



Moderate-Income Housing Strategy Status Report

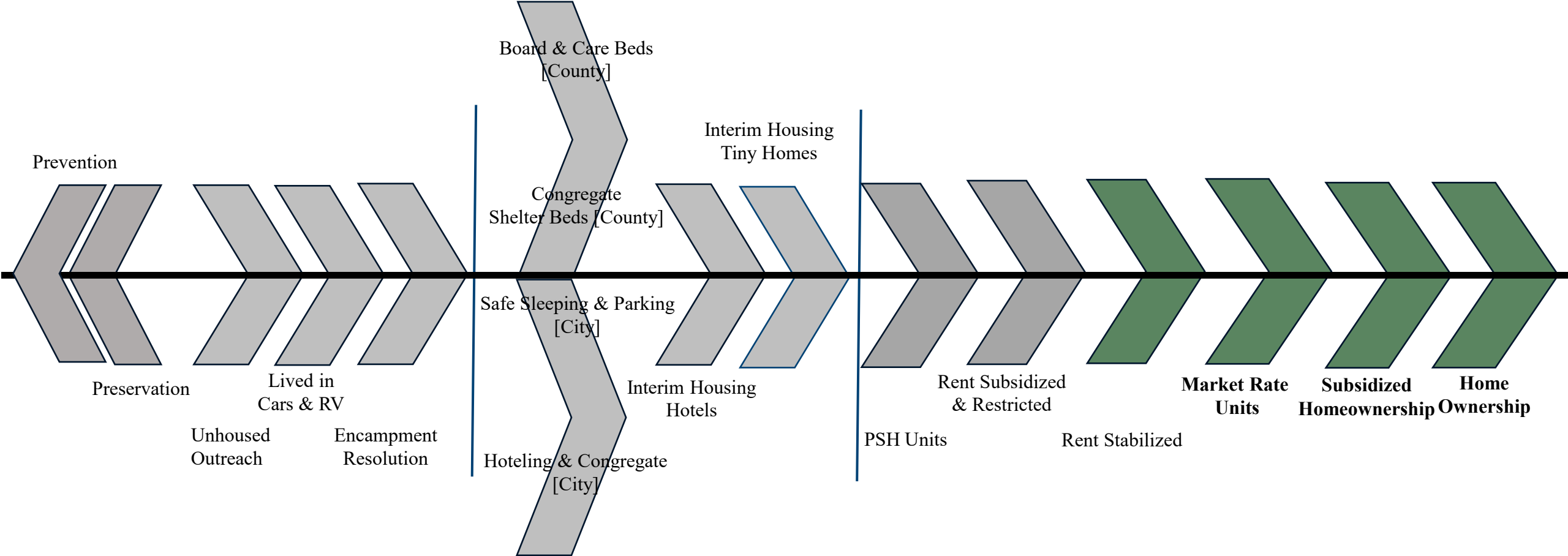
Community and Economic Development Committee

May 19, 2025

Item d(2)

Erik L. Soliván
Housing Director

Housing Continuum



City of San José's 2023-2031 Housing Element

- Housing Element plans ways to meet critical need for housing across all income levels, including moderate- or middle-income residents
- Strategy is per Housing Element program P-15
 - Complete study and implement City Council-approved strategy to further rental and homeownership opportunities for moderate-income residents
- Regional Housing Needs Assessment projects a need for an additional 10,711 moderate-income workforce housing units by 2031
 - Housing Element Chapter 1, Table 1-1

Income Levels

- Moderate- or middle-income households of 4 people earning 81%-120% of Area Median Income (\$146,101 - \$221,150 per year)
- Example: Average income of City of San José employee is \$115,701
 - Staff salaries (non-management) in Housing Department go up to \$155,000
 - Moderate-income City jobs - police officers, firefighters, librarians, legal analysts

2024 Income Limits	1-person household	2-person household	3-person household	4-person household
Lower Income Households (0-80% of Area Median Income)	\$0 - \$102,300	\$0 - \$116,900	\$0 - \$131,500	\$0 - \$146,100
Moderate-Income Households (81-120% of Area Median Income)	\$102,301 - \$154,800	\$116,901 - \$176,900	\$131,501 - \$199,050	\$146,101 - \$221,150
Above Moderate-Income Households (121+% of Area Median Income)	\$154,801 and up	\$176,901 and up	\$199,051 and up	\$221,150 and up

Demographics & Affordability

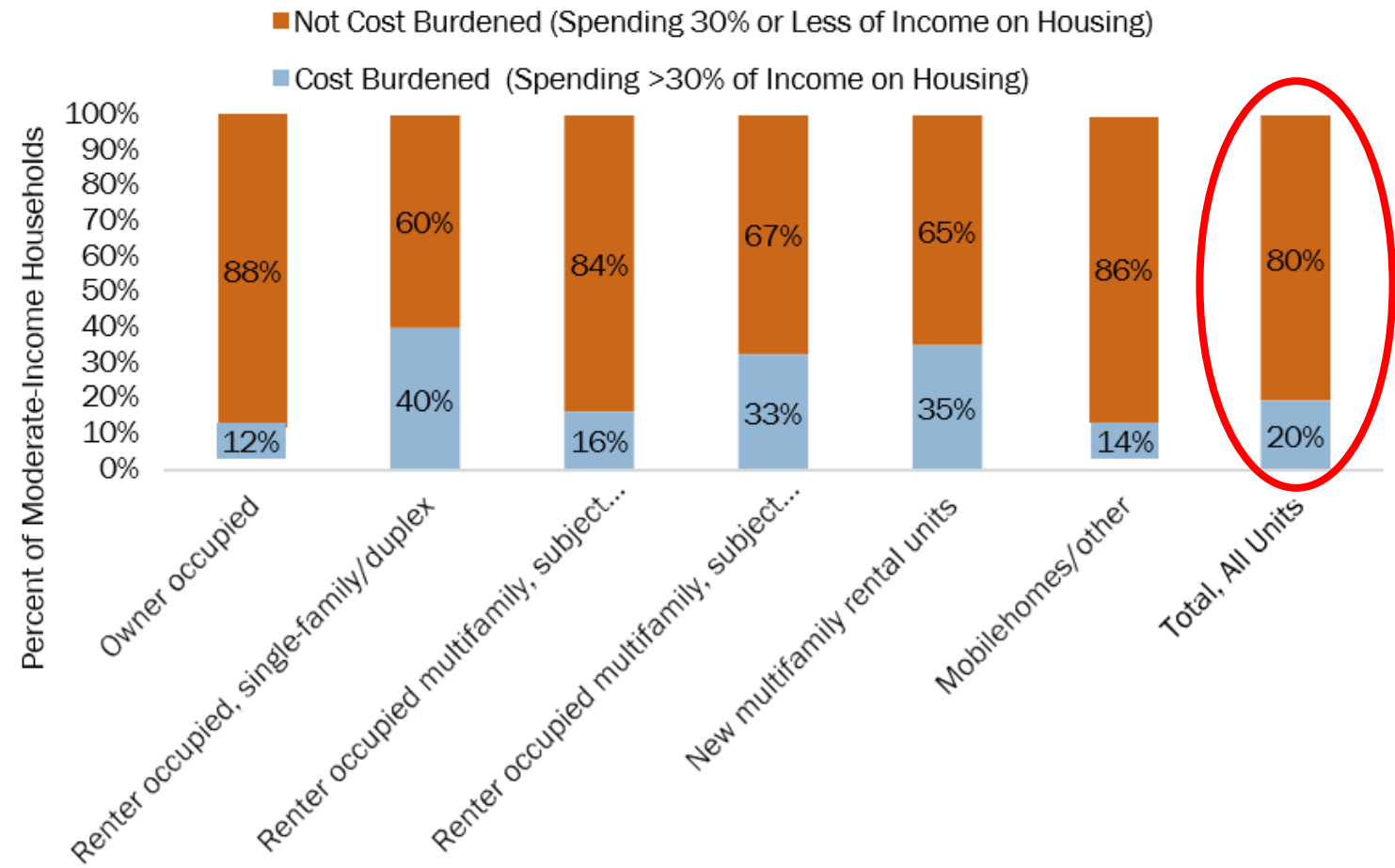
- 55% of San José's moderate-income households own their homes

	Low-Income		Moderate-Income		Above Moderate-Income		All Households	
	Total	% of Total	Total	% of Total	Total	% of Total	Total	% of Total
Renter-Occupied	89,418	59%	26,387	45%	29,891	26%	145,696	44%
Owner-Occupied	62,289	41%	32,621	55%	87,136	74%	182,045	56%
Total	151,707	100%	59,008	100%	117,026	100%	327,741	100%

- Homeownership is out of reach for today's moderate- or middle-income households in San José
- San José's ratio of home price-to-income is now 11.0 – second highest in U.S. behind L.A.

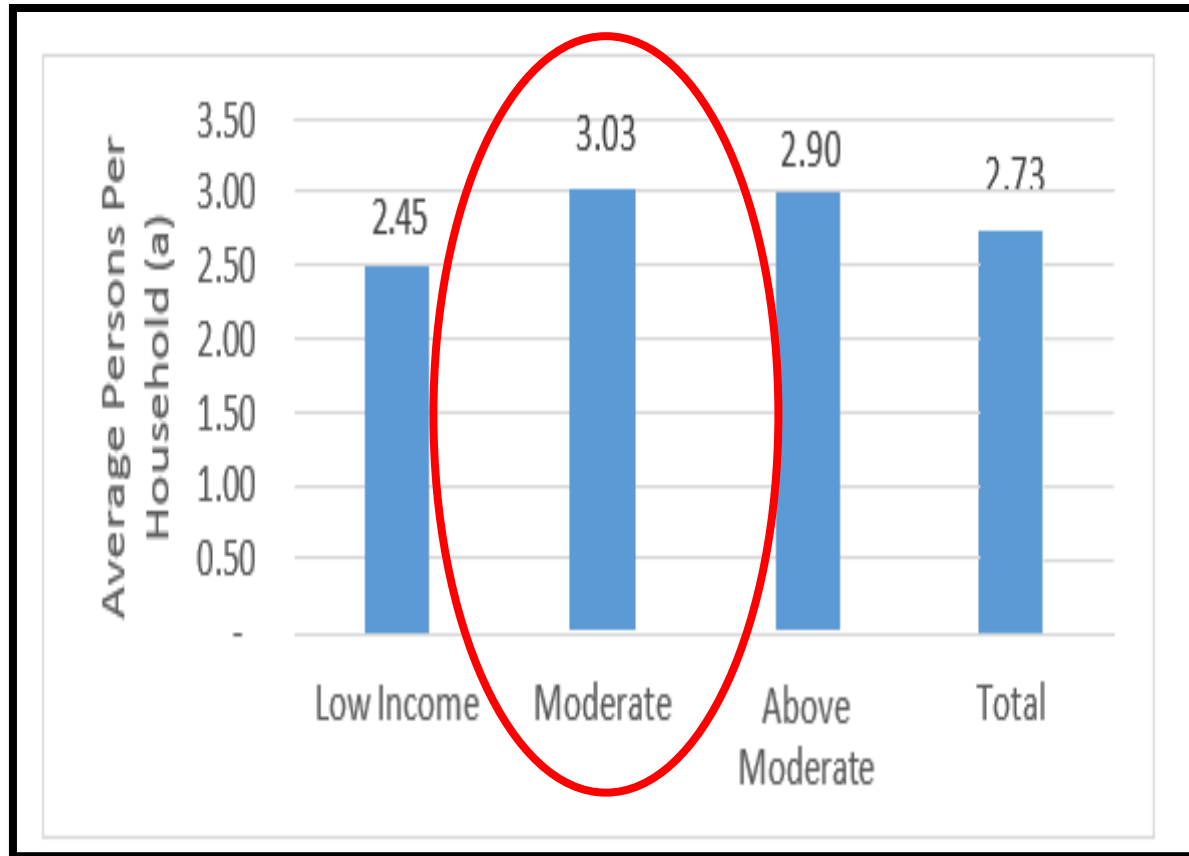
Housing Cost Burden

Approximately 20% of moderate- or middle-income households are housing cost-burdened

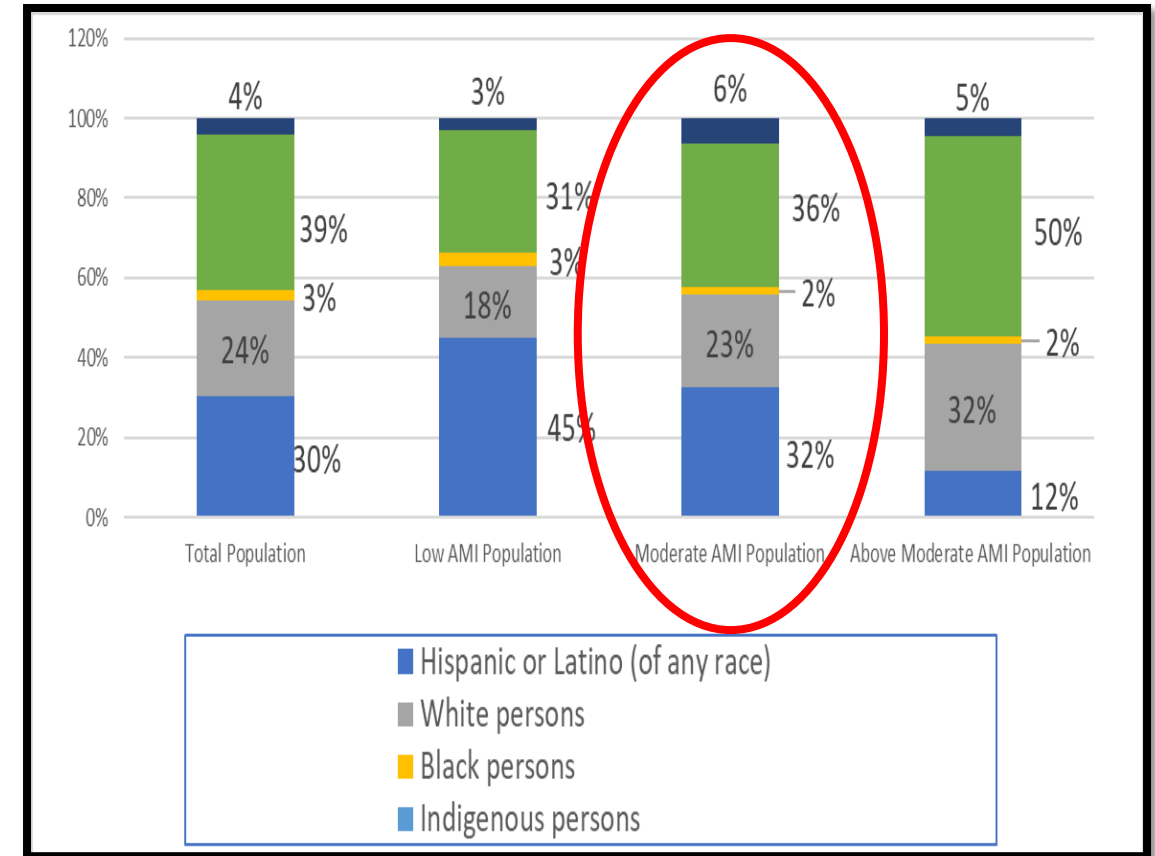


Demographics

Moderate- or middle-income households slightly larger and more diverse



AVERAGE HOUSEHOLD SIZE BY INCOME LEVEL, SAN JOSÉ, 2022.



POPULATION BY RACE AND ETHNICITY AND HOUSEHOLD INCOME LEVEL,
SAN JOSÉ 2022

Housing Challenges

- 1) Zero Market Rate multifamily housing starts in 2024
- 2) High development cost per unit, increasing subsidies per unit
- 3) Rental market buy-downs and limited throughput on the housing continuum
- 4) High mortgage rates, low unit turnover, low unit production
 - Limited homeownership opportunities means moderate-income households are consuming rental supply, renting longer than at other points in history, thereby driving up overall housing prices
- 5) Inventory and production limits that may hinder diversity of financeable product types
- 6) Limited public subsidies at all levels

Examples of Missing Middle Housing



Proposed Strategies

Proposed Policy	Strategy Category
Update Inclusionary Housing Regulations to Maximize Housing Production <ul style="list-style-type: none">• Simplify regulations• Establish Surplus Unit Credit Market• Expand AMI scale to 60% to 120% per adopted FY 2025-2026 March Budget Message	Process Improvements
Expand Affordable ADU Ownership Program <ul style="list-style-type: none">• 2024 – City Council passed ordinance allowing owners to sell ADUs separately from primary residence• Explore incentives to encourage ADU production and purchase assistance programs for prospective income-qualified homebuyers	Production Incentives
Consider a Moderate-Income Housing Density Bonus Program <ul style="list-style-type: none">• Explore ADU Density Bonus Program best practices, which allow an additional market-rate ADU for every deed-restricted affordable ADU on a property	Production Incentives

Proposed Strategies – Cont’d

Proposed Policy	Strategy Category
Support Construction Defect Liability Reform for Condominiums <ul style="list-style-type: none">California's current construction defect liability law holds builders liable for defects for 10 years, discouraging developers from building for-sale condominiumsContinue work to advance support reforms to state law	Regulatory Reforms
Missing Middle Housing for the Workforce <ul style="list-style-type: none">Pursue more mid-density housing and explore additional building typologies to meet the needs of our populationMissing middle housing includes condos, townhomes, fourplexes and bungalow courts	Regulatory Reforms



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