profile, however, is distinct from the state with a higher proportion of Asian residents and fewer White and Hispanic residents.
- Santa Clara County incomes are higher than the state overall and have increased faster than the state in recent years, though not enough to keep up with housing prices.

- Dominant employment industries in the county pay either very high wages (manufacturing and professional services) or very low wages (health care and accommodation/food services). In-commuting is on the rise increasing from 39% in 2012, to 41% in 2017, and to 44% in 2022).

POPULATION. Santa Clara County is home to about 1.9 million residents, about half of whom live in the City of San José. Population growth was modest but positive from 2010 through 2017, flat through 2020 and then declined for the two years following the COVID-19 pandemic. Recent estimates show a return to positive growth through 2023. Figure 2 Shows total population and the year-over-year population growth for Santa Clara County 2010 through 2023.

Figure 2.
Santa Clara County
Population, 2010-
2023

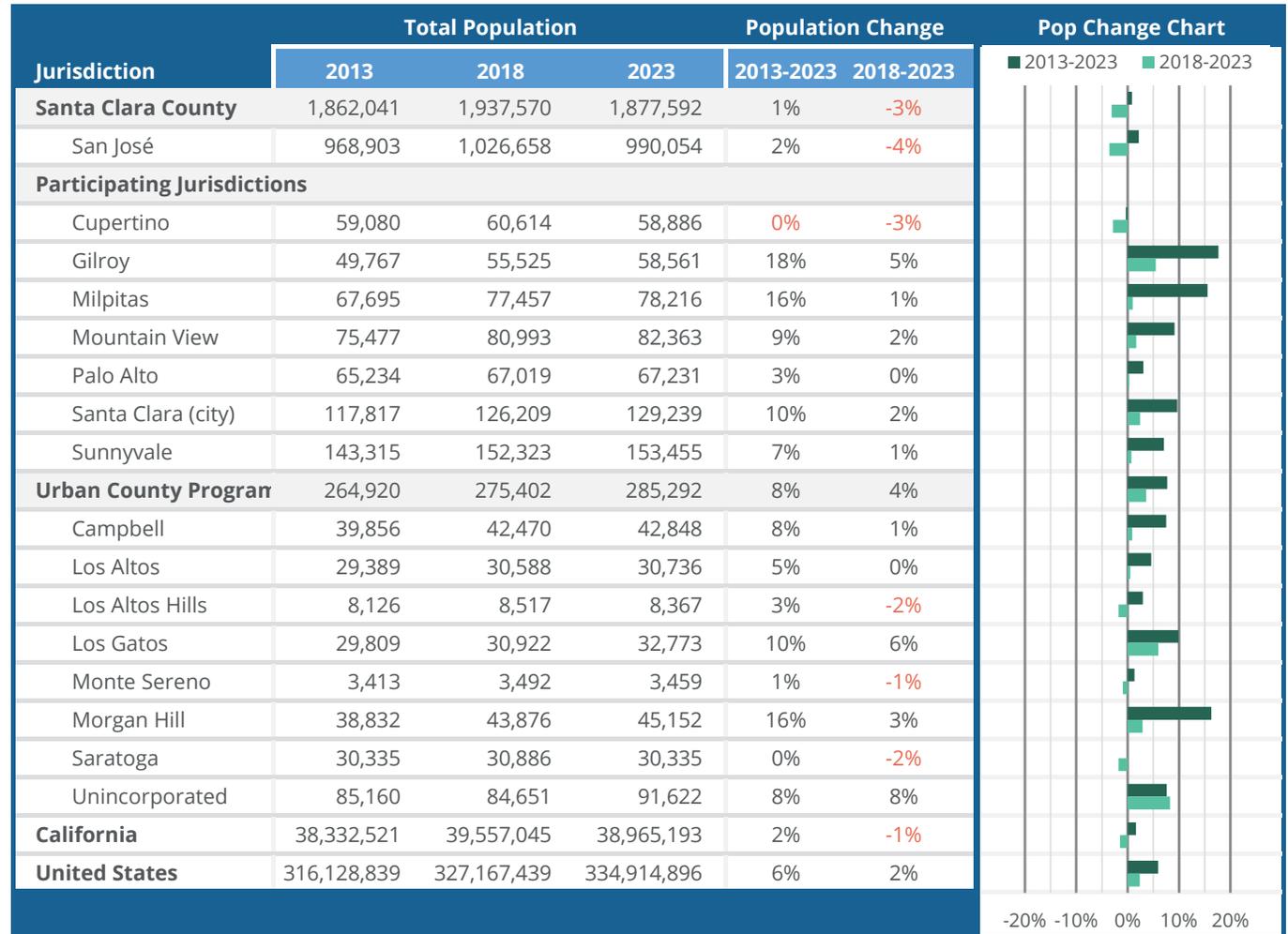
Source:
2010-2023 ACS and Root Policy
Research..



Among Participating Jurisdiction and Urban County communities, Gilroy, Los Gatos, Milpitas, Morgan Hill, and Unincorporated areas had the strongest growth (see figure 3).

Figure 3.
Population Changes, Participating Jurisdictions, 2013-2023

Source:
2013, 2018, and 2023 ACS, and Root Policy Research..



RACE/ETHNICITY. Santa Clara County’s racial and ethnic profile is distinct from California overall in that it has a higher proportion of Asian residents and lower proportions of non-Hispanic White and Hispanic residents.

Racial and ethnic distribution varies by community, most starkly in the following locations:

- Cupertino and Milpitas have a disproportionately high representation of Asian residents;
- Gilroy has a high representation of Hispanic residents; and

- Most Urban County Program communities have a disproportionately high representation of White residents.

Figure 4 shows the racial/ethnic distribution of the County, Participating Jurisdictions, and Urban County Program communities. In this figure—and throughout the report—race categories (White, Asian, Black/African American, American Indian or Alaska Native, and Other/Multiples races) reflect people who identify as non-Hispanic and the specified race. All residents—regardless of race—who identify their ethnicity as Hispanic are included in the Hispanic group. American Indian and Alaska Native is abbreviated as AIAN throughout.

Figure 4.
Race and Ethnicity, Participating Jurisdictions, 2023

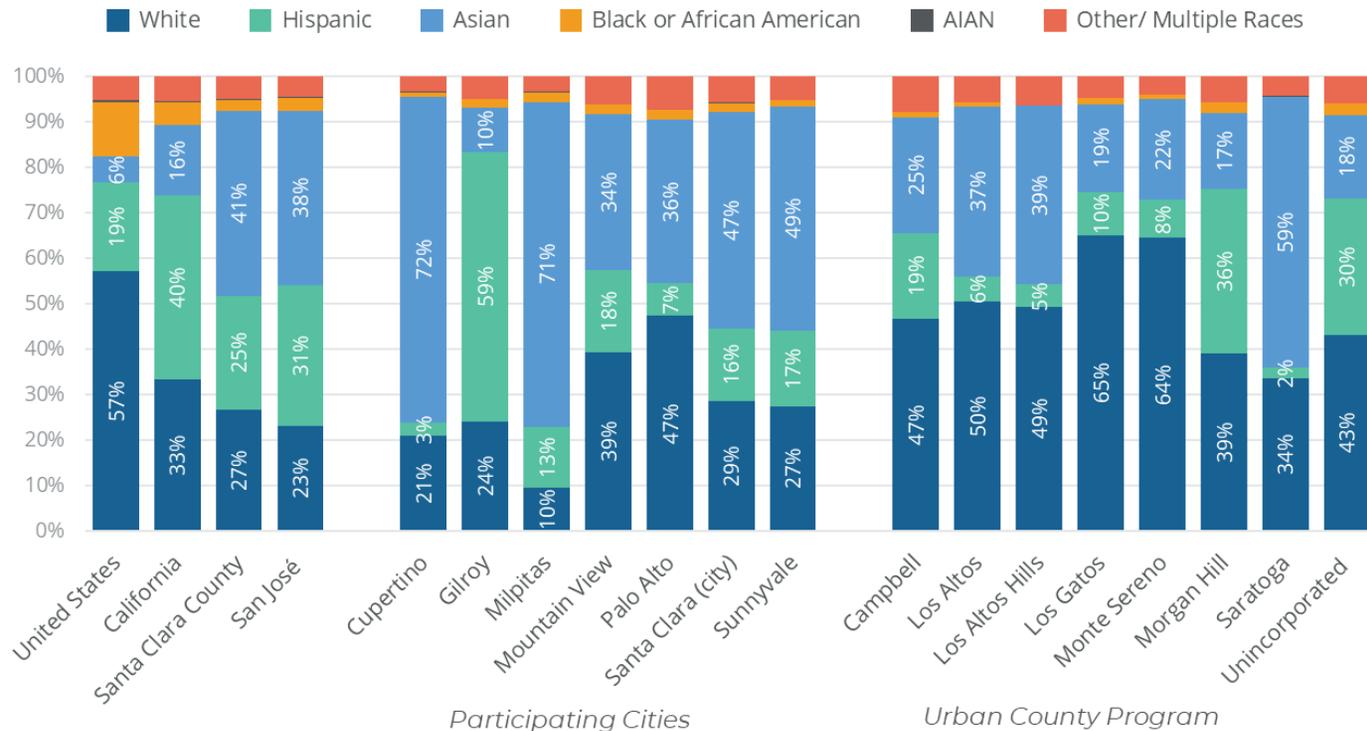
Note:

Racial/ethnic categories in the figure are mutually exclusive (e.g., White means non-Hispanic white).

AIAN means American Indian or Alaska Native.

Source:

2023 ACS and Root Policy Research.

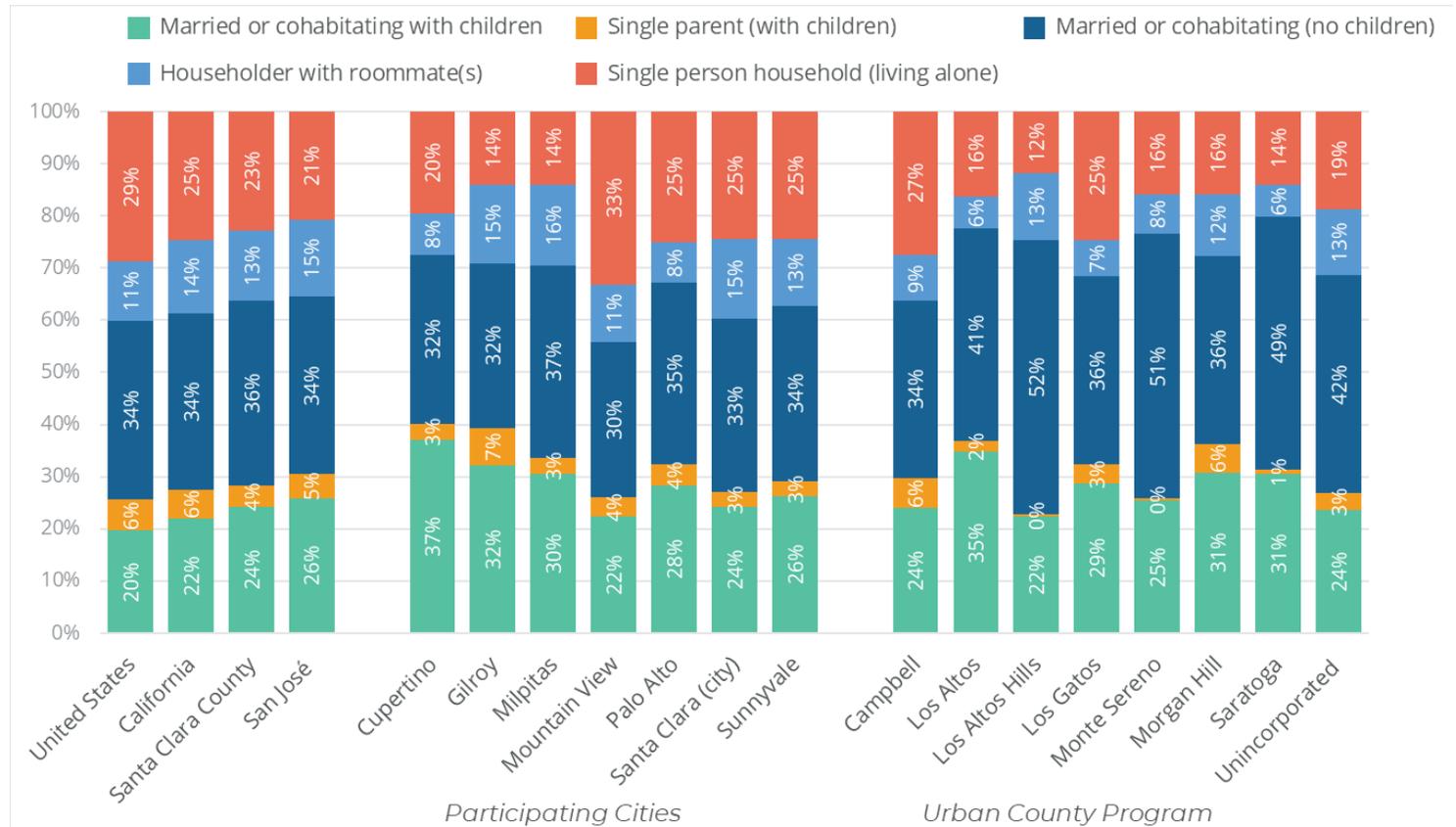


HOUSEHOLDS. Just over one quarter of households in the county include children (24% of households are married or cohabitating with children and another 4% are single parent households). Another 36% of households reflect married or cohabitating couples without children. Nearly a quarter (24%) are single-person households and 13% are non-family roommate households.

Household configuration is both a product of housing prices and availability (e.g., needing roommates to afford rent) but also a driver of housing production and unit type (developers trying to meet existing preferences and demand). Figure 5 shows household type for the County, Participating Jurisdictions, and Urban County Program communities. The U.S., California, and San José are included for context.

Figure 5.
Household Type,
Participating
Jurisdictions,
2023

Source:
2023 ACS and Root Policy
Research.



HOUSEHOLD INCOME. The median income in Santa Clara County is \$155,000—double the median income for the United States (\$78,000) and substantially higher than the statewide median of \$96,000.

As shown in Figure 6, Santa Clara County incomes have also increased faster over the past 10 years than incomes in country and state overall. However, as evident in subsequent sections, income gains were not sufficient to keep up with housing price and rent increases.

Figure 7, on the following page, shows median income by tenure for Participating Jurisdictions and Urban County Program Communities. It should be noted that, for some jurisdictions, the median is likely higher than what the Census Bureau tracks, resulting in a median of \$250,000 (the highest income cutoff in ACS data).

Among Participating Jurisdictions and Urban County Program Communities, Gilroy, Campbell, and Morgan Hill have the lowest median incomes, close to San Jose’s, but much higher than California and the U.S.

Figure 6.
Median Household Income by Tenure, 2013-2023

Source:
2013, 2018, and 2023
ACS and Root Policy
Research.

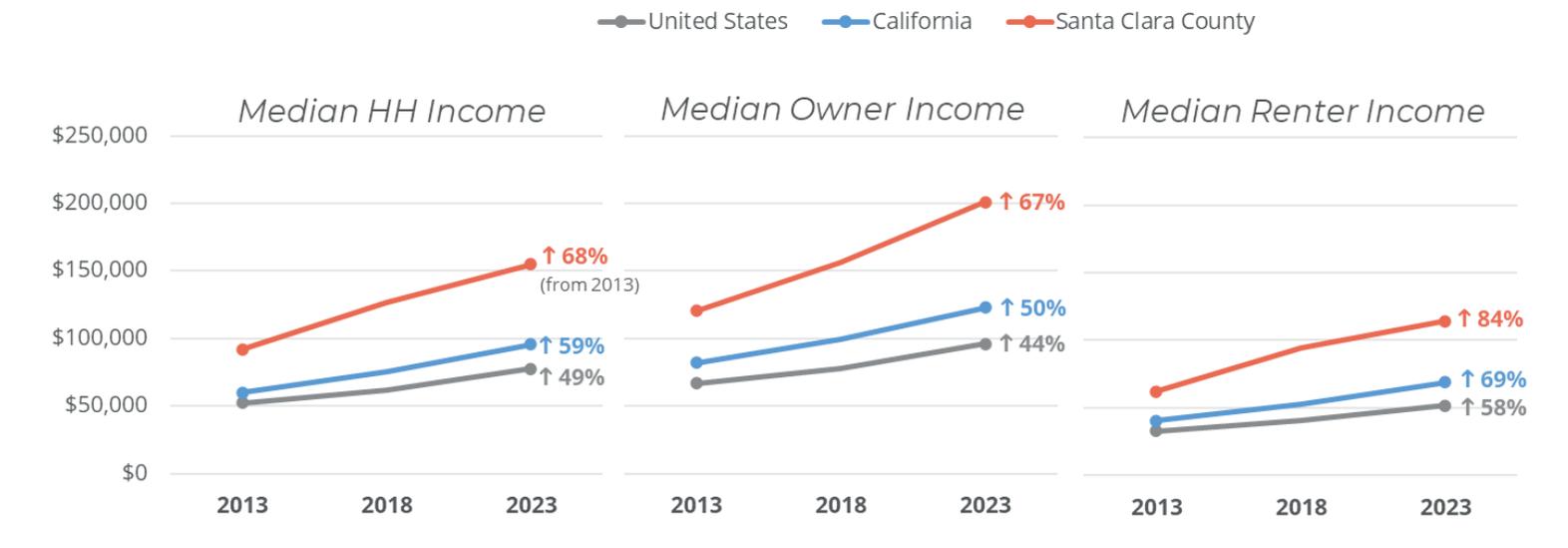
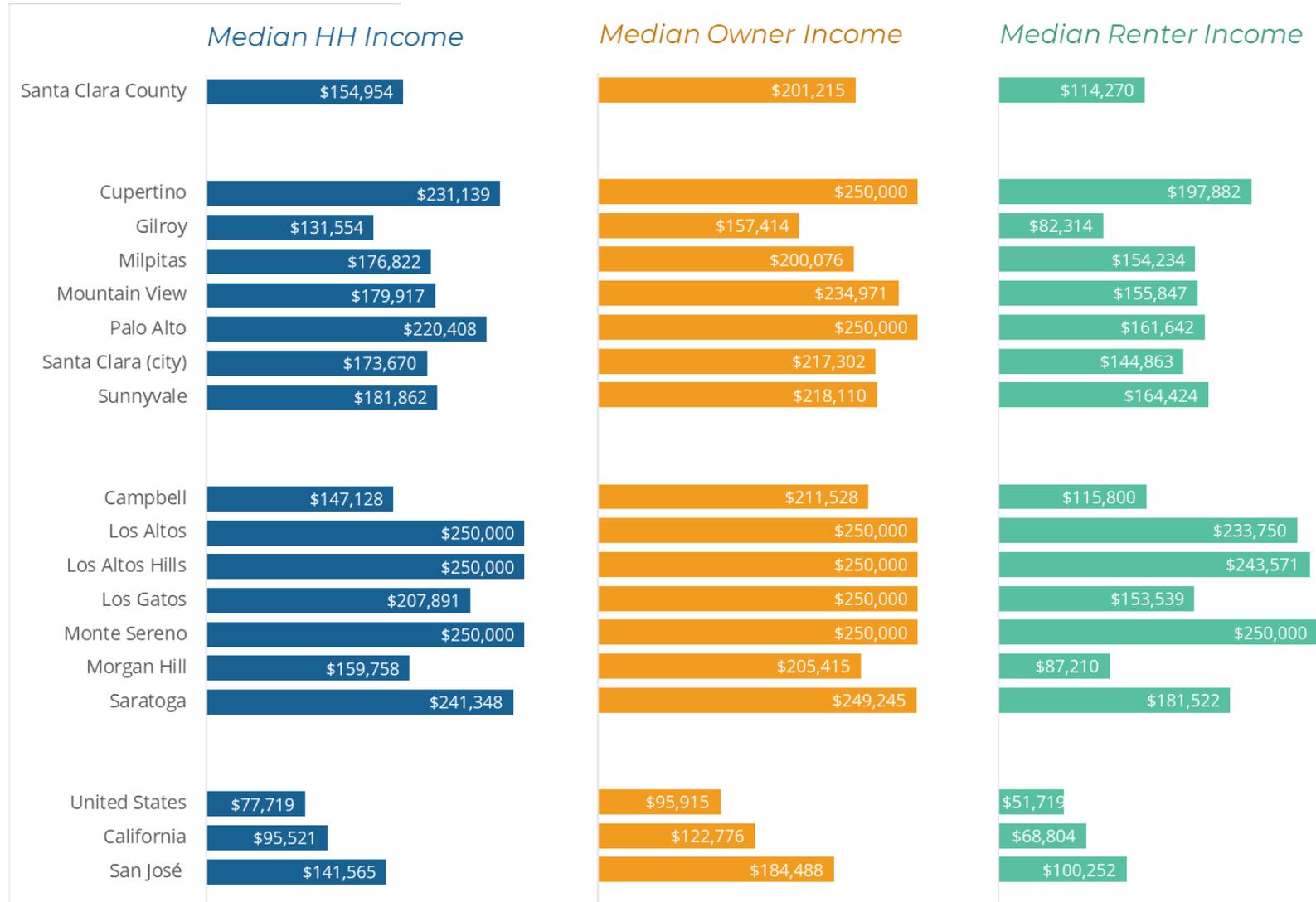


Figure 7.
Median Income by Tenure, Participating Jurisdictions, and Urban County Program Communities, 2023



Source: 2023 ACS and Root Policy Research..

WORKFORCE. Key industries in the county include manufacturing and professional services—both of which yield relatively high annual wages. However, health care and accommodation/food services are also leading industries (top five by size) and yield some of the lowest average annual wages.

Workers per household. As shown in Figure 9 on the following page, the labor force participation rate is relatively high in Santa Clara County (83%). Forty-five percent of households include at least 2 workers, and 11% have 3 or more workers per household. Gilroy and Milpitas have the highest proportion of households with 3 or more workers (15%).

Figure 8.
Employment and
Wages, Santa
Clara County,
2023

Source:
BLS QCEW and Root Policy
Research.

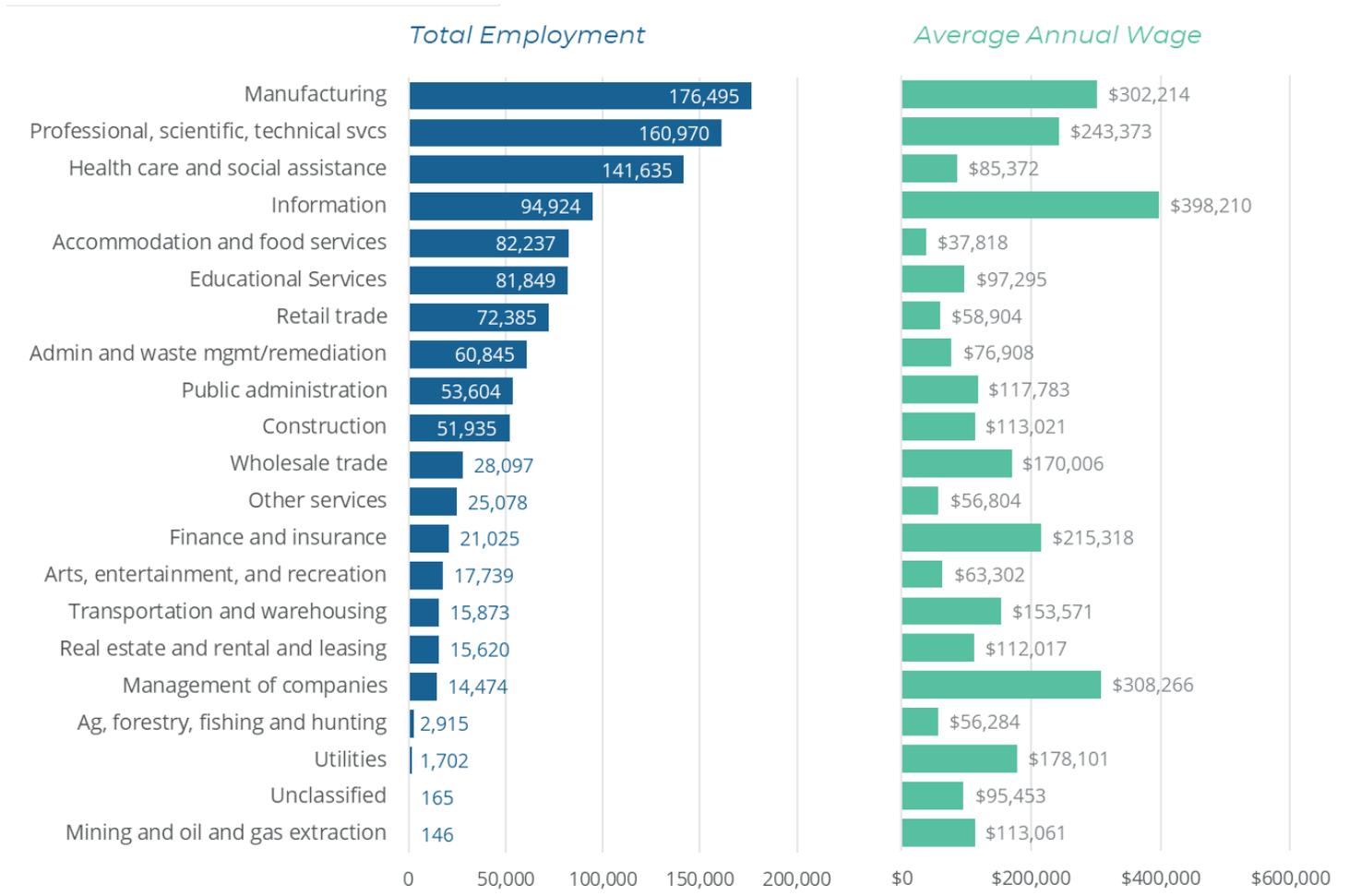
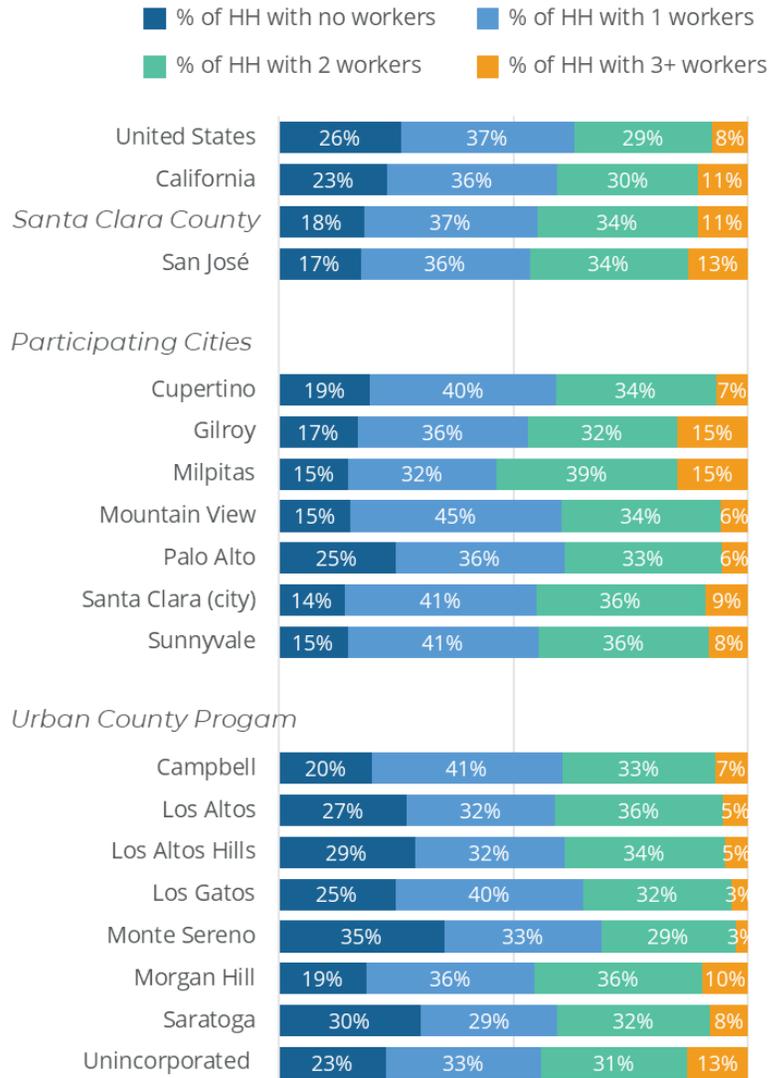


Figure 9. Workers per Household, Participating Jurisdictions, 2023

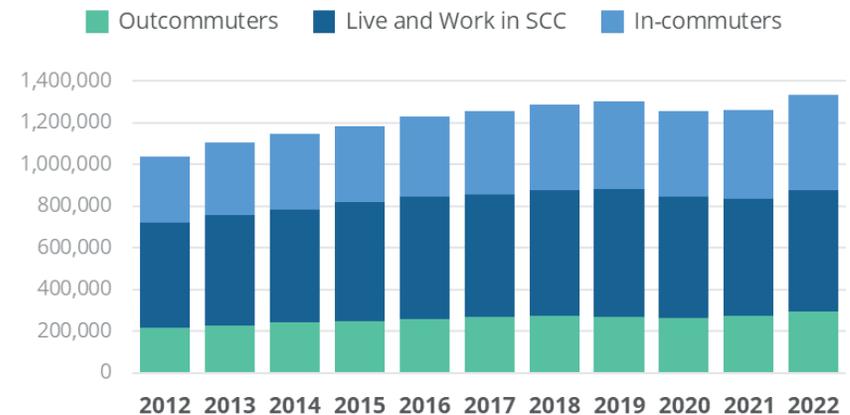


Source: 2023 ACS and Root Policy Research.

Commuting. Just over half (56%) of primary jobs located in Santa Clara County are filled by Santa Clara residents; the remaining 44% of primary jobs are filled by in-commuters. The proportion of in-commuters has increased gradually over time (from 39% in 2012, to 41% in 2017, up to 44% in 2022). Figure 10 shows inflow and outflow of workers to and from Santa Clara County.

The rise in in-commuting is likely driven by both limited housing supply (jobs increased faster than housing units over the past decade) and rising prices in Santa Clara County. In-commuters are primarily coming from Alameda County (25% of in-commuters), followed by San Mateo County (14%), San Francisco County (7%) and Contra Costa County (7%). Each of these counties, except San Mateo, has lower median rents and home values than Santa Clara County.

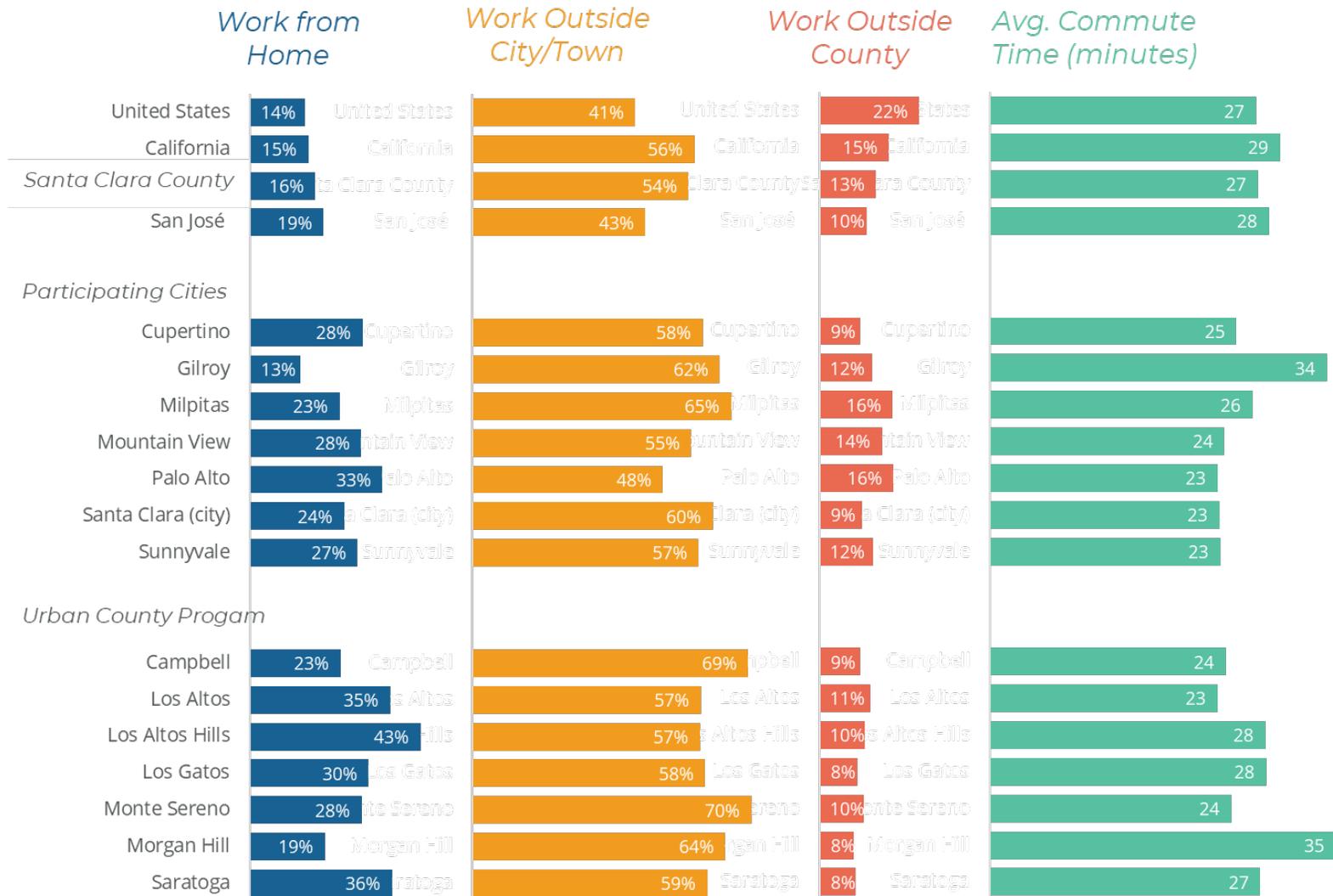
Figure 10. Inflow and Outflow of Workers, Santa Clara County, 2012-2022



Source: US Census Bureau Longitudinal Employment-Household Dynamics and Root Policy Research

Figure 11 highlights commuting characteristics. Commute times are longest for Gilroy and Morgan Hill residents.

Figure 11. Commute Characteristics, Participating Jurisdictions, 2023



Source: 2023 ACS and Root Policy Research.

Housing Profile

This section provides an overview of Santa Clara’s housing stock, including production trends, age, vacancy rates, and type of units. It also showcases trends in homeownership.

KEY FINDINGS:

- Housing production has not kept pace with job growth, resulting in an undersupply of housing relative to jobs.
- Permit volume rebounded to pre-Great Recession levels, though the currently high cost of debt may delay construction and delivery of future projects.
- Santa Clara County has more housing product diversity than California overall with a higher proportion of missing middle product types. However, housing diversity varies widely across communities.
- Homeownership (54%) in Santa Clara County declined slightly since 2013 and 2019, while homeownership in California and the United States shows the opposite trend.

HOUSING PRODUCTION. Figure 12 shows the change in housing units over the past 10 years. Despite an increase in housing units coupled with population decline over the past five

years, vacancy rates remain very low, signaling a tight housing market. Housing production did not keep pace with economic growth over the past decade (total jobs increased 18% between 2013 and 2023), contributing to an undersupply of housing relative to jobs.

Figure 12. Housing Units, County and Communities, 2013-2023

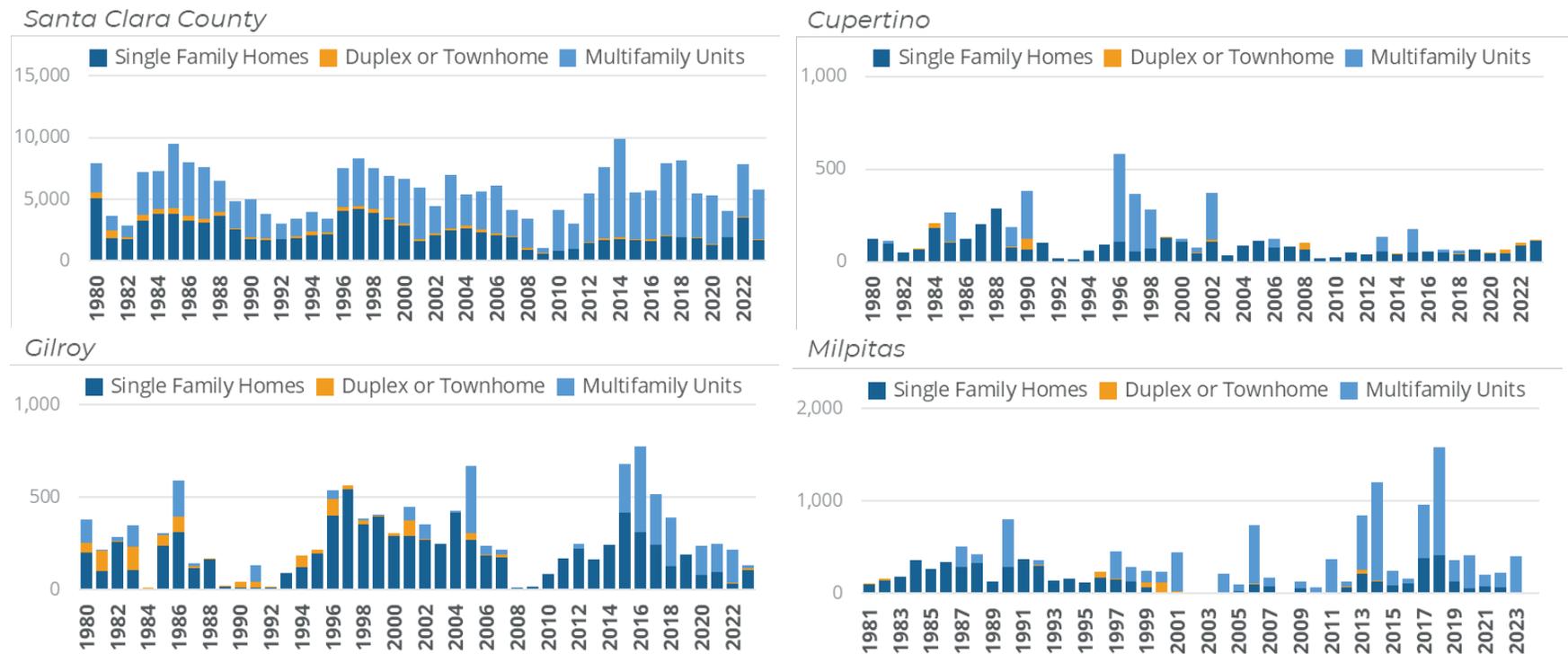
Jurisdiction	Total Housing Units			Housing Unit Change	
	2013	2018	2023	2013-2023	2018-2023
Santa Clara County	642,654	678,530	703,922	10%	4%
San José	319,700	334,350	343,058	7%	3%
Participating Cities					
Cupertino	21,473	21,788	22,341	4%	3%
Gilroy	15,024	16,585	17,732	18%	7%
Milpitas	20,744	23,574	25,763	24%	9%
Mountain View	33,468	35,903	38,770	16%	8%
Palo Alto	27,789	27,753	29,104	5%	5%
Santa Clara (city)	44,632	46,485	51,886	16%	12%
Sunnyvale	56,168	58,915	61,808	10%	5%
Urban County Progra	97,192	100,012	103,747	7%	4%
Campbell	16,616	17,819	17,950	8%	1%
Los Altos	11,493	11,040	11,620	1%	5%
Los Altos Hills	3,052	3,356	3,430	12%	2%
Los Gatos	13,102	12,925	13,901	6%	8%
Monte Sereno	1,259	1,251	1,439	14%	15%
Morgan Hill	13,133	15,070	15,025	14%	0%
Saratoga	11,324	11,417	11,404	1%	0%
Unincorporated	27,213	27,134	28,978	6%	7%
California	13,791,262	14,277,867	14,762,527	7%	3%
United States	132,808,137	138,539,906	145,333,462	9%	5%

Source: 2013, 2018, and 2023 ACS, and Root Policy Research.

Figure 13 shows permit data (based on the U.S. Census Bureau’s State of the Cities Data Systems, or SOCDs) for Santa Clara County, Participating Jurisdictions, and the Urban County Program communities collectively. The scale is adjusted on each figure to maximize visibility based on each jurisdiction’s permit volume. (Note that SOCDs data may differ slightly from local permit reports but is used here for consistent comparison across communities).

Permit activity in the County overall has been fluctuating between 5,000 and 7,500 units annually with most units multifamily. “Missing Middle” housing types such as duplexes and townhomes remain a very small proportion of total permits in all parts of the county. Housing development in Urban County Program communities is dominated by single family homes, excluding a few substantial multifamily projects in 2020 and 2022.

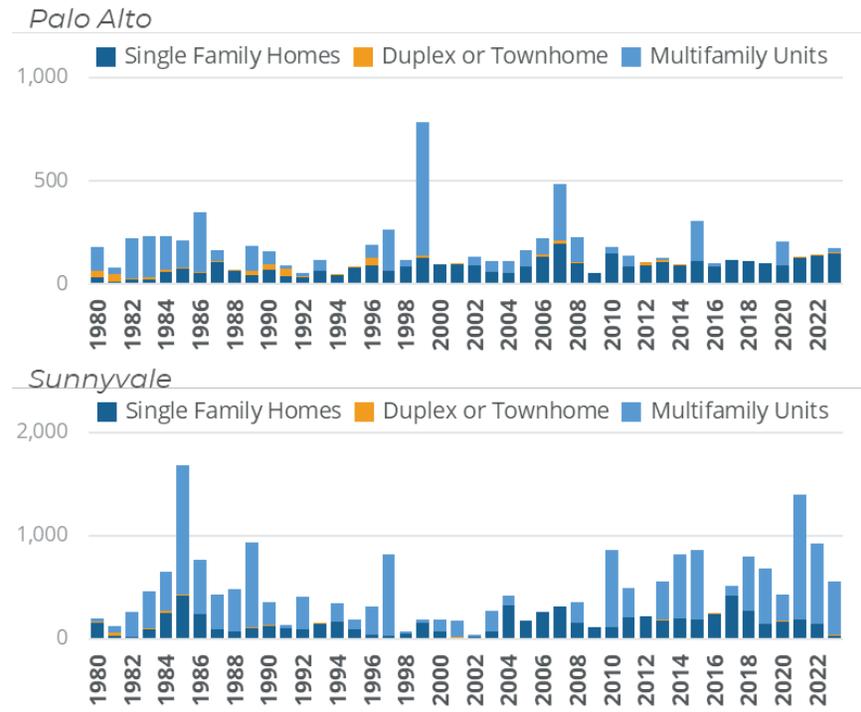
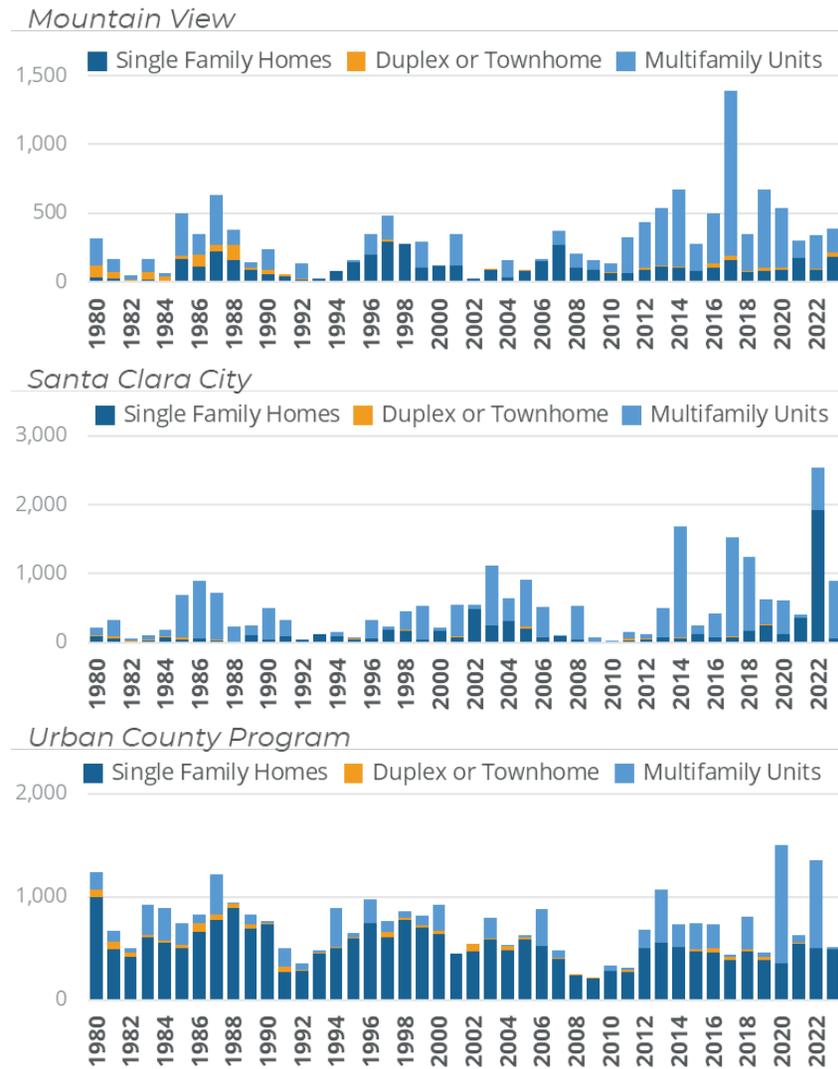
Figure 13. Units Permitted by Structure Type, County, Participating Cities, and Urban County Program, 1980-2023



Note: “Multifamily Units” means any unit in a building with five or more units. “Duplex or townhome” includes all units in structures with 2 to 4 units.

Source: SOCDs and Root Policy Research.

Figure 13 (Continued).



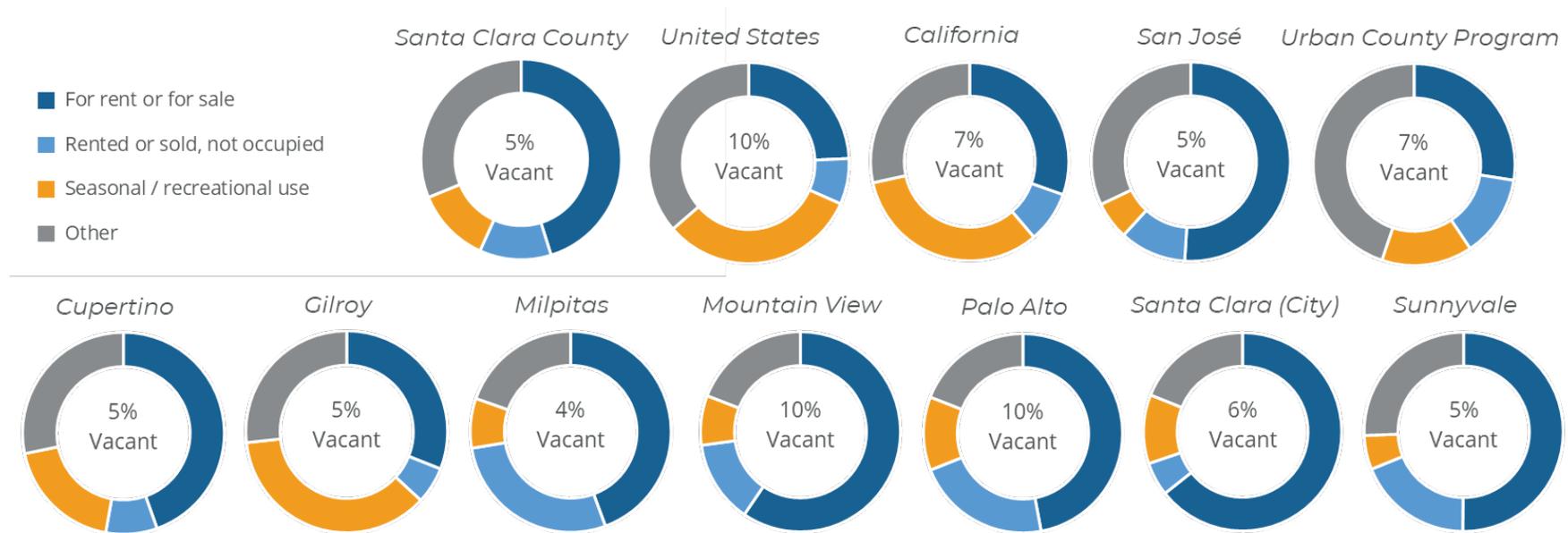
Note: "Multifamily Units" means any unit in a building with five or more units. "Duplex or townhome" includes all units in structures with 2 to 4 units.

Source: SOCDs and Root Policy Research.

VACANCY. According to ACS data, just 5% of county housing units are currently vacant. Of those, nearly half (45%) are listed for rent or sale, 12% are rented or sold but remain unoccupied, another 12% are vacant for seasonal, recreational, or occasional use, and the remaining 31% are vacant for other or unspecified reasons. Figure 14 shows the proportion of total

housing units that are vacant (inside each doughnut chart) and the distribution of reasons for vacancy among those vacant units. Due to small samples and margin of error, data for Urban County Program communities is shown collectively. Rental vacancy rates are discussed in more detail in a subsequent section on rental affordability and market trends.

Figure 14.
Overall Vacancy Rates and Distribution of Reasons for Vacancy, County and Participating Jurisdictions, 2023.

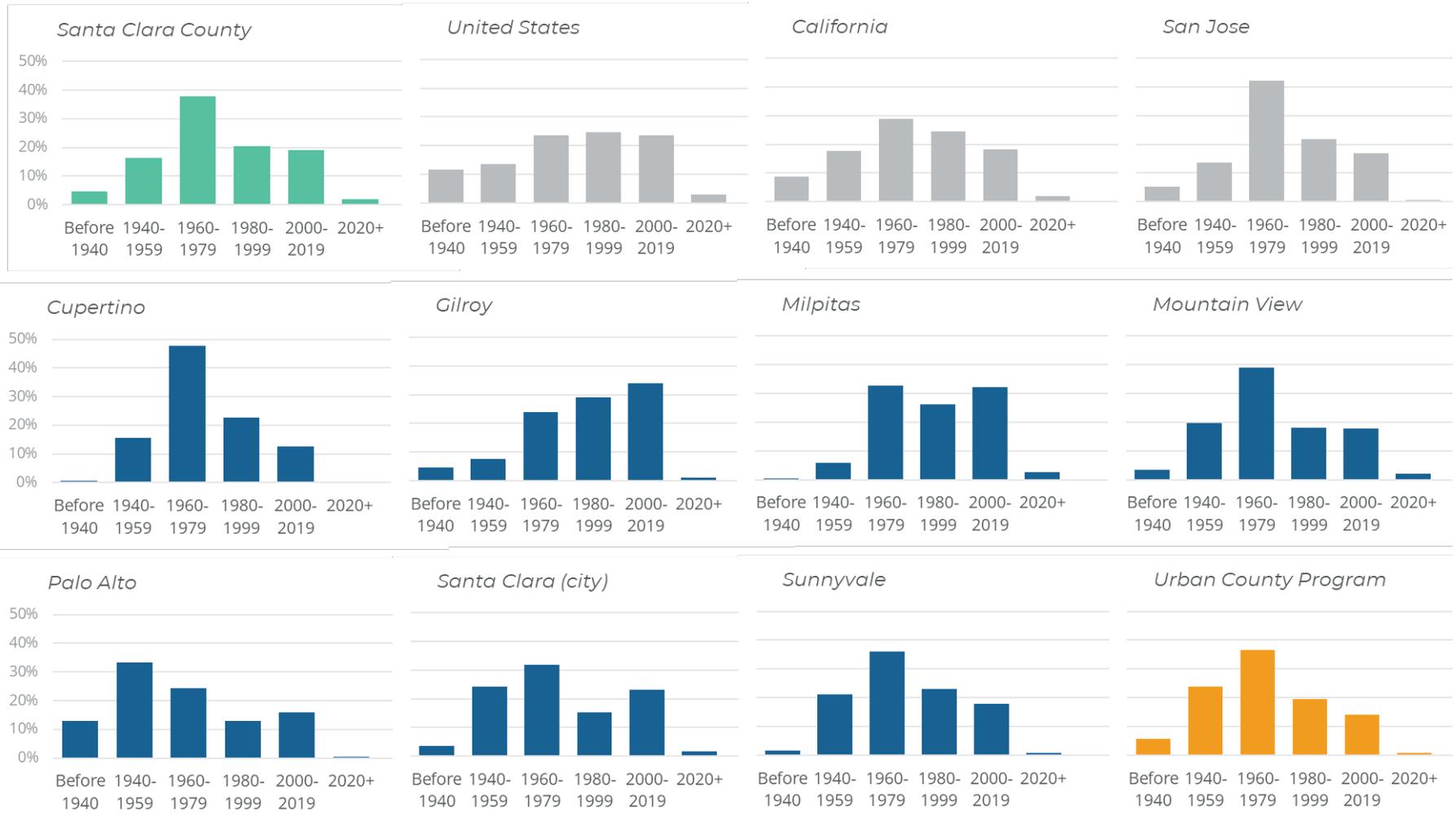


Source: 2023 ACS and Root Policy Research

AGE OF HOUSING STOCK. Santa Clara County homes were primarily built between 1960 and 1980, driven largely by a construction boom in San José as well as other parts of the county. Gilroy and Milpitas have the newest housing

stock in line with their recent population growth and housing production trends. Figure 15, on the following page, shows the distribution of year built for all housing units in the County and Participating Jurisdictions.

Figure 15.
Year Built for all Housing Units, County, Participating Jurisdictions, and Urban County Communities, 2023



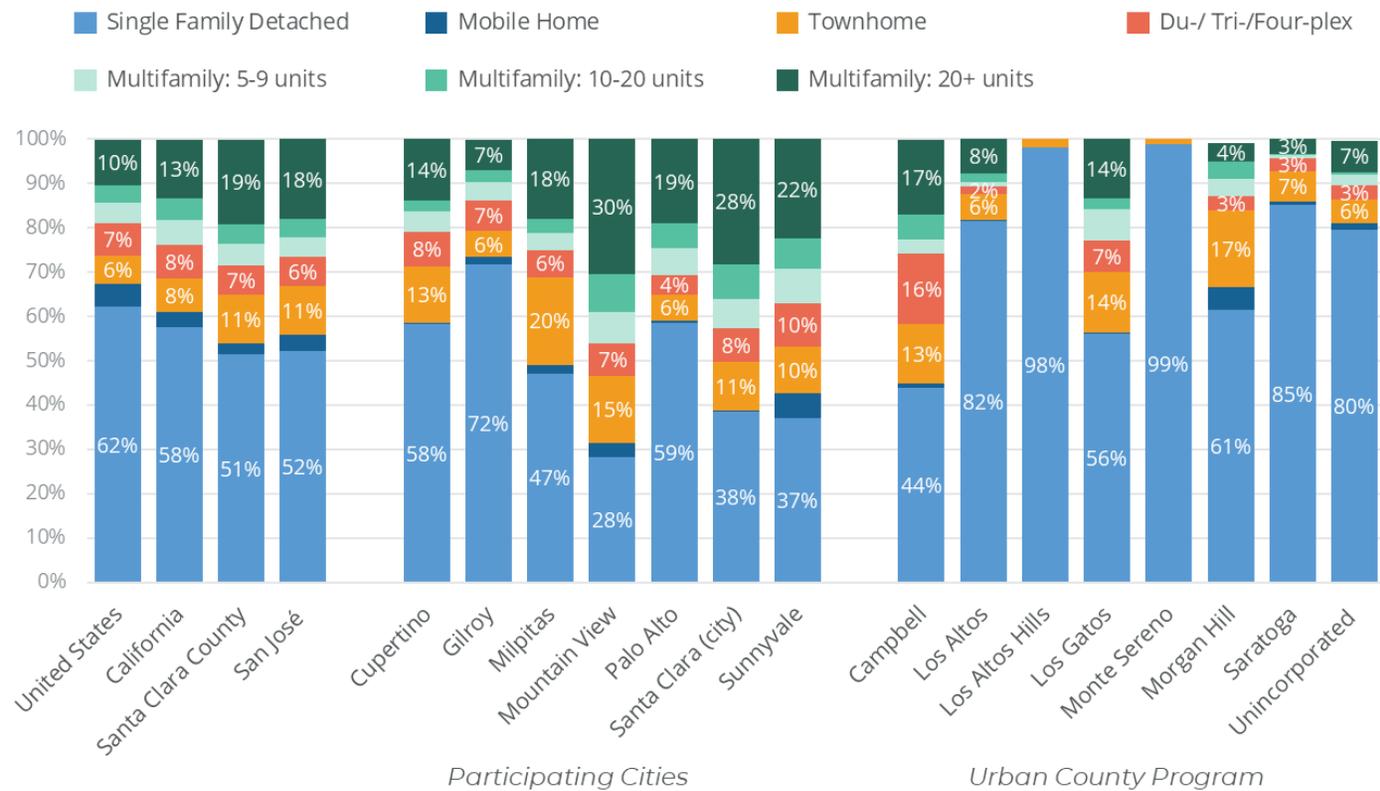
Source: 2023 ACS and Root Policy Research.

TYPE OF HOUSING. Santa Clara County has more housing product diversity than California overall with a higher proportion of missing middle product types (townhomes, duplexes, and other attached products in small structures)

paired with a lower proportion of single family homes (51% in the county compared to 58% statewide). However, product type and diversity varies widely across jurisdictions, as shown in Figure 16.

Figure 16.
Housing Units by Structure Type, Participating Jurisdictions and Urban County Communities, 2023

Source:
2023 ACS and Root Policy Research.

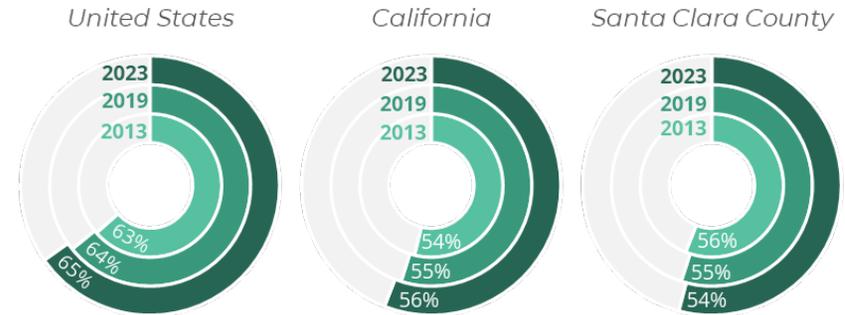


HOMEOWNERSHIP. The current ownership rate in Santa Clara County is 54%—meaning 54% of households are owner-occupied and the remainder, 46%, are renter-occupied. This is similar to California overall (56% owners) but lower than the U.S. (65%).

As shown in Figure 17 (at right), the ownership rate in Santa Clara County has declined slightly since 2013 (and 2019), while homeownership in California and the United States shows the opposite trend.

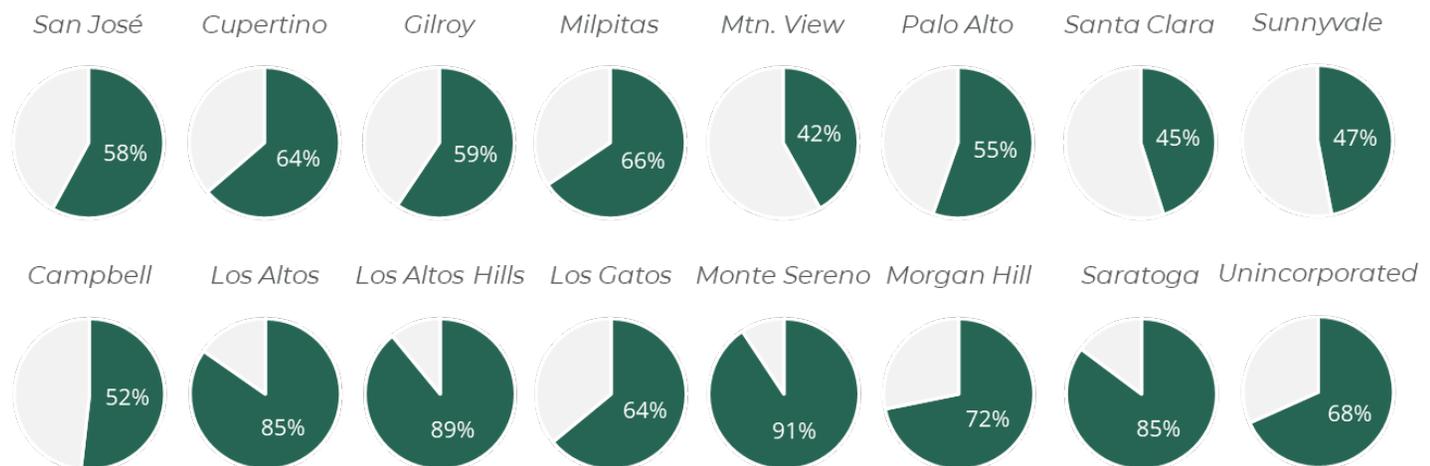
Figure 18 (below) illustrates how widely homeownership rates vary across the County—from 42% in Mountain View to 91% in Monte Sereno.

Figure 17.
Homeownership Rate, U.S., California, and Santa Clara County, 2013, 2019, and 2023



Source: 2013, 2019 and 2023 ACS and Root Policy Research.

Figure 18.
Homeownership Rate, Participating Jurisdictions, 2023



Source:
2023 ACS and Root Policy Research.

Vulnerable Populations Needs Assessment

This section provides an overview of vulnerable populations who may have unique or acute housing needs, including people experiencing homelessness, households with HUD-defined housing problems, and HUD-specified “non-homeless special needs populations.” Participating Jurisdictions’ Consolidated Plans contain extensive detail on each of these topics and can be referenced for additional data and analysis.

KEY FINDINGS:

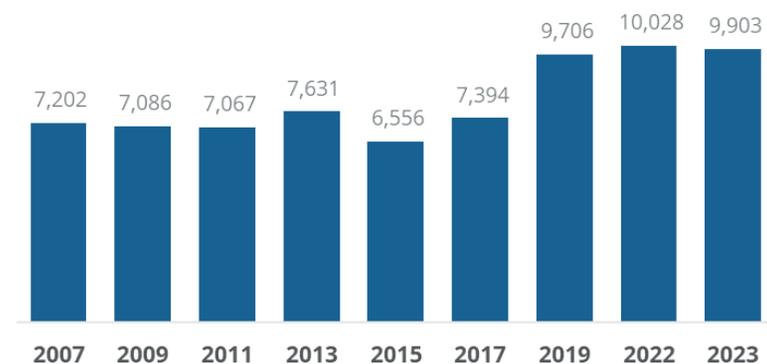
- During the January Point in Time Count in 2023, there were about 9,900 people experiencing homelessness (PEH) in Santa Clara County—or 5 PEH per 1,000 total residents.
- A variety of non-homeless subgroups in Santa Clara County have unique housing or service needs including elderly and frail elderly, people with disabilities, persons with substance abuse problems, persons living with HIV/AIDS, and persons experiencing domestic violence. Both services and housing are in high demand to meet acute needs.
- Top needs among the specific subpopulations outlined above are services for people needing treatment for substance use, and housing/services for elderly residents and/or people with disabilities.
- Cost burden is the most common problem in Santa Clara County, affecting 231,000 households countywide (47% of renters and 26% of owners).

PEOPLE EXPERIENCING HOMELESSNESS.

A total of 9,903 individuals were counted as experiencing homelessness in Santa Clara County in the 2023 Point in Time (PIT) count—75% of which were unsheltered and 25% were sheltered homeless. Among the countywide homeless population:

- 32% were experiencing chronic homelessness;
- 5% were veterans;
- 12% were families; and
- 8% were youth or young adults.

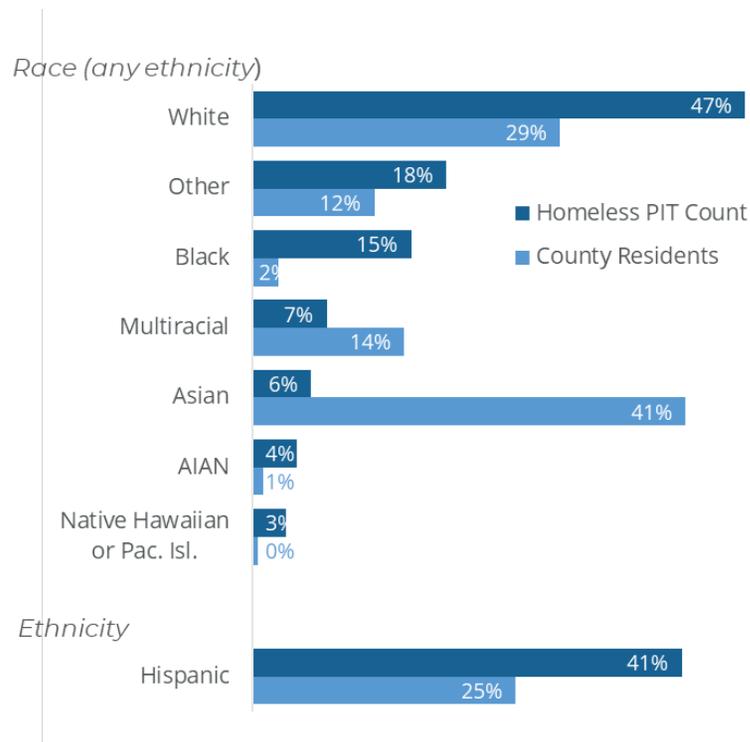
Figure 19.
People Experiencing Homelessness (Point in Time Count), Santa Clara County, 2007-2023



Source: Santa Clara County PIT, Destination Home, and Root Policy Research.

The racial and ethnic profile of people experiencing homelessness in Santa Clara County indicates an overrepresentation of Hispanic, White (any ethnic background) and Black residents relative to their representation in the community overall (see Figure 20).

Figure 20.
People Experiencing Homelessness (PIT Count) by Race/Ethnicity, Santa Clara County, 2007-2023



Source: Santa Clara County PIT, Destination Home, and Root Policy Research.

Figure 21 shows PIT Count data by community, along with a per capita ratio showing the number of people experiencing homelessness per thousand residents. Gilroy, Mountain View, and San José have the highest per capita homelessness

Figure 21.
People Experiencing Homelessness (PIT Count), Santa Clara County and Participating Jurisdictions, 2023

Jurisdiction	People Exp. Homelessness -PIT Cou			2023 PEH Per 1,000 Residents
	2019	2022	2023	
Santa Clara County	9,706	10,028	9,903	5.27
San José	6,097	6,650	6,266	6.33
Participating Jurisdictions				
Cupertino	159	102	48	0.82
Gilroy	704	814	1,048	17.90
Milpitas	125	274	142	1.82
Mountain View	606	346	562	6.82
Palo Alto	313	274	206	3.06
Santa Clara (city)	326	440	461	3.57
Sunnyvale	624	385	471	3.07
Urban County Program	651	680	637	2.23
Campbell	74	216	92	2.15
Los Altos	76	65	0	0.00
Los Altos Hills	0	0	0	0.00
Los Gatos	16	58	81	2.47
Monte Sereno	0	0	0	0.00
Morgan Hill	114	60	230	5.09
Saratoga	0	0	0	0.00
Unincorporated	371	281	234	2.55

Source: 2019, 2022, and 2023 PIT Count Santa Clara County, 2023 ACS, and Root Policy Research.

SPECIAL NEEDS HOUSEHOLDS. As part of the Consolidated Plan process, HUD asks jurisdictions specifically about the housing needs of non-homeless special needs groups including elderly and frail elderly, persons with mental/physical/developmental disabilities, persons with alcohol/drug addiction, persons living with HIV/AIDS, and persons experiencing domestic violence.

Figure 22 (on the following page) summarizes the population size of each of these groups along with an estimate of housing or service needs within each group for Participating Jurisdictions and the Urban County Program. Total population is generally determined by ACS data (and in some cases survey

data on incidence rates); housing needs reflect HUD data on housing problems of each group, poverty within each group, and/or survey estimates of housing needs.

For people with a substance use disorder, the need estimate reflects the number of people needing treatment for substance use. This group shows the highest need for services across all jurisdictions.

The population with the second largest housing or service need is elderly residents in all jurisdictions except Sunnyvale, where people with disabilities have a higher need estimate.

Figure 22.
HUD-Specified Non-Homeless Special Needs Populations

Non-Homeless Special Needs Population	Urban County Program			Cupertino			Gilroy			Milpitas		
	Total	With Housing or Service Need		Total	With Housing or Service Need		Total	With Housing or Service Need		Total	With Housing or Service Need	
Elderly (defined as 62 and older)	97,718	6,210	6%	10,786	598	6%	8,676	911	11%	13,152	1,656	13%
Frail elderly (elderly person who requires assistance with 3 or more activities of daily living*)	7,392	470	6%	957	53	6%	857	90	11%	1,284	162	13%
Persons with mental, physical, and/or developmental disabilities	38,833	5,126	13%	3,593	561	16%	5,453	878	16%	6,277	1,011	16%
Persons with alcohol or other drug addiction	64,548	26,535	41%	8,101	3,293	41%	7,932	3,379	43%	11,984	5,183	43%
Persons living with HIV/AIDS	927	no data	no data	116	no data	no data	110	no data	no data	156	no data	no data
Victims of domestic violence**	13,351	1,380	10%	1,639	167	10%	1,555	161	10%	2,257	228	10%

Non-Homeless Special Needs Population	Mountain View			Palo Alto			Santa Clara (city)			Sunnyvale		
	Total	With Housing or Service Need		Total	With Housing or Service Need		Total	With Housing or Service Need		Total	With Housing or Service Need	
Elderly (defined as 62 and older)	11,707	1,140	10%	14,958	1,068	7%	18,253	1,521	8%	109,432	8,852	8%
Frail elderly (elderly person who requires assistance with 3 or more activities of daily living*)	906	88	10%	1,179	84	7%	1,447	121	8%	7,816	632	8%
Persons with mental, physical, and/or developmental disabilities	5,467	880	16%	4,730	738	16%	9,694	1,444	15%	64,419	10,243	16%
Persons with alcohol or other drug addiction	12,894	5,644	44%	8,953	3,581	40%	21,323	9,549	45%	87,900	37,343	42%
Persons living with HIV/AIDS	164	no data	no data	133	no data	no data	260	no data	no data	1,189	no data	no data
Victims of domestic violence**	2,374	241	10%	1,921	201	10%	3,841	390	10%	17,282	1,787	10%

Note: * Activities of daily living such as bathing, walking, and performing light housework.

**Domestic violence includes rape, physical violence and/or stalking by an intimate partner.

Source: 2023 ACS, NISVS, NSDUH, CDC, and Root Policy Research.

HUD-DEFINED HOUSING PROBLEMS.

HUD identifies four housing problems, which are reported in HUD's Comprehensive Housing Affordability Strategy (CHAS) data:

- Housing unit lacking complete kitchen facilities;
- Housing unit lacking complete plumbing facilities;
- Household being overcrowded (more than 1.5 people per room); and,
- Households being cost burdened (spending 30% or more of their gross income on housing costs).

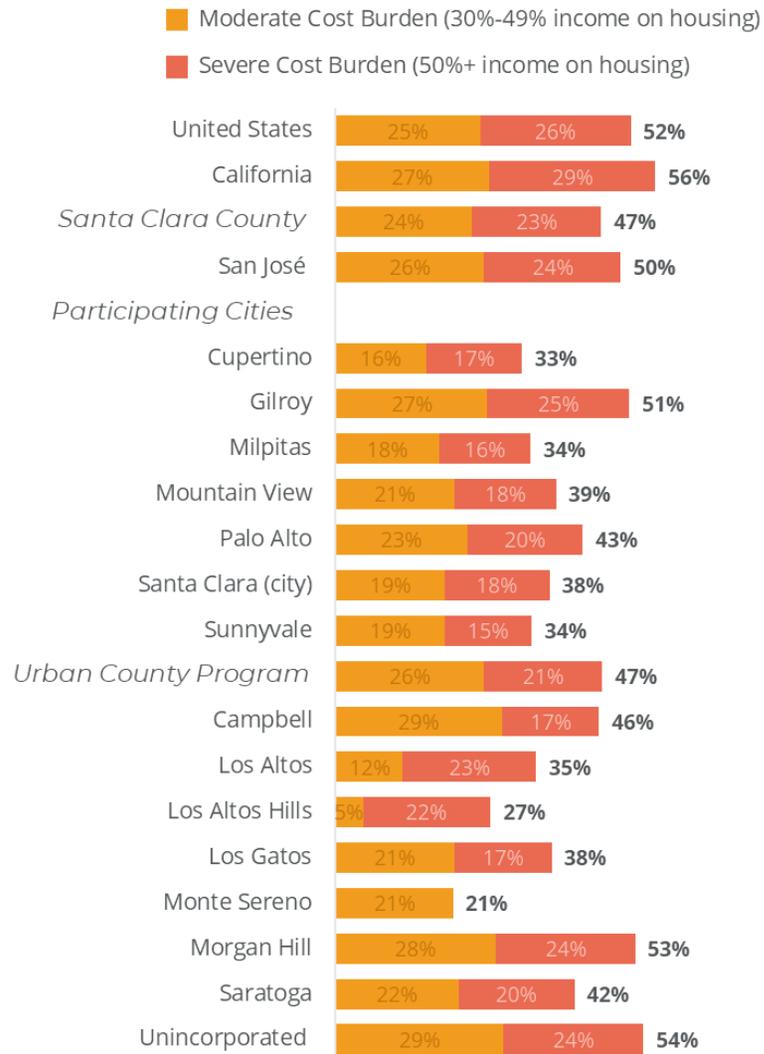
The CHAS data for Santa Clara County overall (including San José) identify nearly 250,000 households as having at least one of those four housing problems (about 38% of all households in the county). The most common housing problem—by far—is cost burden, affecting 231,000 households in Santa Clara County overall—about 35% of all households.

Renters are more likely than owners to experience cost burden—nearly half of Santa Clara County renters are cost burdened, compared to about one-quarter of owners.

See Figure 23 for renter cost burden and Figure 24 for owner cost burden (both on the following page). The figures also display the severity of cost burden. Households that are “severely cost burdened,” spending more than 50% of their income on housing costs, are considered at risk of homelessness. These households have limited capacity to adjust to rising home prices and are vulnerable to even minor shifts in rents, property taxes, and/or incomes.

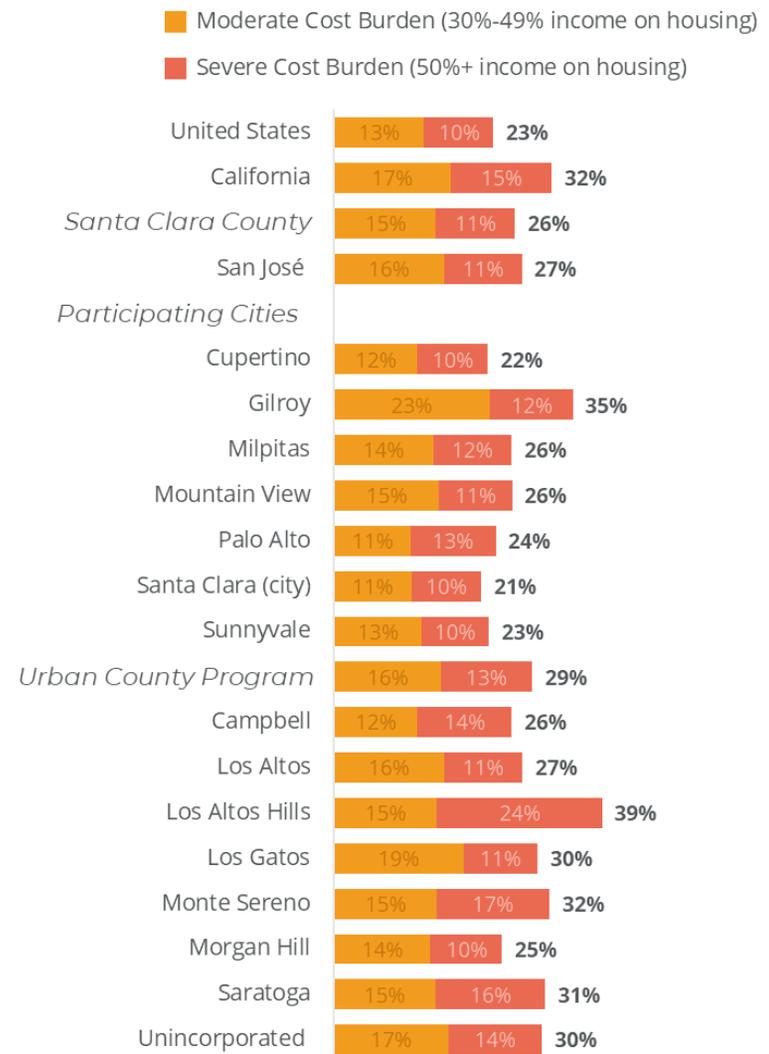
Renter cost burden is highest in Gilroy, Morgan Hill, and unincorporated areas. Owner cost burden is highest in Gilroy and Lost Altos Hills.

**Figure 23.
Renter Cost Burden**



Source: 2023 ACS and Root Policy Research.

**Figure 24.
Owner Cost Burden**



Source: 2023 ACS and Root Policy Research.

Affordability Analysis

This section discusses changes in housing prices and affordability for residents of Santa Clara County overall and by jurisdiction.

DEFINING AFFORDABILITY. The most common measure of affordability assesses the “burden” housing costs put on a household. If a household pays more than 30% of their gross income in rent or mortgage payment (including taxes and basic utilities), they are considered to be cost burdened. The higher the cost burden, the higher the risk of eviction, foreclosure, and homelessness due to the challenges of households managing housing costs.

Households spending 50% or more of their income on housing are considered at risk of homelessness. These households have limited capacity to adjust to rising home prices and are vulnerable to even minor shifts in rents, property taxes, and/or incomes.

Cost burden is important because it also indicates how well a household can manage other expenses—e.g., childcare, transportation, health care—and how much disposable income they have to contribute to the economy. Families with persistent cost burden can struggle to attain upward economic mobility, which can have trickle down effects for their children.

It is important to note that cost burden exists in nearly every community because demand exceeds the supply of housing at various price points. Some residents—e.g., persons with

disabilities living on fixed incomes—cannot avoid cost burden unless they occupy publicly subsidized housing or receive Housing Choice Vouchers. Unless an adequate supply of affordable housing is available, being cost burdened may be the only option for certain residents.

Federal definition of affordability

- 1) Housing costs are “affordable” if they do not exceed 30% of household’s gross monthly income
- 2) “Costs” include basic utilities, mortgage insurance, HOA fees, and property taxes



HUD income categories. Eligibility for housing programs rely on income limits published by the U.S. Department of Housing and Urban Development (HUD) that are represented as percentages of the area median family income (commonly abbreviated as “HUD AMI” or simply “AMI”).

HUD publishes current-year income limits based on an internal calculation that estimates AMIs by household size and region.

Figure 25 shows the income limits and AMIs that apply to Santa Clara County and its jurisdictions in 2024.

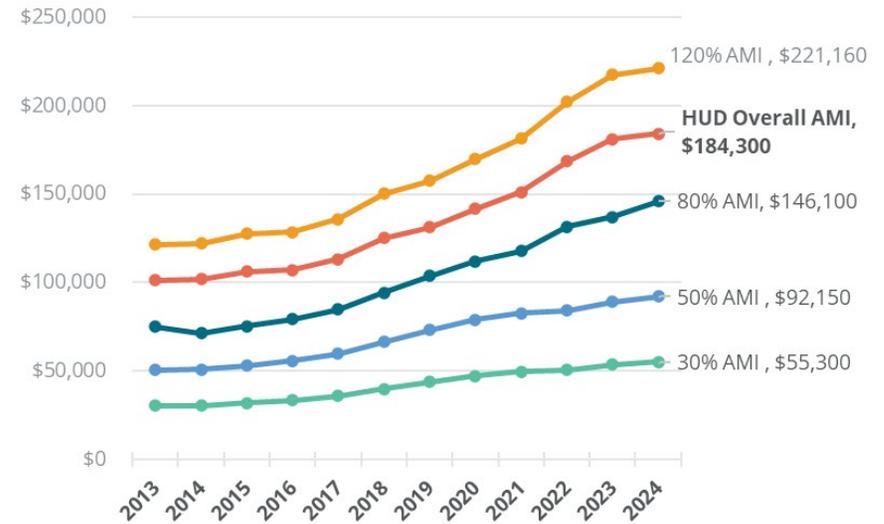
Figure 25.
2024 HUD AMI for Santa Clara County

	Persons in Family				
	1	2	3	4	5
Extremely Low Income Limits (30% AMI)	\$38,750	\$44,250	\$49,800	\$55,300	\$59,750
Very Low Income Limits (50% AMI)	\$64,550	\$73,750	\$82,950	\$92,150	\$99,550
Low Income Limits (80% AMI)	\$102,300	\$116,900	\$131,500	\$146,100	\$157,800
HUD Median Family Income (100% AMI)	\$129,100	\$147,500	\$165,900	\$184,300	\$199,100
120% HUD AMI	\$154,920	\$177,000	\$199,080	\$221,160	\$238,920

Source: HUD and Root Policy Research.

Figure 26 shows the change in AMI and income limits for a four-person household over the past 10 years. The rise in AMI, particularly in the last few years means households whose incomes are flat are likely to drop into lower income limit thresholds. For example, a household earning \$140,000 would have been considered 100% AMI in 2020 but 80% AMI in 2024.

Figure 26.
Trends HUD AMI (4-person household) 2013-2024



Source: HUD and Root Policy Research.

Figure 27 estimates the number of households who fall into each AMI category, according to HUD data.

Figure 27.
Households by AMI, Santa Clara County

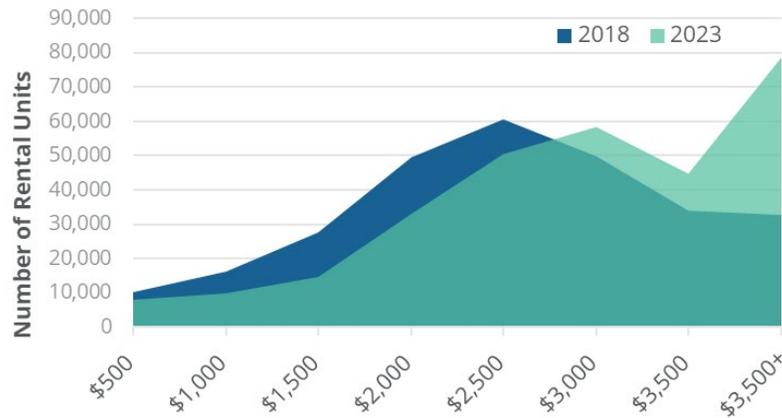
	Owners	Renters	Total
30% AMI or below	32,390	56,730	89,120
30% to 50% AMI	30,645	38,785	69,430
50% to 80% AMI	43,485	45,870	89,355
80% to 100% AMI	32,360	25,725	58,085
More than 100% AMI	224,225	116,630	340,855

Source:
HUD CHAS data and
Root Policy Research.

MARKET TRENDS

Rental Market. Between 2018 and 2023, median rent increased 21% in Santa Clara County (from \$2,305 to \$2,781, according to ACS data) as existing rental units shifted into higher price points and new products were delivered near the top of the market. (These estimates are ACS data and reflect all rental units regardless of type—single family homes and multifamily apartments).

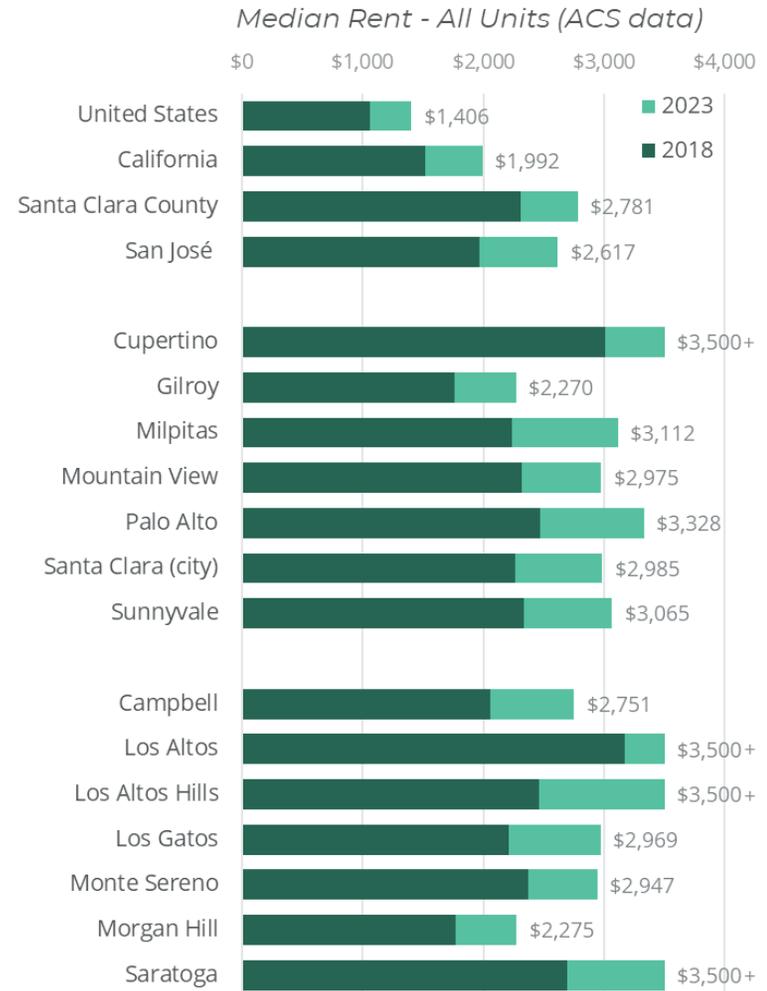
Figure 28.
Rent Distribution, Santa Clara County, 2018 and 2023



Source: 2018 and 2023 ACS and Root Policy Research.

Figure 29 (at right) shows the median rent for each Participating Jurisdiction and Urban County Program community in both 2018 and 2023. Note that the maximum median ACS reports is \$3,500 per month so the exact median for any community showing \$3,500+ is unknown.

Figure 29.
Median Rent, All Units by Jurisdiction, 2018 and 2023



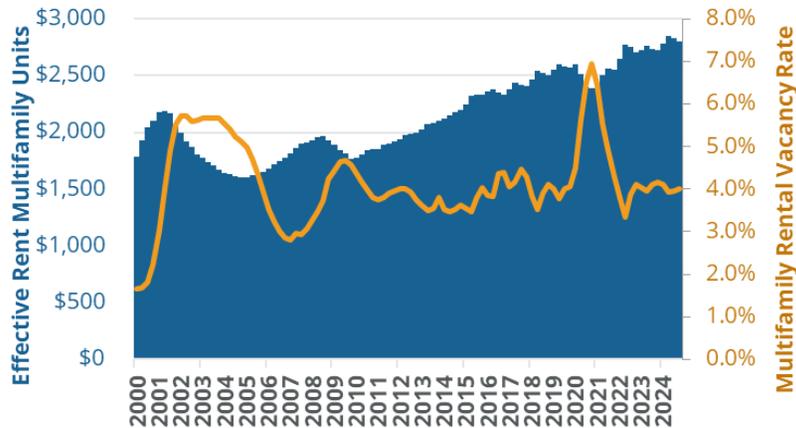
Source: 2018 and 2023 ACS and Root Policy Research.

The preceding rental data is based on ACS estimates and includes all rental units, regardless of unit type (single family and multifamily rentals). While ACS data are ideal for an overview of the full rental market; CoStar data, which focus exclusively on multifamily apartments, provide more recent data (through Q3 2024).

Figure 30 shows the CoStar effective rent for multifamily units in Santa Clara County along with the rental vacancy rate for those units. Vacancy has hovered around 4% for the past 10 year, excluding a spike in vacancy during the COVID pandemic. (Rental vacancy rates below 5%-10% signal an extremely tight rental market).

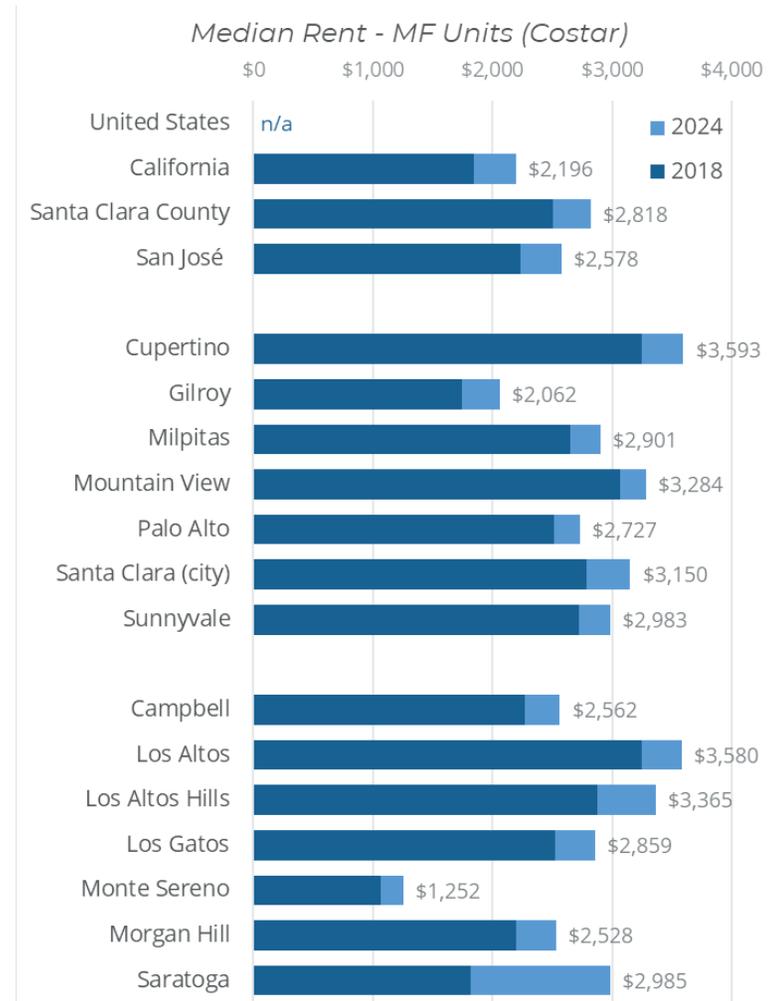
Figure 31 (at right) shows multifamily effective rents by jurisdiction in 2018 and 2024.

Figure 30.
Rent Distribution, Santa Clara County, 2018 and 2023



Source: HUD and Root Policy Research.

Figure 31.
Median Effective Rent, Multifamily Units by Jurisdiction, 2018 and 2024



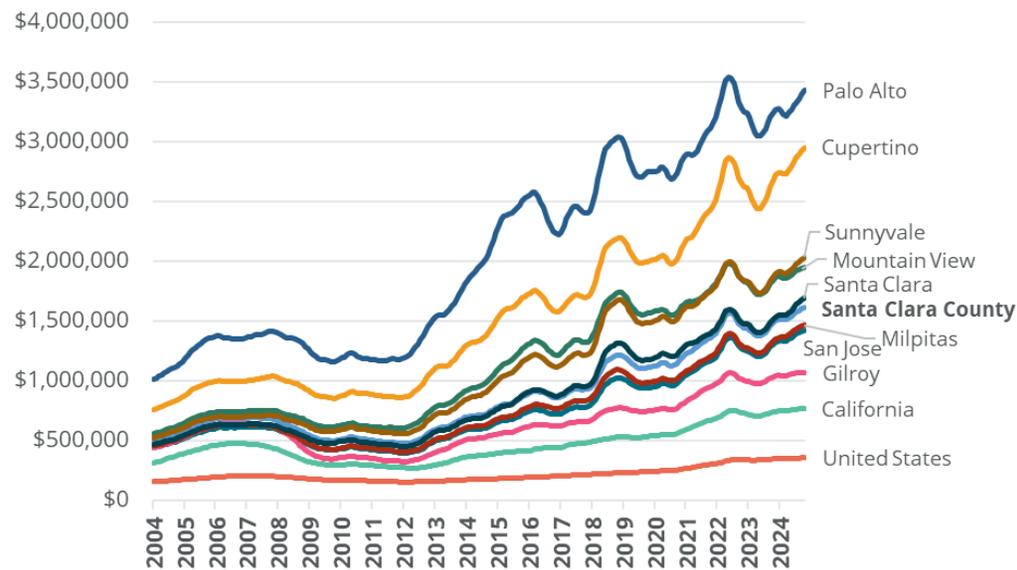
Note: There are very few multifamily units in Los Altos Hills, Monte Sereno, and Saratoga; data may include high margin of error.

Source: HUD and Root Policy Research.

For-Sale Market. Typical home prices are substantially higher in Santa Clara County than California as a whole. Though prices range widely by community, there are no Participating Jurisdictions where the typical home price is below \$1 million. Price increases over the past five years are exacerbated by rising interest rates—further decreasing affordability.

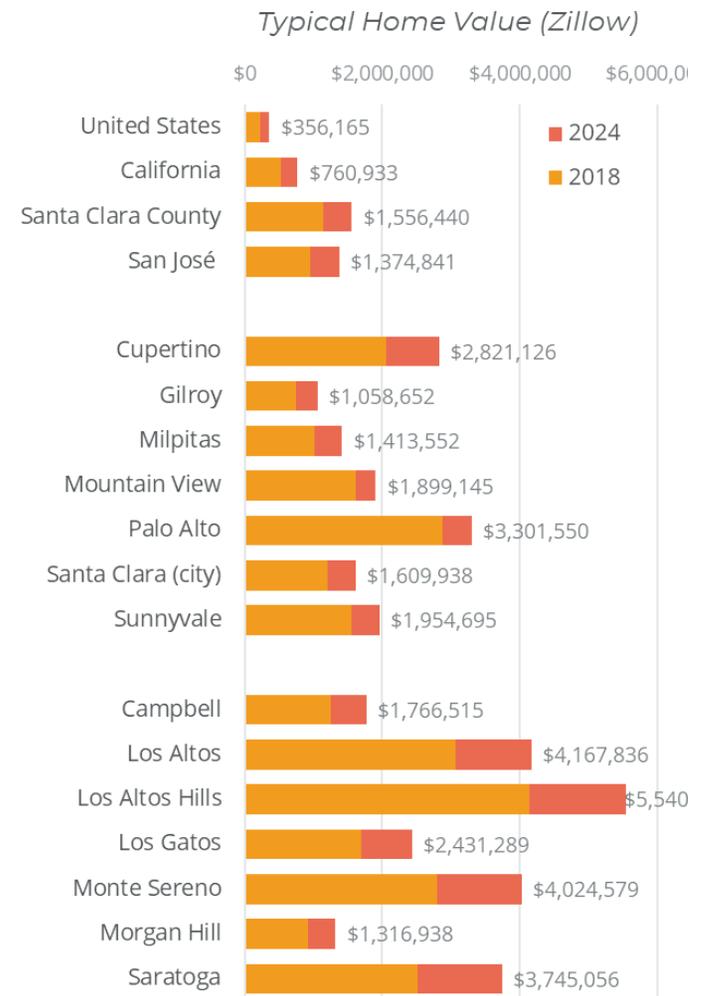
Figure 32 shows typical home price trends for Participating Jurisdictions and Figure 33 shows the change in typical home price from 2018 to 2024 by community.

Figure 32.
Typical Home Price Trends 2004 through 2024



Source: Zillow Research and Root Policy Research.

Figure 33.
Typical Home Price, 2018 and 2023



Source: Zillow Research and Root Policy Research.

AFFORDABILITY GAPS. This section places rent and home price trends (presented in the previous pages) in the context of income trends and affordability for local resident households and workers.

Changes in Affordability 2018-2023. Figure 34 shows the percent change in median incomes compared to the percent change in rental and owner costs between 2018 and 2023. This analysis helps identify where incomes are—and are not—keeping pace with market changes. Where increases in rental costs outpace increases in renter incomes, renting becomes less affordable.

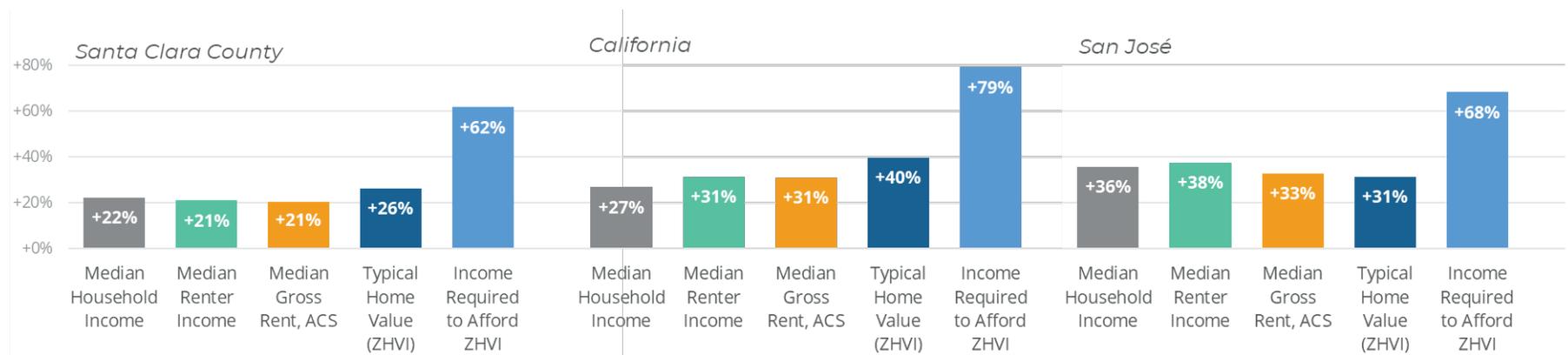
Purchasing power is impacted both by price changes (changes to the typical home value) as well as interest rate shifts between 2018 and 2023, which impact the income required to afford the

typical home value. Both measures are included in the following analysis.

In Santa Clara County, the rise in renter incomes was roughly on pace with the rise in median rents (both +21%), meaning there wasn't a significant change in the trajectory of renter affordability. However, the typical home value rose faster than income (26% vs. 22%) and the income needed for a household to afford the typical home rose even faster at 62%—reflecting a substantial decline in affordability in the for-sale market, especially for first time buyers.

Similar trends are evident throughout the region. In some communities, the median renter income did rise faster than median rent; however, there were no communities where median household income changes exceeded the change in income required to afford a typical home.

Figure 34.
Percent Change in Median Income vs. Percent Change in Rent/Home Costs, 2018-2023



Source: 2018 and 2023 ACS, Zillow Research, and Rooth Policy Research.

Figure 34 (continued – Participating Jurisdictions).



Source: 2018 and 2023 ACS, Zillow Research, and Rooth Policy Research.

Figure 34 (continued – Urban County Program).



Source: 2018 and 2023 ACS, Zillow Research, and Rooth Policy Research.

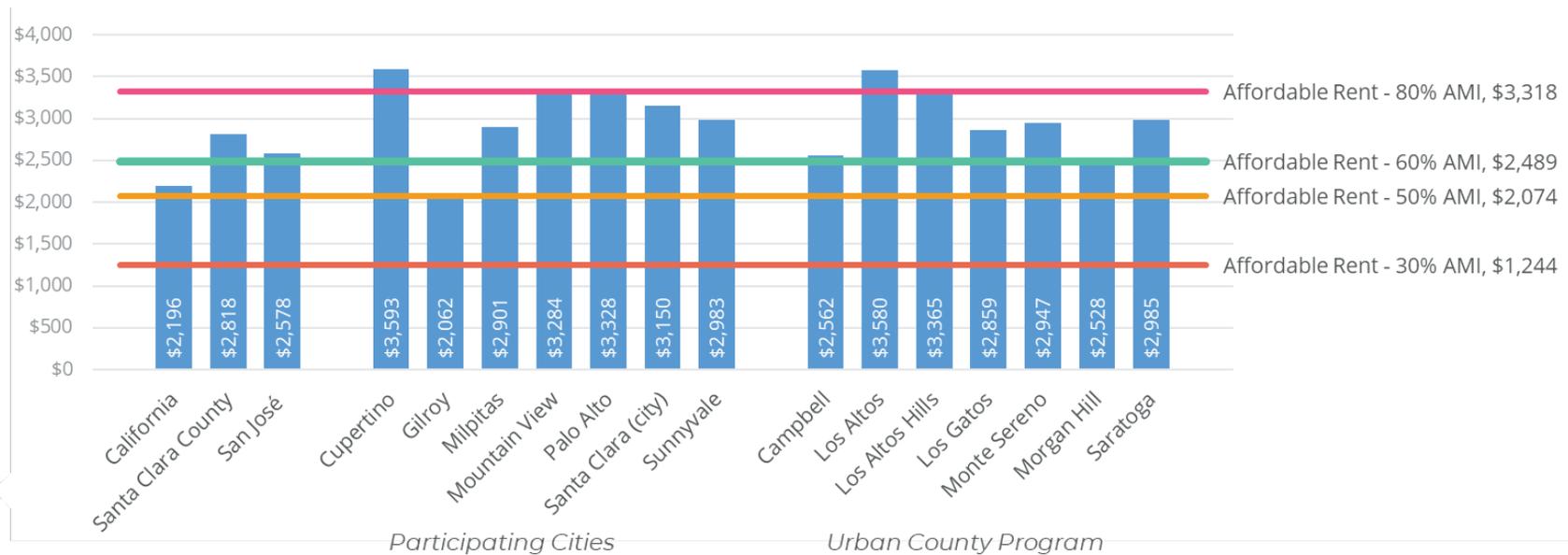
Subsidy gap. While the previous analysis compares changes in incomes relative to changes in prices, the following subsidy gap analysis compares actual median rents/prices to the rents and prices affordable at different levels of AMI. (As a reminder, HUD AMI is determined by region and is therefore the same across all communities in the County; 100% AMI reflects the regional median income of a 3-person household).

The difference between market prices and what households at different AMI levels can afford is often referred to as a “subsidy gap” because it reflects the subsidy needed to bridge the gap between prices and affordability.

Figure 35 shows the rental subsidy gap between median rent in each Participating Jurisdiction compared to affordable rents at 30% AMI, 50% AMI, 60% AMI, and 80% AMI (based on a 3-person household size). There are no jurisdiction with a median rent affordable to 30% AMI households and only Gilroy has a median rent near 50% AMI affordability. Most communities have a median rent that falls between 60% and 80% AMI.

In Santa Clara County overall, the median market rent is \$2,818 leaving a subsidy gap of \$330 per month for 60%AMI, \$745 per month for 50%AMI, and \$1,574 per month for 30% AMI renters.

Figure 35.
Rental Subsidy Gap: Median Market Rent vs Affordable Rent, 2024

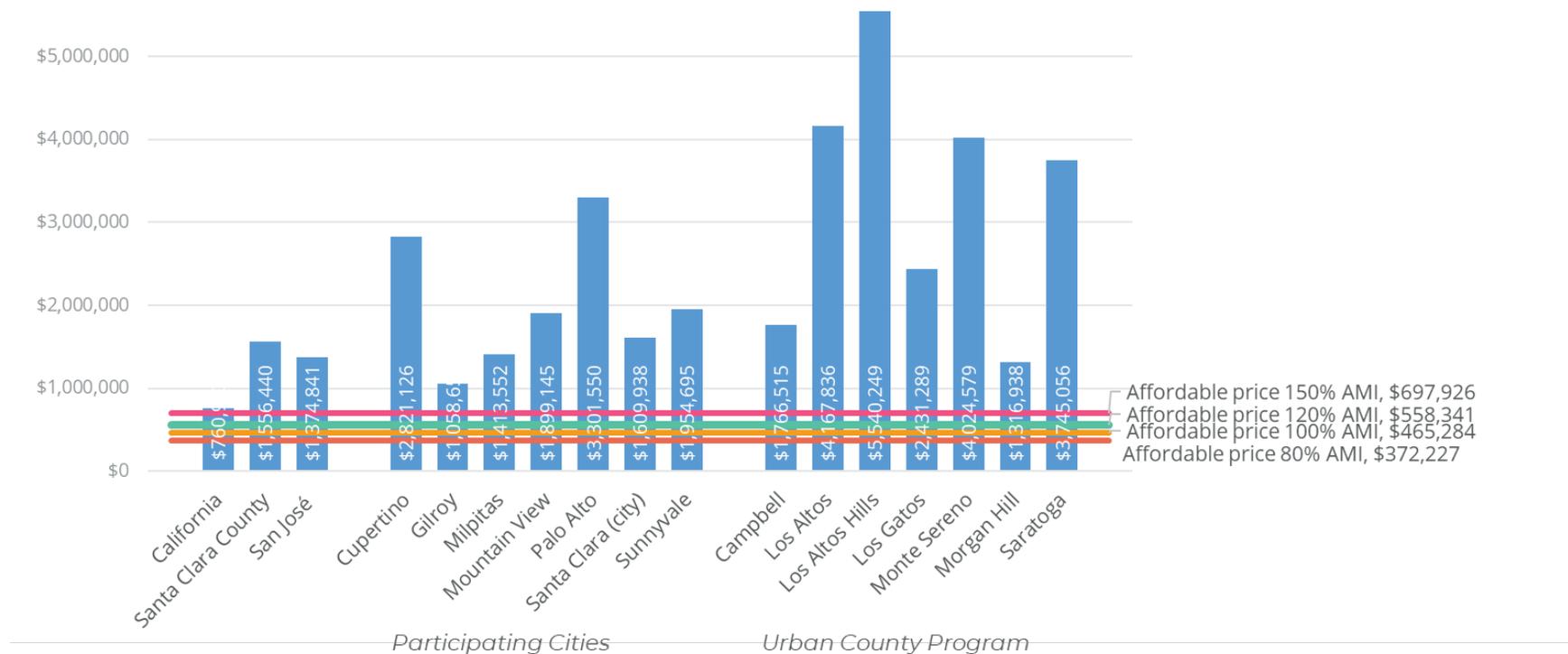


Source: CoStar rental data for all communities except Palo Ato and Monte Sereno, which use ACS rent estimates; HUD Income Limits, and Root Policy Research.

Figure 36 shows the purchase subsidy gap between the typical home price in each community and an affordable price at 80%, 100%, 120%, and 150% AMI (based on a 3-person household size). Affordable purchase prices assume a 30-year fixed rate mortgage with an interest rate of 6.72% after a 3.5% downpayment. The calculation also accounts for non-mortgage housing costs (e.g., insurance, utilities, etc.) collectively assumed to account for 30% of monthly housing costs.

As illustrated by the figure, the typical home prices in all communities far exceed affordable prices, even for 150% AMI households. In Santa Clara County, the typical home price is nearly \$900,000 higher than a price affordable to 150% AMI, \$1 million higher than 120% AMI, and \$1.1 million higher than 100% AMI affordability. Gilroy has the lowest typical home price among Participating Jurisdictions and still faces a \$500,000 subsidy gap for households at 120% AMI.

Figure 36.
Purchase Subsidy Gap: Typical Home Price vs Affordable Price, 2024



Source: Zillow Research, HUD Income Limits, and Root Policy Research.

Affordability mismatch. To examine how well the county's rental housing market is meeting the affordability needs of current residents, this study uses a modeling effort called a "rental gaps analysis."

The rental gaps analysis compares the number of renter households by income level and the maximum monthly housing payment they can afford, with the number of affordable housing units in the market, including income-restricted affordable units.

The "Rental Mismatch" rows in Figure 37 show the difference between the number of renter households and the number of rental units affordable to them at the specified affordability ranges. Negative numbers indicate a shortage of units at specific income levels; positive units indicate an excess of housing at that price point. Affordability gaps (i.e., mismatches) are shown by household AMI ranges published by HUD for a 3-person household (in line with the average household size) in Santa Clara County in 2023.¹

The gaps analysis is intended to evaluate *affordability* needs among current residents not the need for additional housing to accommodate future or potential residents. It is important to note that the gaps analysis does not account for persons without housing, who are doubling up, living in motels/hotels,

living in their cars or camping, and in shelters. As such, the need is larger than what is identified in the rental gaps.

Collectively, in Santa Clara County, there is an affordability shortage of 41,474 units for renters with incomes below 30% AMI needing rents below \$1,200 per month. There are 67,003 renters in this income range but only 25,529 units affordable to them. The cumulative affordability gap extends up to 50% AMI, meaning the market does not provide sufficient units until households are earning at least \$80,300 annually.

Rental affordability gaps can be addressed through rental subsidies for existing units or through the creation of new rental units priced in their affordability range (less than 30% AMI).

The "shortage" that appears for high income households (>80% AMI) does theoretically show a mismatch in their ability to pay for higher priced rental units and the lack of units at that higher price point. However, it does not necessarily mean they prefer higher priced units. Many households in this income range will "rent down" to spend less than 30% of their income on housing to save money or a downpayment to purchase a home. This increases competition for naturally affordable rental units limiting the inventory of units for people with lower incomes even more.

¹ The 2023 AMI is used to be consistent with the year for income and rental data.

**Figure 37.
Rental
Affordability
Gap, 2023**

Note:
80% AMI is the highest
income break available in
the ACS income and
rental data.

Source:
2023 ACS, HUD Income
Limits, and Root Policy
Research.

	Santa Clara County	Participating Cities							Urban County Program	
		Cupertino	Gilroy	Milpitas	Mountain View	Palo Alto	Santa Clara city	Sunnyvale		
Rental Demand (max income)										
< 30% AMI	(\$48,180)	67,003	1,265	1,917	1,429	3,468	2,241	4,943	3,803	6,063
30-50% AMI	(\$80,300)	43,384	607	1,104	1,137	2,276	1,159	3,081	3,681	3,964
50%-80% AMI	(\$128,480)	53,996	871	1,473	1,543	3,249	1,577	4,662	5,105	5,878
80%AMI+		140,977	5,445	1,792	5,942	12,390	6,962	15,889	20,435	13,261
Rental Supply (max rent)										
< 30% AMI	(\$1,205)	25,529	383	1,172	619	1,361	1,340	948	966	2,329
30-50% AMI	(\$2,008)	46,046	340	1,330	773	2,439	942	3,508	2,567	5,584
50%-80% AMI	(\$3,212)	136,922	1,986	2,427	4,239	9,765	3,908	13,784	15,353	11,868
80%AMI+		112,482	5,930	1,525	4,854	9,994	7,022	12,329	15,349	10,779
Rental Mismatch: Difference in Supply and Demand										
< 30% AMI		-41,474	-882	-745	-809	-2,107	-901	-3,994	-2,837	-3,734
30-50% AMI		2,662	-267	226	-364	163	-216	427	-1,114	1,620
50%-80% AMI		82,926	1,115	954	2,696	6,516	2,331	9,123	10,249	5,989
80%AMI+		-28,495	484	-267	-1,088	-2,396	60	-3,560	-5,086	-2,482
Cumulative Rental Mismatch: Cumulative Difference in Supply and Demand										
Less than 30% AMI		-41,474	-882	-745	-809	-2,107	-901	-3,994	-2,837	-3,734
Less than 50% AMI		-38,812	-1,149	-519	-1,174	-1,944	-1,117	-3,567	-3,951	-2,114
Less than 80% AMI		44,115	-33	435	1,523	4,572	1,214	5,555	6,298	3,875

Summary of Key Findings

DEMOGRAPHIC CONTEXT:

- The total population in Santa Clara County is relatively stable and the distribution of household types is similar to the state overall. The county's racial and ethnic profile, however, is distinct from the state with a higher proportion of Asian residents (and fewer White and Hispanic residents).
- Santa Clara County incomes are higher than the state overall and have increased faster than the state in recent years (though not enough to keep up with housing prices).
- Dominant employment in the county pay either very high wages (manufacturing and professional services) or very low wages (health care and accommodation/food services). In-commuting is on the rise increasing from 39% in 2012, to 41% in 2017, and to 44% in 2022).

HOUSING PROFILE:

- Housing production has not kept pace with job growth, resulting in an undersupply of housing relative to jobs.
- Permit volume rebounded to pre-Great Recession levels, though the currently high cost of debt may delay construction and delivery of future projects
- Santa Clara County has more housing product diversity than California overall with a higher proportion of missing

middle product types. However, housing diversity varies widely across communities.

- Homeownership (54%) in Santa Clara County declined slightly since 2013 and 2019, while homeownership in California and the United States shows the opposite trend.

VULNERABLE POPULATIONS:

- During the January Point in Time Count in 2023, there were about 9,900 people experiencing homelessness (PEH) in Santa Clara County—or 5 PEH per 1,000 total residents.
- A variety of non-homeless subgroups in Santa Clara County have unique housing or service needs including elderly and frail elderly, people with disabilities, persons with substance abuse problems, persons living with HIV/AIDS, and persons experiencing domestic violence. Both services and housing are in high demand to meet acute needs.
- The CHAS data for Santa Clara County overall (including San José) identify nearly 250,000 households as having at least one “housing problem” (about 38% of all households).
- The most common problem—by far—is cost burden, affecting 231,000 households countywide (35% of all households). Renter cost burden is highest in Gilroy, Morgan Hill, and unincorporated areas. Owner cost burden is highest in Gilroy and Lost Altos Hills.

AFFORDABILITY ANALYSIS:

- The rise in renter incomes in Santa Clara County over the past 5 years, was roughly on pace with the rise in median rents (both +21%), meaning there wasn't a significant change in the *trajectory* of renter affordability. However, the market remains broadly unaffordable to many.
- Collectively, in Santa Clara County, there is an affordability shortage of 41,474 units for renters with incomes below 30% AMI (needing rents below \$1,200 per month).
- The median market rent is about \$2,800—about \$750 higher than what is affordable to a 50%AMI household or roughly \$1,600 higher than what's affordable for 30% AMI renters. (These differences are often called a “subsidy gap”).
- Rental affordability gaps can be addressed through subsidies for existing units or through the creation of new units priced in the needed affordability range (concentrated below 30% AMI).
- Typical home prices are substantially higher in Santa Clara County (\$1.6 million) than California (\$760,000) as a whole. Prices range widely by community, but there are no Participating Jurisdictions where the typical home price is below \$1 million.
- The typical home value rose faster than income (26% vs. 22%) and the income needed for a household to afford the typical home rose even faster at 62%—reflecting a substantial decline in affordability in the for-sale market, especially for first time buyers. Similar trends are evident throughout the region.
- The typical home prices in all communities far exceed affordable prices, even for 150% AMI households. In Santa Clara County, the typical home price is nearly \$900,000 higher than a price affordable to 150%AMI, \$1 million higher than 120% AM