SPUR

RESEARCH PAPER
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Losing Ground

What the Bay Area’s housing crisis means for middle-income households and racial inequality

Acknowledgments

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Acknowledgments
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Executive Summary

What does it mean to be a middle-income resident of the Bay Area? How have the region's housing affordability challenges changed who can live here? What is happening to people who can't afford housing in the Bay Area? And what can policymakers do to create housing options affordable for middle-income people who want to call the Bay Area home?

To answer these questions, SPUR partnered with The Concord Group, a real estate economics firm, to provide the data analysis that informed the majority of this report's findings. We also utilized data from a 2022 report by the Terner Center for Housing Innovation, *The Landscape of Middle-Income Affordability in California*.

For the purposes of this report, we define middle-income households as those households earning between 80% and 120% of median income, or the midpoint at which half of households earn more income and half earn less in a given geography. In 2020, the median income for the average-sized Bay Area household was roughly $108,000.

Findings

The data analysis yielded eight findings.

1 | Household incomes have risen across the Bay Area over the past two decades, particularly for higher-income wage earners.

The Bay Area, the wealthiest region in California, has seen some of the greatest growth in household incomes over the past 20 years, especially for higher-income households from 2010 to 2020. Bay Area incomes started higher and grew more than those of other California metros owing to selective migration and wage growth that particularly benefited upper-income households. When high-income households represent a significantly large proportion of all households, the income distribution of households shifts upward, increasing median income.

2 | Despite income increases, median incomes for Black and Latinx households remain well below median incomes for white and Asian households.

Although incomes have risen for all racial and ethnic groups in the Bay Area, the increases have not erased racial disparities among income groups. Even though incomes for Black and Latinx households have increased over the last decade, the median incomes for both groups remain below 80% of area median income (AMI).

3 | Rising incomes in the Bay Area have resulted in many formerly middle-income occupations becoming relatively low-income occupations.

Many formerly middle-income occupations (such as teaching, postal work, and construction) are now considered low-income occupations, earning between 60% and 80% of AMI or even less due to relatively flat wage growth compared with wage growth for higher-income professions. Households relying on these formerly middle-income occupations must still find housing in a region increasingly made up of relatively wealthy households that have made greater wage gains.

4 The Bay Area's chronic housing shortage makes it hard for low- and middle-income households to compete with high-income households for housing.

As SPUR documented in *What It Will Really Take to Create an Affordable Bay Area* (2021), the Bay Area failed to produce 700,000 units of needed housing over the past 20 years. During the last economic boom, the region's housing growth was insufficient to keep up with housing demand. This lack of housing availability allows wealthy people to outcompete those of more modest means for scarce housing resources, which then leads to an exodus of low- and middle-income households. SPUR found that, since 1999, the Bay Area has seen a decrease of 300,000 households making less than $100,000 and an increase of 625,000 households making more than $100,000. Many low-income households have grown their income since 2000, but many others have left the region in search of more affordable housing options, have moved into overcrowded dwellings, or have fallen into homelessness. At the same time, the region has generated a substantial increase in high-income jobs, which have attracted many high-income earners.

5 Rents have increased significantly in the past 20 years, but median incomes have risen even faster, meaning that median-income households are more able to afford median-income rents than they were 10 years ago.

The ability of a median-income household to rent an average-priced unit in the Bay Area has risen over the past 20 years. This fact may seem counterintuitive; the reality is that the shifting composition of income groups living in the Bay Area, along with income gains in the upper end of the income distribution, has allowed many households to keep pace with rising rents, even as many others find housing costs increasingly out of reach.

6 Black and Latinx households, with median incomes below 80% of AMI, are disproportionately burdened by high housing costs.

Because Black and Latinx households have lower median incomes than the population as a whole, they are less likely to be able to afford either the median-priced rental unit or a home purchase. According to data from the National Equity Atlas for the San Francisco metro area, Black and Latinx households are more likely to be cost-burdened than their white or Asian counterparts: 60% of Black households were rent-burdened, compared with 39% of white households, in 2019.

7 Homeownership is out of reach for all but the wealthiest households.

For-sale housing was too expensive for the median-income household in 2000, and it has become substantially more so over the last 20 years. The gap between what a median-income household can afford to pay and the cost of an average-priced home was $196,000 in 2000. By 2010, it was $206,000, and by 2020, it was almost $360,000. Without a non-wage source of wealth (such as family money), homeownership is out of reach for middle-income families in the region.

8 | To afford housing in the Bay Area, some households are squeezing many people into their residences, paying an increasingly greater share of their income on rent, or commuting farther and farther.

One of the most significant trends between 2010 and 2019 is that of overcrowding. During that decade, the percentage of units with 1.5 or more people per room in a home (the definition of "severe overcrowding") increased across all geographic areas in the region. Moreover, many households, especially low-income households, are paying more than 30% of their income for housing. Lastly, the incidence of super-commuting (commuting 25 or more miles one way to work) rose.

Policy Imperatives

These findings suggest at least four areas of focus for policymakers, particularly those working in the Bay Area, where the extreme increases in median income make the region unique in California. SPUR will be exploring these ideas further in a future policy report.

1 | Build more housing of all types and at all price points to address the challenge of housing scarcity and to ensure income diversity in our region.

Building housing of all types and at all price points as quickly as possible will help address the underlying challenge of housing scarcity. The dwellings least likely to create more affordable choices are large single-family homes. Expanding production of multifamily housing, condominiums, accessory dwelling units, and other smaller homes is critical.

Regions with healthy housing markets — those where a significant amount of housing is produced relative to population growth — provide enough housing overall so that market-rate housing is affordable to those at middle-income and even some lower-income levels. By contrast, regions with constricted housing markets such as the Bay Area need government intervention to create housing for middle-income households. Notably, higher-income homeowners are the recipients of the largest federal governmental housing subsidy program — the mortgage interest tax deduction.

2 | Develop policies to support not just those households at 80% to 120% of AMI but also those earning between 60% and 80% of AMI.

Those in what we think of as middle-income professions — teaching, postal work, and construction — may no longer earn middle-income wages. Additionally, the median incomes for Black and Latinx households fall below 80% of AMI. For these reasons, policymakers should focus attention on households earning between 60% and 80% of AMI, in addition to those earning between 80% and 120% of AMI.

Healthy Housing Market

Housing Shortage

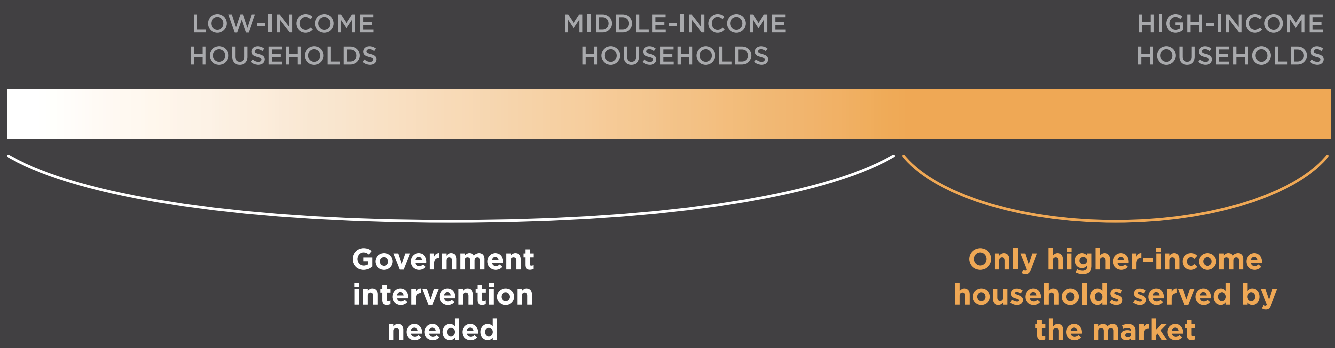

EXHIBIT 1

Healthy Housing Markets vs. Housing Shortage Markets

Healthy housing markets provide housing for households lower down the income ladder without government intervention, whereas constricted housing markets require government intervention to create housing for middle-income households.

3 | Expand policy tools to increase affordable homeownership opportunities, and ensure that those tools reach Black and Latinx households.

Homeownership plays a critical role in creating economic wealth in the United States. Homeownership not only stabilizes housing costs for homeowners but also gives them an asset against which to borrow for costs like college tuition, large unexpected medical expenditures, or retirement. Systemic racism in the United States barred Black families from owning homes through practices such as restrictive racial covenants and redlining. Affordable homeownership policies should focus on Black and Latinx households, as well as create homeownership opportunities for all households bringing in 80% or less of AMI.

4 | Learn from places that have done a good job of creating middle-income housing.

Countries with strong social housing models build significantly more middle-income housing than the Bay Area. California can deploy some aspects of those models. To increase construction of middle-income housing, the state could provide flexible and inexpensive capital sources and loan guarantees for that purpose. Additionally, the state could explore use of joint powers authorities to build more middle-income housing at scale. It also could allocate some state-owned land to middle-income or mixed-income housing.

Introduction

The region's housing crisis has severely hampered the ability of all but the wealthiest to purchase homes and has made rents unaffordable to many people in formerly middle-income professions such as teaching and construction. A big part of the problem is that home building has lagged housing demand for decades. The resulting housing shortage has made it increasingly difficult for those of modest means to afford housing in the region. Wage data reveal another aspect of the problem: While the wealthiest households are enjoying explosive income growth, other households are seeing their relative economic position decline, which changes what it means to be a middle-income resident of the Bay Area.

Twenty years ago, Bay Area housing was already more expensive than in most regions of the country. In the years since, housing affordability has changed dramatically for middle-income households, defined here as those earning between 80% and 120% of the area median income (AMI), the midpoint at which half of households earn more income and half earn less. In 2020, the median income for the average-sized Bay Area household was roughly $108,000.

In 2000, median rents were just out of reach and home purchases were already far too expensive for median-income families. The Great Recession of 2007 to 2009 tamped down increases in rents and home prices, but as the economy recovered, both began rising sharply. Between 2010 and 2020, the homeownership gap became a yawning hole for those households earning between 80% and 120% of AMI.

The 2010 to 2020 period saw rapidly rising incomes and rents. Median incomes rose in part because of the continuing influx of wealthy households into the region and in part because of skyrocketing wages for many higher-income professions. Consequently, households earning 100% to 120% of AMI — and, in some counties, households earning 80% to 100% AMI — were (and generally still are) able to manage Bay Area rents. But households relying on what were considered middle-income professions back in 2000 saw their relative incomes and rental power decline. The reason? Their wages stagnated or even declined relative to the wages of high earners.

Rental affordability is not the same across the Bay Area. And it varies not just by location and profession but also by racial or ethnic group. This aspect of the Bay Area's housing crisis is particularly troubling. Black and Latinx households started lower on the income ladder than their white counterparts because of systemic racism. Although median incomes for these groups increased, they failed to make substantial gains relative to the median incomes of white households. The median income for Black and Latinx households is just 60% to 80% of the overall AMI, making rents unaffordable for many of these households in numerous parts of the Bay Area.

When it comes to homeownership, Black and Latinx households are again disadvantaged. Their median incomes further exacerbate exclusionary practices that have barred these households, particularly Black households, from homeownership for decades.

If income inequality and housing scarcity continue, the Bay Area's economic stainability becomes questionable. The lack of housing options makes it harder for low- and middle-income households to call this region home, undermining our cultural and economic diversity.

This report uses a data analysis performed by real estate economics firm The Concord Group as well as information from a 2022 report by the Terner Center for Housing Innovation, *The Landscape of Middle-Income Affordability in California*, to examine what it means to be a middle-income resident of the Bay Area and to delve into variations in median incomes across the region's racial and ethnic groups. It then explores housing affordability for middle-income households in four Bay Area counties: Alameda, San Francisco, Santa Clara, and Solano. It looks at how households are grappling with the region's high housing costs. Finally, it describes four policy actions that could halt, and perhaps begin to reverse, the region's growing economic and racial housing divides.

Chapter 1

What Does It Mean to Be a Middle-Income Resident of the Bay Area?

Middle-income households can be defined as those with earnings at or near the median household income, the midpoint that divides the population into two equal groups, half having a higher income and half having a lower income. In the Bay Area, many median-income households are caught in a tough spot, with earnings too great to qualify for housing subsidies but too little to afford market-rate rents or average home prices. In this report, middle-income households are defined as households earning between 80% and 120% of area median income (AMI).[1] This definition aligns with state housing programs' definition of moderate-income households.[2]

Our research explored how household income shifts affect those who fall within the middle-income range across the region's nine counties and among racial groups.

Income Shifts Within the Region

In 2020, a middle-income family in San Francisco County earned between $95,000 and $143,000 annually. A middle-income family in Alameda County earned between $84,000 and $126,000 annually, a middle-income family in Santa Clara County earned between $105,000 and $157,000 annually, and a middle-income family in Solano County earned between $68,000 and $102,000 annually.[3] In 2020, the median income for the state of California was nearly $85,000, significantly lower than the average median household income for the Bay Area, at nearly $108,000.

Incomes in the Bay Area have risen over the last 20 years, although not evenly throughout the region. The median income of San Francisco County was lower than that of many other counties in 2010, but it grew by a whopping 71% between 2010 and 2021. Among Bay Area counties, Santa Clara County had the second-highest median income in 2010, and the highest in 2021, having grown by 63% between 2010 and 2021. Meanwhile, Solano County had a lower median income relative to all but one other county in 2010. Even though its median income grew by 28% between 2010 and 2021, the county still had the Bay Area's lowest median income in 2021.

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[1] For a discussion of the definition of "middle income," see David Garcia, Shazia Manji, Quinn Underrriner, and Carolina Reid, *The Landscape of Middle-Income Affordability in California*, Terner Center for Housing Innovation, 2022, https://ternercenter.berkeley.edu/blog/middle-income-housing-affordability-california/.

[2] Garcia, Manji, Underrriner, and Reid, *The Landscape of Middle-Income Affordability in California.*

[3] These figures reflect U.S. Census data.

EXHIBIT 2

The wages of middle-income households are lower in Solano, Sonoma, and Napa counties than they are elsewhere in the region.

Median Income by County, San Francisco Bay Area, 2020

Source: The Concord Group analysis based on U.S. Census, Census Series Code S1903, S1101.

Note: Figures are not adjusted for inflation.

COUNTY	80% OF AMI	100% OF AMI	120% OF AMI	AVERAGE HOUSEHOLD SIZE (NUMBER OF PEOPLE)
Alameda	$83,910	**$104,888**	$125,866	2.84
Contra Costa	$83,198	**$103,997**	$124,796	2.86
Marin	$97,337	**$121,671**	$146,005	2.41
Napa	$73,775	**$92,219**	$110,663	2.78
San Francisco	$95,309	**$119,136**	$142,963	2.36
San Mateo	$102,473	**$128,091**	$153,709	2.87
Santa Clara	$104,712	**$130,890**	$157,068	2.97
Solano	$67,710	**$84,638**	$101,566	2.87
Sonoma	$68,938	**$86,173**	$103,408	2.58
Average:	**$86,374**	**$107,967**	**$129,560**	**2.73**

EXHIBIT 3

Incomes vary across the nine-county region and have increased over time, particularly in recent years.

Historical Median Income by County, San Francisco Bay Area, 2010, 2020, and 2021

Source: The Concord Group analysis based on U.S. Census data, Census Series Code S1903.

Note: Figures are not adjusted for inflation. Median incomes for 2010 are U.S. Census one-year estimates; 2021 five-year estimates are not currently available.

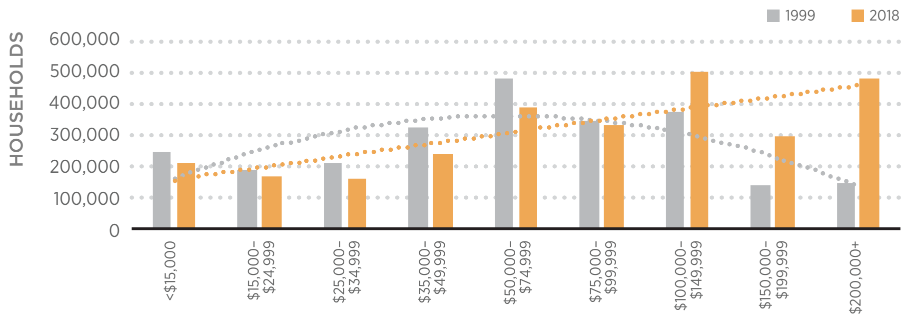
	YEAR			CHANGE (%)	
COUNTY	2010	2020	2021	2010 VS. 2021	2020 VS. 2021
Alameda	$69,384	$104,888	$109,729	58%	5%
Contra Costa	$78,385	$103,997	$111,080	42%	7%
Marin	$89,268	$121,671	$118,209	32%	-3%
Napa	$67,389	$92,219	$97,213	44%	5%
San Francisco	$71,304	$119,136	$121,826	71%	2%
San Mateo	$85,648	$128,091	$131,796	54%	3%
Santa Clara	$86,850	$130,890	$141,562	63%	8%
Solano	$68,409	$84,638	$87,770	28%	4%
Sonoma	$63,274	$86,173	$94,295	49%	9%
Average:	$75,546	$107,967	$112,609	49%	4%

Overall, the distribution of incomes across households within the Bay Area has also changed. Twenty years ago, the region had more households with incomes in the middle of the income range than households with incomes lower or higher than that range. Over the past two decades, that distribution has shifted: High-income households now outnumber middle-income households. Since 1999, the Bay Area has seen a decrease of 300,000 households making less than $100,000 and an increase of 625,000 households making more than $100,000.[4]

EXHIBIT 4

Incomes have shifted in the Bay Area, with an increase in the share of wealthy people in the region and a decrease in the share of lower-income people.

Change in Bay Area Household Income Distribution, 1999 to 2018



Source: Sarah Karlinsky and Kristy Wang, *What It Will Really Take to Create an Affordable Bay Area,* SPUR Report, 2021, https://www.spur.org/publications/research/2021-04-19/what-it-will-really-take-create-affordable-bay-area.

This shift is due to a variety of factors. Some households are simply earning more and therefore moving into higher-income categories. Additionally, wealthy households have moved into the housing-scarce Bay Area and have outcompeted low-income households for homes. The increased demand for housing, coupled with the lack of housing production, has increased housing prices and reduced housing affordability for lower-income households.

Wages for top earners have substantially increased, while wages for the lowest earners have declined.

When inflation is taken into account, it becomes evident that the lowest-income earners have experienced an erosion of their income, decreasing their ability to afford the cost of housing. From 1970 to 2014, the top 10% of earners in the United States saw their wages rise by 51%. This increase was nowhere more dramatic than in the Bay Area. At the same time, wages for the bottom 10% of earners declined by 12% in the region, slightly more than in the rest of the country, exacerbating income inequality. For all but the lowest 20% of earners, wage growth in the Bay Area outpaced wage growth nationally by a large margin.

[4] Sarah Karlinsky and Kristy Wang, *What It Will Really Take to Create an Affordable Bay Area,* SPUR Report, 2021, https://www.spur.org/publications/research/2021-04-19/what-it-will-really-take-create-affordable-bay-area.

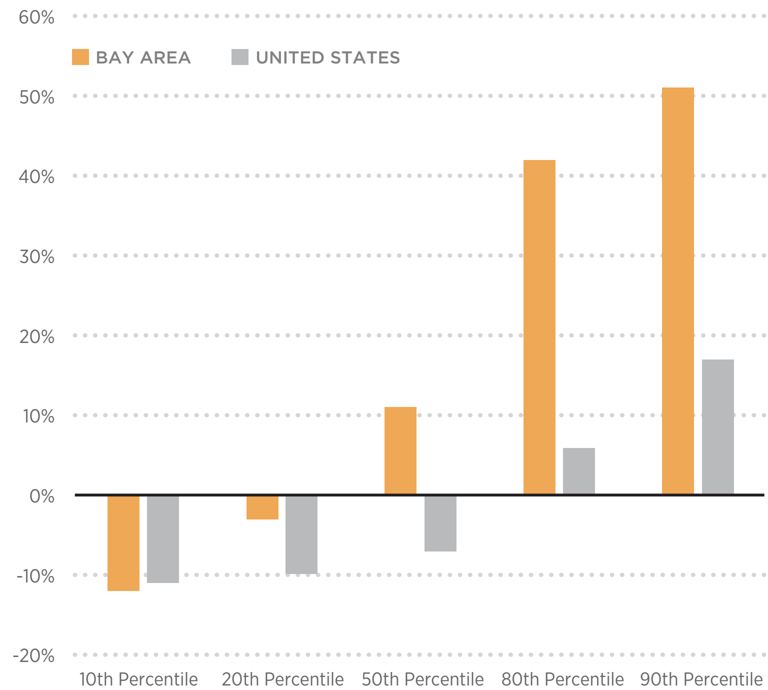
EXHIBIT 5

Over a 45-year period, wages for the highest-income earners in the Bay Area increased by 51%, while wages for the lowest-income earners decreased by 12%.

Wage Growth by Percentiles, San Francisco Bay Area, 1970 to 2014

Source: The Concord Group.

Note: Income growth is based on household incomes adjusted for inflation.



Bay Area incomes started higher and grew more than incomes in other California metro areas. Some of the greatest income growth has occurred in Bay Area counties, including San Mateo, San Francisco, and Alameda counties.[5] Many Bay Area counties started the period from 2015 to 2019 with relatively high household incomes, so income growth in these areas reflects an accelerated trend of increasing Bay Area median incomes. Many other regions, such as Fresno, Los Angeles, and San Diego, have experienced flat or decreasing median incomes over the past two decades.

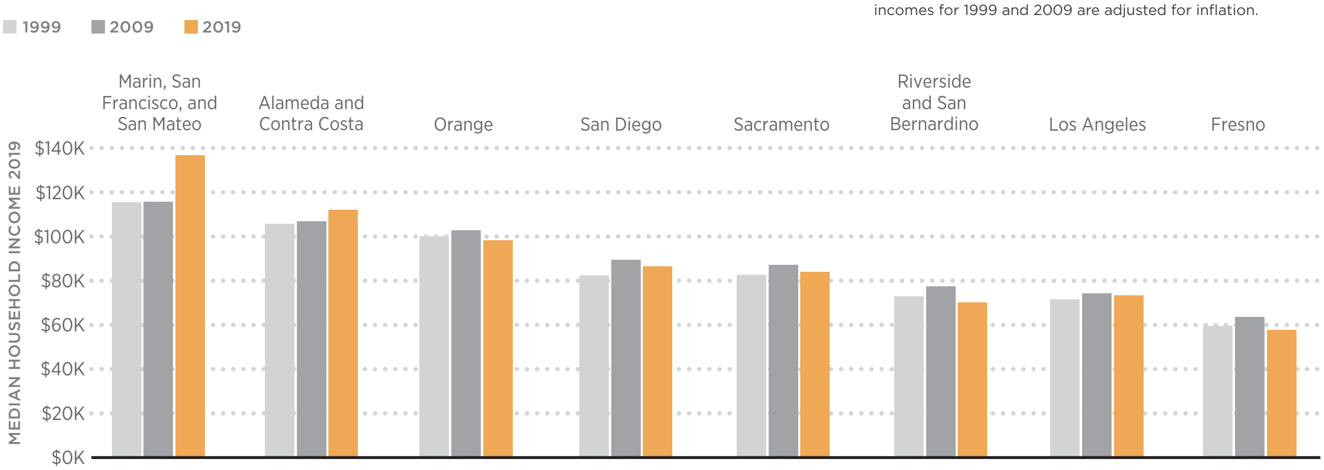
EXHIBIT 6

The Bay Area, one of the wealthiest regions in California, has seen some of the greatest growth in median incomes over the past 20 years.

Differences in Household Median Income, Selected California Counties, 1999 to 2019

Source: David Garcia, Shazia Manji, Quinn Underriner, and Carolina Reid, *The Landscape of Middle-Income Affordability in California*, Terner Center for Housing Innovation, 2022, https://ternercenter.berkeley.edu/blog/middle-income-housing-affordability-california/.

Note: Data are from the 2000 Decennial Census and the 2009 and 2019 one-year American Community Survey. Household incomes for 1999 and 2009 are adjusted for inflation.



[5] The growth is reflected in income data, not adjusted for inflation, from the American Community Survey.

Rising incomes in the Bay Area have turned many formerly middle-income occupations into occupations earning less than the median wage.

The share of higher-income households in the Bay Area has grown over the past 20 years due to an influx of wealthy households and huge increases in income for some professions, both of which have pulled up the AMI. An analysis by The Concord Group (TCG), based on data from the Bureau of Labor Statistics and Federal Reserve Economic Data, revealed that as median incomes continue to rise, some of the middle-income occupations of 20 years ago are no longer middle-income occupations. The median income for accountants in Alameda County went from $72,000 in 2010 to $88,000 in 2020, but despite that 23% wage increase, the profession's median income relative to overall AMI fell from 80% in 2010 to 74% in 2020. By contrast, computer programmers in San Francisco saw their median income grow from $123,000 in 2010 to $251,000 in 2020, with a wage increase of 103% and a median income shift from 125% of overall AMI in 2010 to 176% in 2020.

The TCG analysis revealed that shifts in incomes by occupation are not monolithic. Some middle- and low-income wage jobs have seen increases relative to the overall median income in certain counties. For example, cooks in Alameda County saw their median income increase by 19%. But by and large those in low- or middle-income categories — cashiers, librarians, housekeepers, secretaries, and others in service jobs — saw either modest increases or declines in their median incomes relative to the overall increase in median income between 2010 and 2020.

Why This Report Does Not Adjust Incomes and House Prices for Inflation

Determining how to treat inflation when comparing incomes and housing prices in the Bay Area is complex. Adjusting incomes and housing prices for inflation introduces complications due to the high cost of housing. Because housing is part of a basket of goods and services that people purchase, it is incorporated into the factors used to calculate the inflation adjustment. On the other hand, not adjusting for inflation potentially overstates differences in incomes and housing prices over time, showing increases in incomes that don't necessarily reflect greater ability to afford the available basket of goods and services. This report does not correct for inflation in order to better show increases in incomes and housing costs over time. Figures display nominal dollars, or dollars unadjusted for inflation, unless otherwise specified.

Falling Down the Median-Income Ladder

Real estate economics firm The Concord Group, which provided much of the data analysis for this report, developed several case studies to illustrate the shrinking ability of three fictional middle-income professionals to afford housing. The studies reflect data from the Bay Area Census and the Bureau of Labor Statistics. Dollar figures are not adjusted for inflation.

Linda

MIDDLE-SCHOOL TEACHER, WEST OAKLAND

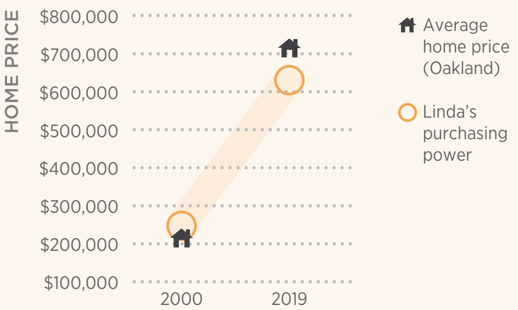
Linda's household made...

101% of HH median income in Oakland in 2000

vs.

90% of HH median income in Oakland in 2019

Affordable vs. Average Housing Costs



Linda works as a teacher at a middle school in West Oakland. In 2000, she was making $40,000, almost the median income for educators in Oakland at the time (101% of AMI). Over the next 20 years, her pay rose to $66,000, the median income for educators in 2019. Despite a 64% increase in wages over a 20-year period, Linda went from earning 101% of AMI in 2000 to 90% of AMI in 2019 because, over the same period, the median income of Oaklanders grew even more than Linda's wages, from roughly $40,000 in 2000 to almost $74,000 in 2019, an 84% increase.

Linda's ability to purchase a home declined over the decades. In 2000, a median-priced home in Oakland was $215,000. By 2019, it had increased to $712,000. Linda's wage increases have been insufficient to keep pace with the rise in housing prices in her area.

Manny

CONSTRUCTION WORKER, SAN MATEO

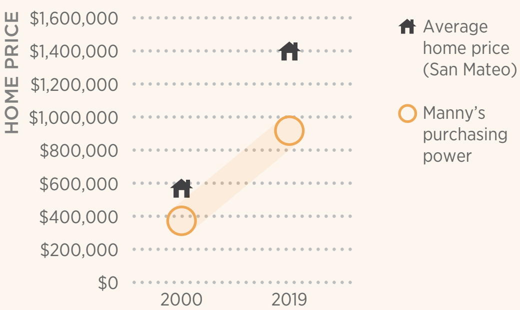
Manny's household made...

93% of HH median income in San Mateo in 2000

vs.

78% of HH median income in San Mateo in 2019

Affordable vs. Average Housing Costs



Manny is a construction worker in San Mateo. He transitioned into construction work by attending trade school after graduating from high school and then working in San Mateo, where he grew up. He quickly picked up skills and continues to climb the ladder at his company. His earnings went from $61,000 a year in 2000 to $95,000 a year in 2019, a 58% increase. Despite this wage growth, Manny's relative income fell from 93% of AMI in 2000 to 78% of AMI in 2019. During this period, Manny's ability to purchase a home increased by more than 50%, but so, too, did home prices.

Mick

POSTAL WORKER, DUBLIN

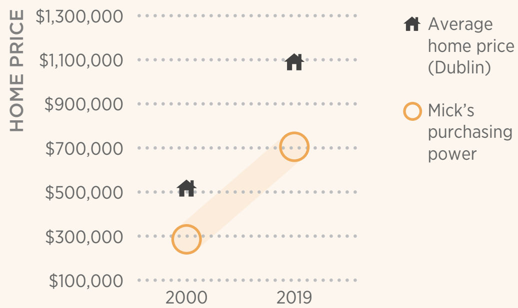
Mick's household made...

59% of HH median income in Dublin in 2000

vs.

49% of HH median income in Dublin in 2019

Affordable vs. Average Housing Costs



Mick has been with the postal service in the Tri-Valley area for many years. Despite a number of promotions, his wages have remained flat relative to inflation. Mick earned roughly $45,500 in 2000 and $74,000 in 2019. His income went from 59% of AMI in 2000 to 49% of AMI in 2019. Although Mick's purchasing power increased by 57% during this period, the median home price in Dublin increased from $507,000 to $1,084,000, leaving homeownership far out of reach.

Despite having steady jobs, Linda, Manny, and Mick have seen their relative economic positions decline over the past 20 years. The influx of high-income earners into the Bay Area, coupled with the increase in housing costs, has eroded their home purchasing power and dampened their retirement prospects in the region.

Racial Disparities in Impacts of Household Income Shifts

Shifts in incomes affect racial and ethnic groups differently. These impacts vary across the Bay Area. To understand how changes in household incomes intersect with demographics, we analyzed shifts in incomes by race and ethnicity at the scale of the region and the county.

White and Asian households started with the highest incomes and have experienced some of the greatest income increases. Median incomes for Black and Latinx households are below 80% of AMI. Income inequality by race persists in the Bay Area. White households had median incomes slightly higher than the average income in 2010. By 2019, their median income was 108% of AMI. The median income of Asian households was more than 120% of AMI by 2019. The population of Asians in the Bay Area grew nearly 27% between 2010 and 2019 (see Appendix A, Exhibit A1).

By contrast, the median income of Black households was slightly below 70% of AMI in 2010. By 2019, Black median income had grown to slightly less than 80%. Meanwhile, the median income of Latinx households increased only 3% relative to AMI.

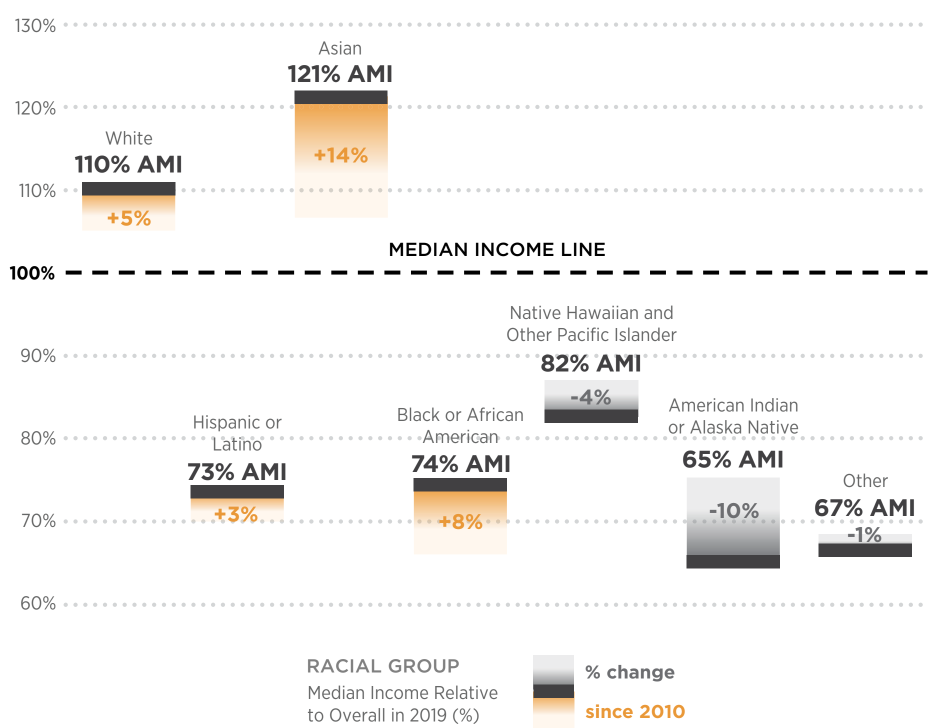
Median incomes for Black and Latinx households were below 80% of AMI in both 2010 and 2019, despite increasing overall during that time period. Consequently, housing programs that specifically target households earning between 80% and 120% of AMI will miss the many Black and Latinx households with incomes below 80% of AMI.

Incomes of American Indians or Alaska Natives and of Native Hawaiian and Other Pacific Islander households declined relative to AMI between 2010 and 2019.

EXHIBIT 7

Median incomes for white, Asian, Black, and Latinx people have gone up in the last decade, while those for Pacific Islanders, Native Americans, and others have gone down. Even though Black and Latinx median incomes have increased, they are still below the overall midpoint, unlike white and Asian incomes.

Changes in Median Incomes by Race Relative to AMI, 2010 to 2019



Source: The Concord Group analysis based on U.S. Census data.

Note: All race and ethnicity designations (including terminology) are U.S. Census designations. Those identifying as "two or more races" are counted in the "other" category. Population counts by race and ethnicity can be found in Appendix A1.

How Data Limitations Blur Racial Categories

This report utilizes demographic data from the U.S. Census Bureau's American Community Survey, which aggregates race and ethnicity into broad categories. The practice of aggregating data can erase the experiences of people from minority ethnicities within the broader category, hiding their experiences within the larger racial or ethnic group. This blurring is particularly true for people in the "Asian" and "Hispanic" data groups, which categorize geographically, culturally, and economically diverse ethnic groups under umbrella terms. Data limitations prevent disaggregation of these broad racial and ethnic group categories.

Disparities in income by race and ethnicity vary throughout the Bay Area.
White and Asian households tend to have higher median incomes in all Bay Area counties, but levels of disparity vary across geographies. This analysis looked at median incomes by race in four Bay Area counties: the three Bay Area counties with the largest cities (San Francisco, Alameda, and Santa Clara) as well as Solano County for comparison. Data for the remaining five Bay Area counties are presented in Appendix B.

In San Francisco County, white households had the highest median income of any racial or ethnic group in 2010. Between 2010 and 2019, the median income of white households grew 64%, a far greater increase than that experienced by any other racial or ethnic group. White households were the only group to have incomes above the median income by 2019. Black households started with the lowest incomes and saw relatively meager income growth. The median income of Black households remained well below 80% of the overall median for the county. Black households were the only racial or ethnic group to experience a population decrease in the city (see Appendix A, Exhibit A2).

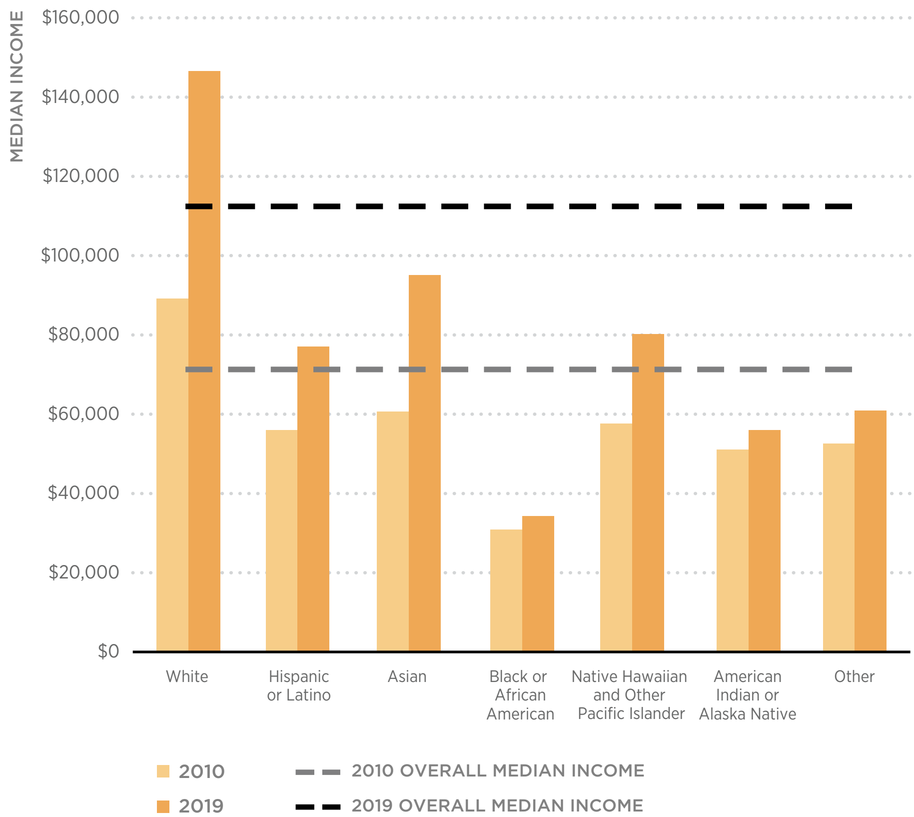
EXHIBIT 8

The median income of white households in San Francisco County rose 64%, the largest increase for any racial or ethnic group in the city.

Changes in Median Household Income by Race and Ethnicity, San Francisco, 2010 to 2019

Source: The Concord Group analysis based on U.S. Census data.

Note: Figures are not adjusted for inflation. The number of San Francisco households in each racial and ethnic category can be found in Appendix A, Exhibit A2.



In Alameda County, all racial groups saw an increase in median incomes. White and Asian households started with the highest median incomes, which continued to grow at a higher percentage between 2010 and 2019. The median income for Black households grew from roughly $40,000 to $52,000, or 29%. The median income for Latinx households in Alameda County grew from $55,600 to $78,000, or 40%. Despite this growth, the median income for Black and Latinx households was nowhere near the growth in overall median income for all of Alameda County. Black and white households were the only racial or ethnic groups to experience a population decrease in the county (see Appendix A, Exhibit A3).

EXHIBIT 9

In Alameda County, the median incomes of white and Asian households increased by 39% and 48%, respectively.

Changes in Median Household Income by Race and Ethnicity, Alameda County, 2010 to 2019

Source: The Concord Group analysis based on U.S. Census data.

Note: Figures are not adjusted for inflation. The number of Alameda County households in each racial and ethnic category can be found in Appendix A, Exhibit A3.

White and Asian households had the highest incomes in the South Bay, both in 2010 and 2019. The median income for Asians in 2010 was $104,000. By 2019, it had grown to $149,000, an increase of 43%. White households saw the second-highest increase, from $95,000 in 2010 to $133,400 in 2019, an increase of 40%. During this same period, the median income of Latinx households grew 39% but remained far below the overall median income for the county.

In Solano County, whites and Asians are the only racial groups to have median incomes greater than the overall median for the county. The median income for white households was $73,000 in 2010 and $88,000 in 2019, an increase of 19%. The median income for Asian households was $83,000 in 2010 and $97,500 in 2019, an increase of 21%. Other racial groups saw their median incomes increase, with the exception of American Indians or Alaska Natives, a third of whom left the county between 2010 and 2019 (see Appendix A, Exhibit A5). The median income for Latinx households increased from $58,000 to $71,500 in 2019, an increase of 23%. The median income for Black households increased from $54,000 in 2010 to $62,000 in 2019, an increase of 14%. Notably, the median income in Solano County was significantly lower in 2019 than the median incomes in Alameda, San Francisco, and Santa Clara counties.

EXHIBIT 10

In Santa Clara County, the median income for Asians grew 43%, while the median income for whites grew 40%.

Changes in Median Household Income by Race and Ethnicity, Santa Clara County, 2010 to 2019

Source: The Concord Group analysis based on U.S. Census data.

Note: Figures are not adjusted for inflation. The number of Santa Clara County households in each racial and ethnic category can be found in Appendix A, Exhibit A4.

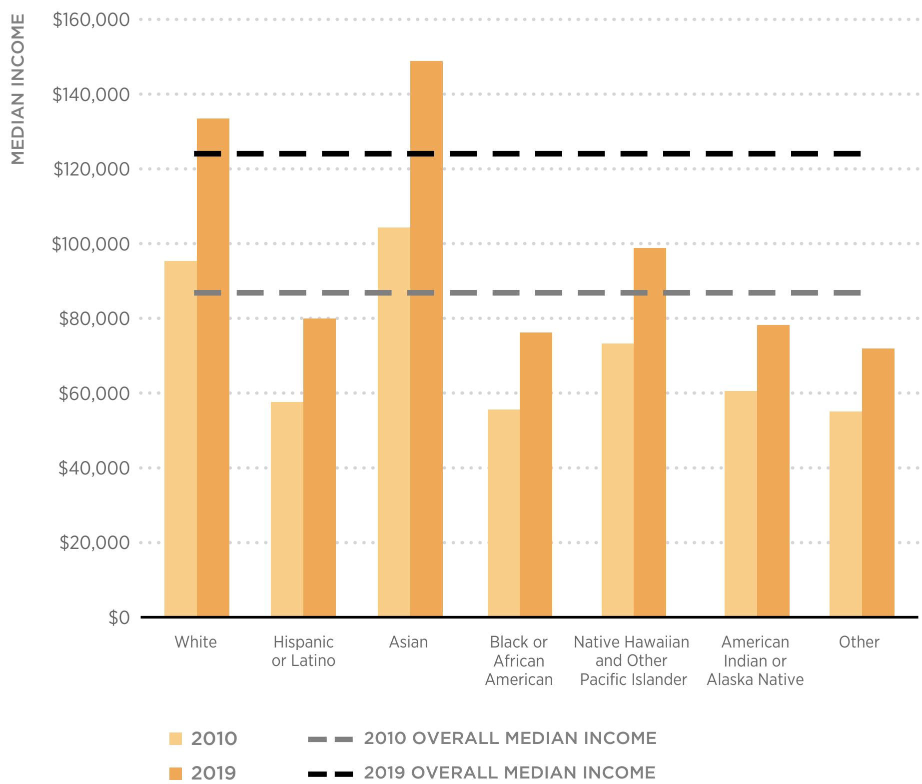


EXHIBIT 11

In Solano County, differences among median incomes for racial and ethnic groups are not as great as in other Bay Area counties.

Changes in Median Household Income by Race and Ethnicity, Solano County, 2010 to 2019

Source: The Concord Group analysis based on U.S. Census data.

Note: Figures are not adjusted for inflation. The number of Solano County households in each racial and ethnic category can be found in Appendix A, Exhibit A5.

The Bay Area Income Story

Median incomes in the Bay Area have shifted significantly since 2010. Bay Area counties, already wealthier than many other regions in California, have also seen median incomes rise more than the California average. Income inequality has continued to expand as wage growth for top wage earners has substantially increased while wage growth for the lowest-income earners has declined, a national trend that the Bay Area has experienced more starkly than the country as a whole.

Although median incomes have risen substantially, workers in previously middle-income professions, such as teaching and construction work, have experienced a significant decline in their income relative to median incomes overall. This decline has moved some of these workers out of the middle-income band (80% to 120% of AMI) and into the low-income band (50% to 80% of AMI). Relative median incomes across Bay Area counties have also changed, with San Francisco having the lowest median income in 1990 but the third highest in 2021.

Different racial groups have continued to experience unequal growth in median incomes. Although median incomes in the Bay Area have grown for Black and Latinx households, they still lag those of white and Asian households. Possibly due to the greater affordability of their housing, some areas outside the inner Bay Area have seen less income disparity among racial categories. The median-priced home in one neighborhood of Vacaville (a city in Solano County) is roughly $689,000, while the median-priced home in the Inner Sunset District of San Francisco is $1,788,341.[6]

The median incomes of Black and Latinx households in the Bay Area are below the 80% to 120% of AMI threshold for what is traditionally considered a middle-income household.

[6] Susie Neilson, "Home Prices in Every Bay Area City and ZIP Code," *The San Francisco Chronicle*, December 20, 2022, https://www.sfchronicle.com/projects/real-estate/bay-area-home-prices/. Accessed September 8, 2022, for zip codes 94551 and 94122.

Chapter 2

How Have the Region's Housing Affordability Challenges Changed Who Can Live in the Bay Area?

The relationship between housing and income is tightly linked. High housing prices can keep lower-income people from being able to stay in the Bay Area and can prevent new lower-income people from moving here. Higher-income people compete with each other for scarce housing options, driving up the average cost of housing. When incomes are high and housing supply is low, the region runs the risk of becoming a place where only the wealthiest people can afford to live, undermining racial and economic diversity and straining the economy.

The Bay Area has some of the most expensive housing in the entire country.[7] It also has many areas with some of the highest incomes in the United States.[8] The result is that the region's median income is very high, making some housing, particularly rental housing, relatively affordable for median-income households. But while rental housing may be in reach for some middle-income households, for-sale housing is affordable only to the most affluent. This reality has long-term implications for who remains within our region.

Our research examined the reasons that housing in the Bay Area is so expensive and explored the relative affordability of both rental housing and for-sale housing for median-income households in the region and in select counties.

The High Cost of Bay Area Housing

Housing in the Bay Area is expensive for many reasons, but chiefly because there is not enough of it. In SPUR's 2021 report *What It Will Really Take to Create an Affordable Bay Area*, we found that the Bay Area failed to produce the roughly 700,000 units of housing that were needed to keep pace with demand from 2000 to 2018. Of those unbuilt units, 486,000 were needed for households earning less than the median income.

[7] National Low-Income Housing Coalition, *Out of Reach: The High Cost of Housing*, *2022*, https://nlihc.org/oor.

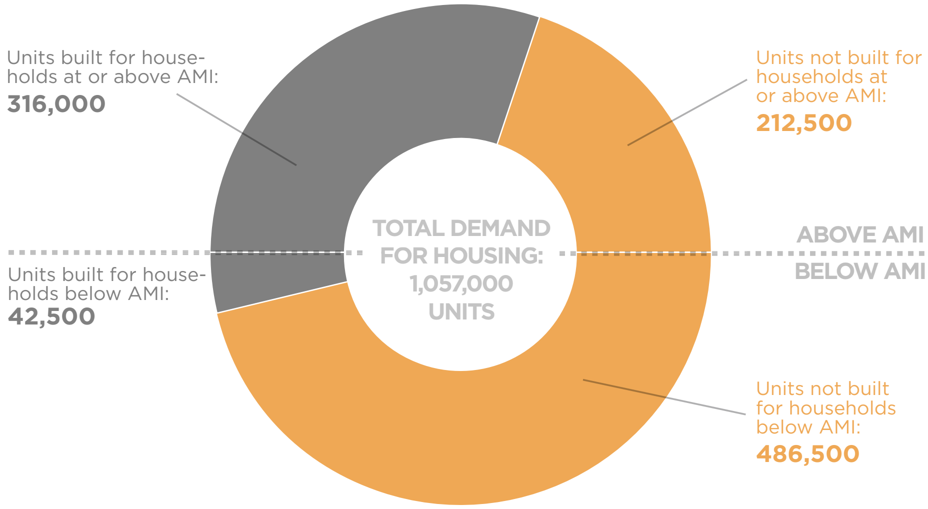
[8] Andrew DePietro, "Richest Counties in the United States," *Forbes*, December 21, 2021, https://www.forbes.com/sites/andrewdepietro/2021/12/21/richest-counties-in-the-us/?sh=2e8130202ecd.

EXHIBIT 12

The Bay Area has failed to produce a sufficient amount of housing, particularly for households with income below the AMI.

Bay Area Housing Demand, 2000 to 2018

Source: Sarah Karlinsky and Kristy Wang, *What It Will Really Take to Create an Affordable Bay Area,* SPUR Report, 2021, https://www.spur.org/publications/research/2021-04-19/what-it-will-really-take-create-affordable-bay-area.



The Bay Area has added many more jobs than housing units, according to an analysis by The Concord Group that was based on housing permit data from the U.S. Department of Housing and Urban Development and job data from the U.S. Census Bureau. From 2011 to 2017, the region added 658,000 jobs and 140,000 units, or 4.7 jobs for every housing unit. In some of the region's more expensive counties, such as San Mateo, the imbalance was even more pronounced, with a ratio of 8.14 new jobs to every new housing unit.

The lack of sufficient housing supply hits low-income households hard. But even middle-income households experience some cost burden due to rent. In 2021, roughly 24% of households earning between 80% and 120% of AMI felt that burden — that is, they paid more than 30% of household income to rent. Unsurprisingly, among cost-burdened middle-income households, those earning 80% to 100% of AMI were more cost burdened than those earning 100% to 120% AMI.

EXHIBIT 13

In the Bay Area, even middle-income households (earning 80% to 120% of AMI) experience some cost burden from rent.

Renter Cost Burden for Middle-Income Group, Bay Area, 2021

Source: California Housing Partnership analysis of one-year Public Use Microdata Sample (PUMS) data for 2021.

	EXTREMELY LOW-INCOME (0%–30% AMI)	VERY LOW-INCOME (30%–50% AMI)	LOW-INCOME (50%–80% AMI)	MIDDLE-INCOME (80%–120% AMI)	ABOVE MIDDLE-INCOME (80%–120% AMI)	ALL RENTERS
% Cost-Burdened	86%	79%	56%	**24%**	3%	47%
% Severely Cost-Burdened	70%	39%	8%	**1%**	0%	24%

MIDDLE-INCOME (80%–100% AMI)	MIDDLE-INCOME (100%–120% AMI)
30%	**16%**
2%	**1%**

Rental Affordability for Median-Income Households

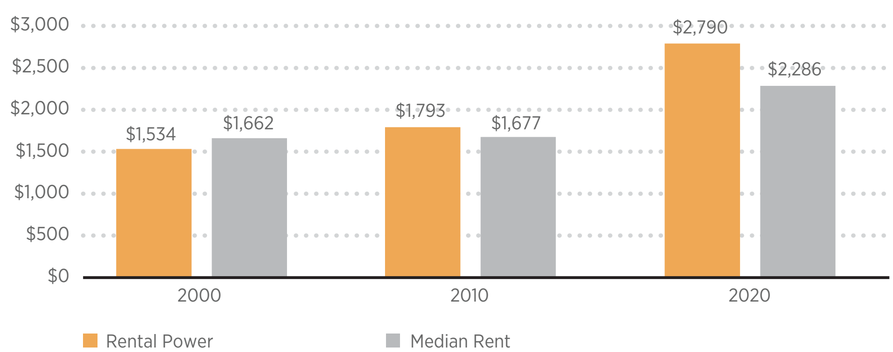
Over the past 20 years, the ability of a median-income household to rent an average-priced unit in the Bay Area has increased. This rising rental affordability, which may seem counterintuitive, is due to significant growth in median incomes over the past two decades. This growth makes it easier for median-income households to afford housing, but it also leads to increases in median rents (and for-sale prices). Consequently, racial groups with lower median incomes, such as Black households, at 76% of AMI, and Latinx households, at 75% of AMI, are still less likely to be able to afford rent than their white or Asian counterparts. Moreover, in Bay Area counties with the most affordable housing markets, affordability has eroded even as incomes have increased. For example, in Solano County, the average-priced rental unit used to be affordable to households at 80% of AMI. By 2020, the average-priced rental unit was no longer affordable to these households.

Rents and incomes largely stagnated from 2000 to 2010, due in part to the Great Recession of 2007 to 2009, during which housing prices declined and then slowly began to rebound. Between 2010 and 2020, median rents in the Bay Area grew a whopping 36%. As noted above, because median incomes have grown even more than rents from 2010 to 2020, the ability of a median-income household to afford the median-priced unit has increased. At the same time, the mix of housing constructed over the last few decades has shifted from for-sale to rental housing, making rental housing less scarce than for-sale housing.[9] The iterative relationship between housing prices and median incomes means that the ability of higher-income individuals to pay for scarce housing options raises the cost of housing. That cost then becomes increasingly too high for lower-income households to afford.

EXHIBIT 14

Although median rents increased by 36% between 2010 and 2020, the ability of median-income households to pay for rent increased by 55% due to rising incomes.

Gap Between Median Rent and Rental Power, Bay Area, 2000 to 2020



Source: The Concord Group analysis based on data from Zillow and Federal Reserve Economic Data (FRED).

Note: Figures are not adjusted for inflation. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.

Rental affordability varies significantly throughout the region, as shown by comparing the three Bay Area counties that include the region's biggest cities (San Francisco, Alameda, and Santa Clara)

[9] Robert Dietz, "97% Built-for-Rent Multifamily Construction Share," National Association of Home Builders, November 22, 2022, https://eyeonhousing.org/2022/11/97-built-for-rent-multifamily-construction-share/.

with a lower-income county farther from the inner Bay Area (Solano). (An analysis of rental affordability in the remaining five Bay Area counties can be found in Appendix C.)

In San Francisco County, rental housing continues to be affordable to the median-income household despite increases in both income and rents.[10] Median rents increased 9% between 2000 and 2010 and another 10% between 2010 and 2020. Median incomes increased 44% from 2000 to 2010 and another 33% from 2010 to 2020. The growth in median incomes absorbs the growth in rents, meaning that the ability of a median-income household to afford the average-priced one-bedroom unit has increased.

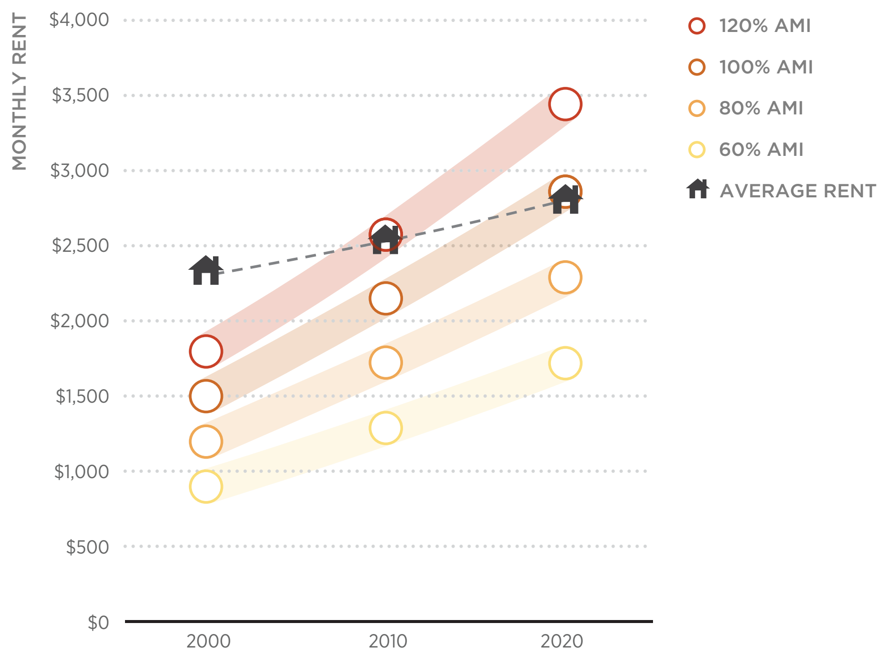
EXHIBIT 15

The affordability of the average-priced one-bedroom unit in San Francisco County to the median-income household has increased, even as rents have grown.

Relative Rent Affordability, San Francisco County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.



In Alameda County, rents remained flat between 2000 and 2010, while median incomes increased by 34%. From 2010 to 2020, the average cost of housing jumped 34% and median incomes rose 32%. By 2020, because of the extreme growth in incomes, the average-priced one-bedroom unit continued to be affordable to median-income households even though rents increased by more than a third.

[10] This report's rental affordability analysis uses income limits defined by the California Department of Housing and Community Development (HCD) and assumes a two-person household and a one-bedroom unit.

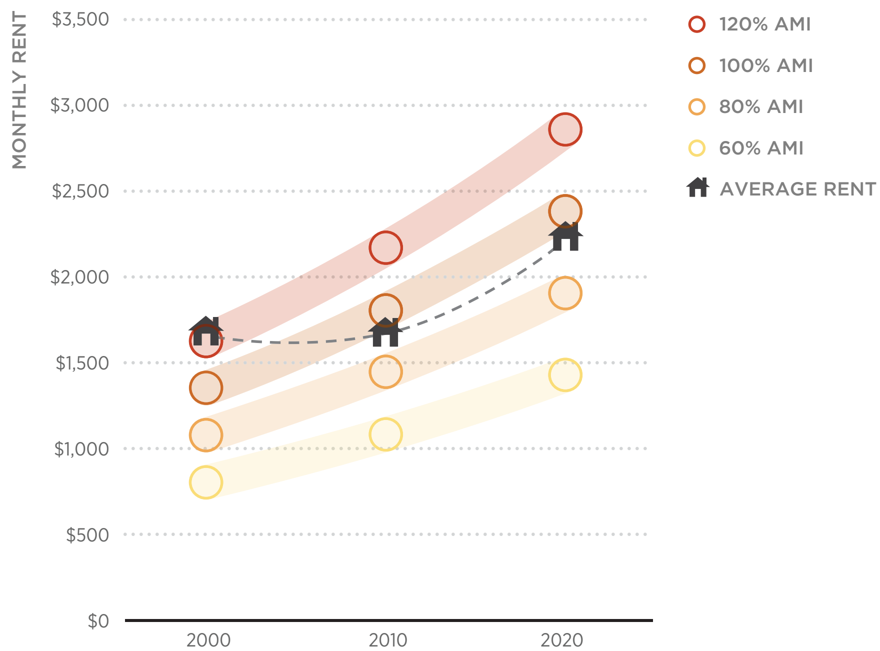
EXHIBIT 16

In Alameda County, the average-priced rental unit continues to be affordable to households earning the median income, even though rents grew 34% between 2010 and 2020.

Relative Rent Affordability, Alameda County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.



In Santa Clara County, one-bedroom rents dipped 13% between 2000 and 2010. At that point, average rents were affordable to households at 100% of AMI. Between 2010 and 2020, one-bedroom rents rebounded 28%. Despite that increase, the ability of the median-income household to afford the average-priced unit actually rose, largely because incomes increased by 37% between 2010 and 2020.

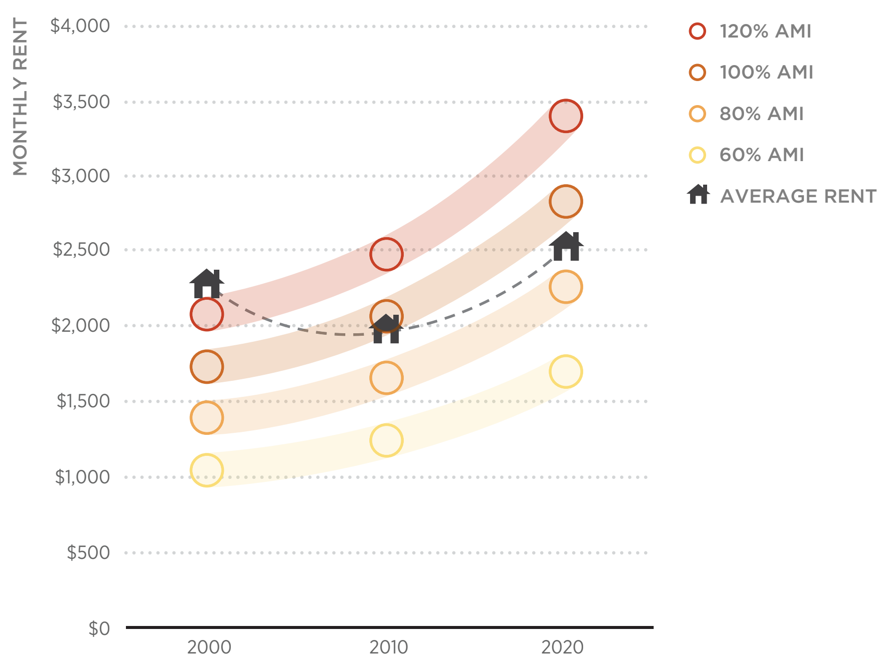
EXHIBIT 17

Households at 100% of AMI can still afford the average-priced rental unit in Santa Clara County.

Relative Rent Affordability, Santa Clara County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.



By Bay Area standards, Solano County is affordable. Rents there grew a modest 8% between 2000 and 2010, while incomes grew 49%. From 2010 to 2020, however, rents increased an extraordinary 62%. During the same period, median household income increased by only 16%, far less than in other parts of the region.

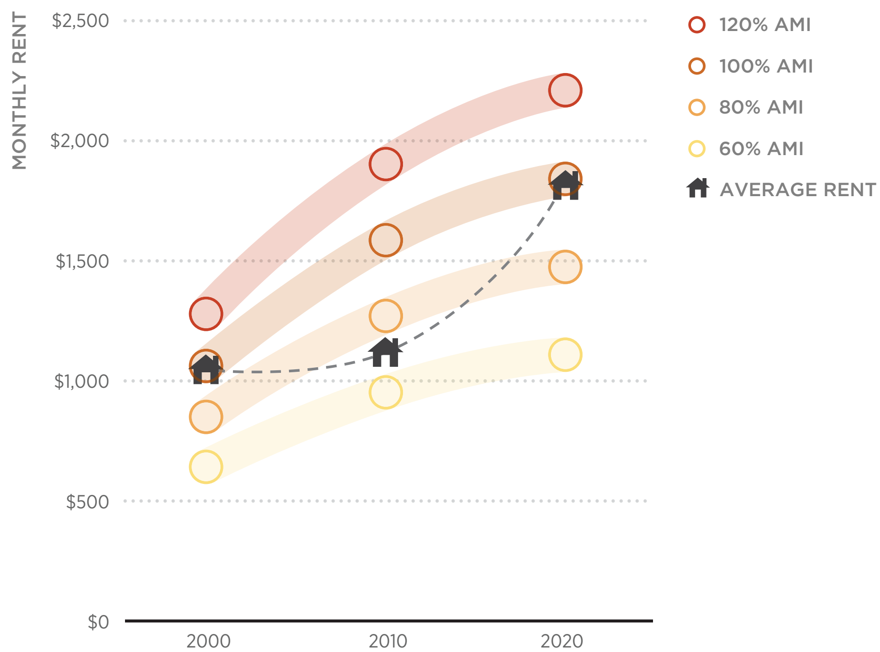
EXHIBIT 18

By 2020, the average-priced rental unit in Solano County was no longer affordable to households at 80% of AMI.

Relative Rent Affordability, Solano County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.



Homeownership Affordability for Median-Income Households

In the Bay Area, the homeownership picture is significantly bleaker than the rental picture for middle-income households. For-sale housing was too expensive for the median-income household in 2000, and the situation has significantly worsened over the last 20 years. The gap between what a median-income household can afford to pay and the cost of an average-priced home was $196,000 in 2000. By 2010, it was $206,000, and by 2020, it was more than $360,000.

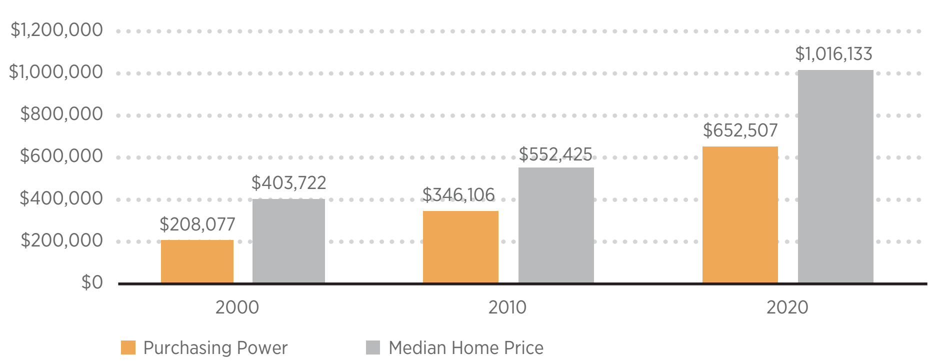
EXHIBIT 19

The ability of median-income households to buy a median-priced home in the Bay Area has decreased significantly.

Gap Between Median Home Price and Purchasing Power, Bay Area, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Purchasing power assumes that no more than 30% of monthly median income goes to mortgage payment.



Homeownership affordability varies significantly throughout the region, as shown by comparing San Francisco, Alameda, and Santa Clara counties with Solano County. (An analysis of homeownership affordability in the remaining five Bay Area counties can be found in Appendix D.) The overarching trend is that ownership opportunities are out of reach for all but the wealthiest households.

In San Francisco County, the average-priced home was unaffordable for even a household earning 120% of AMI in 2000. Between 2000 and 2010, the median home price grew by more than 56%. Between 2010 and 2020, it increased by 92%, and at $1,484,000, it was more than double the cost that a median-income household could afford to pay (roughly $670,000).

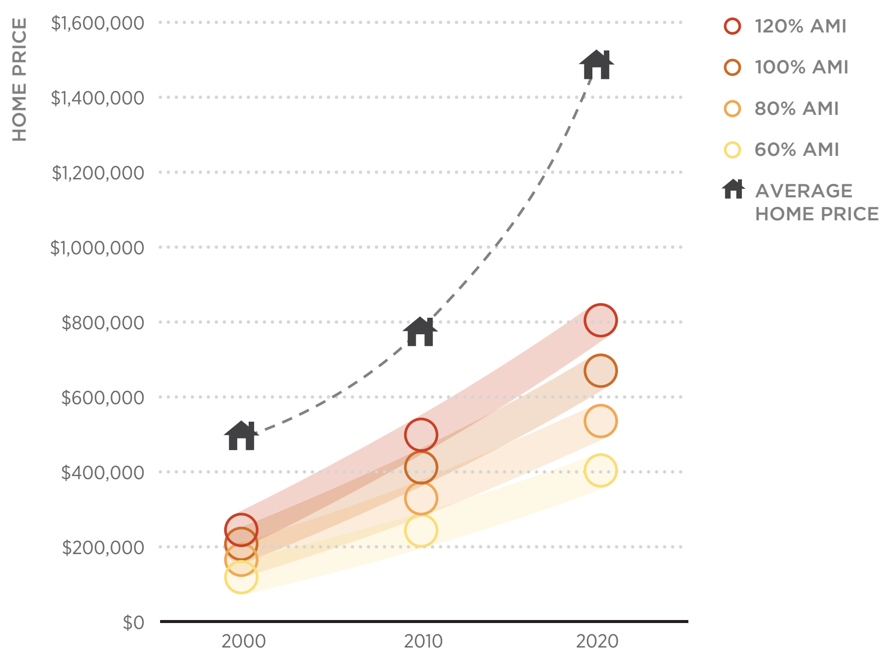
EXHIBIT 20

The median home price in San Francisco County is more than twice what a median-income household can afford to pay.

Relative Homeownership Affordability, San Francisco, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Purchasing power assumes that no more than 30% of monthly median income goes to mortgage payment.



In Alameda County, the median home price was $482,000 in 2010. Ten years later, it was $943,000, a 96% increase. The purchasing power of the median-income household also increased substantially, roughly 60%, between 2010 and 2020. However, the growth in median incomes was not enough to offset the increases in housing costs.

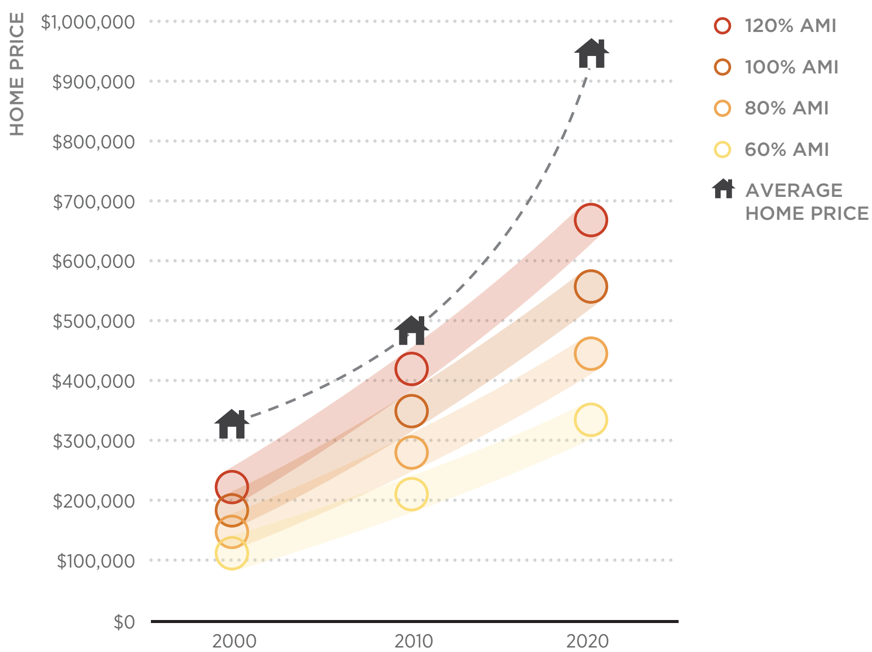
EXHIBIT 21

Growth in median incomes is insufficient to offset increases in home purchase costs in Alameda County.

Relative Homeownership Affordability, Alameda County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Purchasing power assumes that no more than 30% of monthly median income goes to mortgage payment.



In Santa Clara, the cost of a median-priced home grew almost 98% between 2010 and 2020. Although incomes also grew during this period, they were not sufficient to offset the runup in home prices. In 2020, the median-income household could afford to purchase a home for $663,000, but the median-priced home in Santa Clara County was $1,317,000.

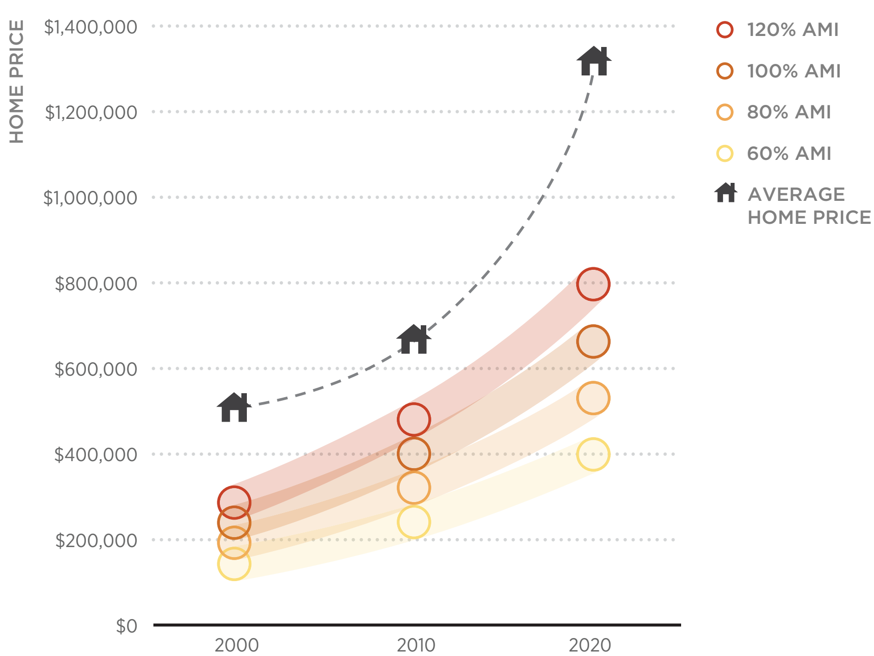
EXHIBIT 22

In Santa Clara County, the median-priced home is about $500,000 more than the median-income household can afford.

Relative Homeownership Affordability, Santa Clara County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Purchasing power assumes that no more than 30% of monthly median income goes to mortgage payment.



The for-sale housing affordability trend is somewhat different in areas farther from the inner Bay Area. In Solano County, housing prices increased a modest 11% between 2000 and 2010, reflecting the housing bust of the Great Recession. A household earning 80% of AMI could afford to purchase the median-priced home. However, between 2010 and 2020, housing prices increased by 98%, and the average-priced house was no longer affordable to a median-income household, although at $471,000, it was certainly more affordable than in other parts of the Bay Area.

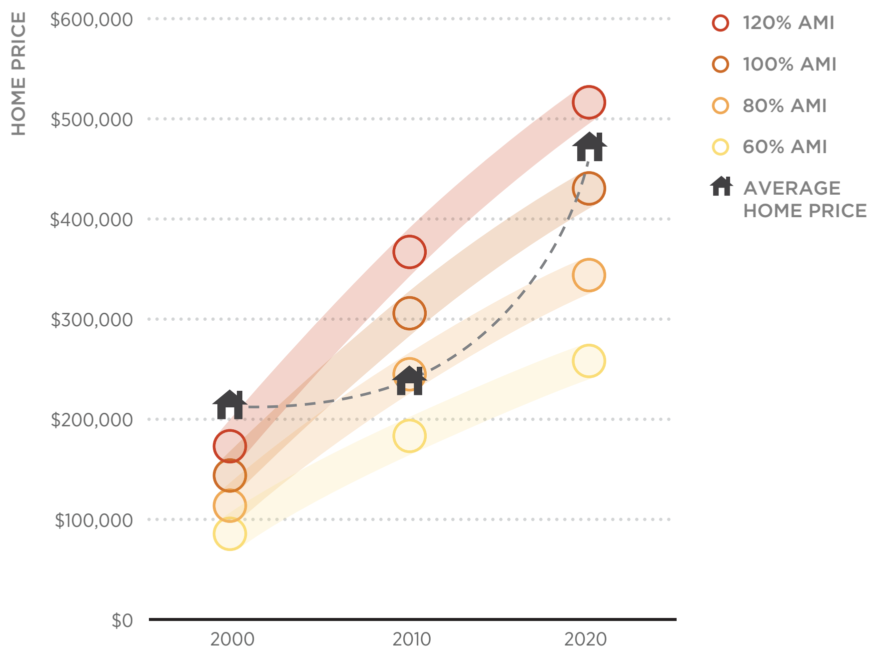
EXHIBIT 23

Though more affordable than in other parts of the Bay Area, the average-priced home in Solano County is out of reach for a median-income household.

Relative Homeownership Affordability, Solano County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Purchasing power assumes that no more than 30% of monthly median income goes to mortgage payment.



Like the increase in rental housing costs, the increase in for-sale prices of homes disproportionately impacts Black households. A recent report by the Terner Center for Housing Innovation found that in 2020 Black households were the least likely among all racial groups to obtain a home purchase loan. As homeownership becomes affordable only to those with the highest incomes and those able to access intergenerational wealth, this trend exacerbates long-term wealth inequality.

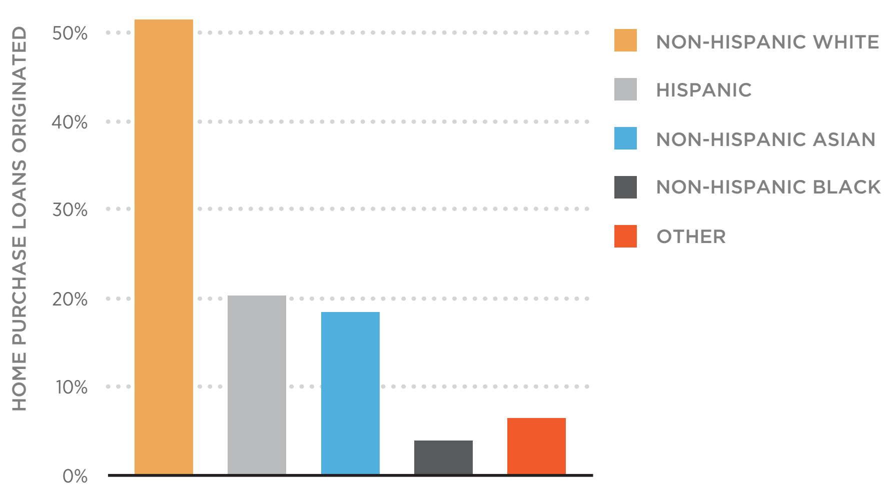
EXHIBIT 24

Black households are the least likely to access a home loan in California.

Number of Home Purchase Loans Originated, by Race and Ethnicity, 2020

Source: David Garcia, Shazia Manji, Quinn Underriner, and Carolina Reid, *The Landscape of Middle-Income Affordability in California*, Terner Center for Housing Innovation, 2022, https://ternercenter.berkeley.edu/blog/middle-income-housing-affordability-california/.

Note: The analysis was based on 2020 California Home Mortgage Disclosure Act data filtered for loans originated for non-commercial home buying, properties with one to four units, owner-occupied and first-lien. Race and ethnicity data were not collected for a significant number of loans: 42,469.



The Bay Area Housing Affordability Picture

In the Bay Area, housing — particularly for-sale housing — has grown increasingly unobtainable for median-income households. The substantial growth in incomes in the region has made average-priced rental housing affordable to median-income households, but steady growth in rents means that many households find rental housing more unaffordable than ever, especially those living in areas where the average-priced rental unit used to be affordable to those at 80% of AMI.

At the same time, for-sale housing is now completely out of reach for middle-income households, a shift that has accelerated over the past 10 years. Only those with extremely high incomes, large amounts of wealth, access to family money through intergenerational wealth transfers, or some combination of these assets are able to afford a home purchase in the Bay Area.

Affordability trends impact Black and Latinx households disproportionately. The median income for these groups is lower than the median income for the Bay Area as a whole. Black households in particular are less likely to have wealth or access to wealth due to discriminatory zoning practices such as redlining (whereby homes in neighborhoods with primarily Black households were denied government loans), racial covenants (which denied Black households the right to purchase certain homes), and other aspects of systemic racism.

Chapter 3

What Is Happening to People Who Can't Afford Housing in the Bay Area?

The shifts in Bay Area housing affordability have a negative impact on low- and middle-income households. What happens when rents rise while the incomes of middle- and low-income households remain flat or even decline? The answers to this question are concerning. The number of overcrowded households and households paying more and more of their incomes toward rent is increasing, underlining the deepening housing insecurity felt in the region. The distribution of incomes in the 21-county megaregion stretching from Sacramento to Santa Cruz has changed to mirror income shifts in the Bay Area, suggesting that some people are moving farther out to find affordable housing. Super-commuting (driving 25 or more miles one way to work) also is increasing. Lastly, some people are leaving the area or not moving to the area due to high housing costs.

Some households are becoming overcrowded.

One of the most significant trends between 2010 and 2019 was overcrowding. The percentage of homes with rooms occupied by 1.5 or more people increased across all geographic areas in the region, but the incidence of overcrowding was greatest along the I-880 corridor and in the urban East Bay and Marin County. Households with fewer than one person per room decreased. In 2010, San Francisco had the highest percentage of households with 1.5 people or more per room at 3.2%. By 2019, that number had expanded to 4.1%

These trends indicate that lower-income households are grappling with high housing costs by doubling or even tripling the number of people in their homes. Overcrowding sacrifices privacy and exacerbates physical and mental health challenges. Lower-income households are the most likely to experience overcrowding, adding to the challenges of housing instability.[11]

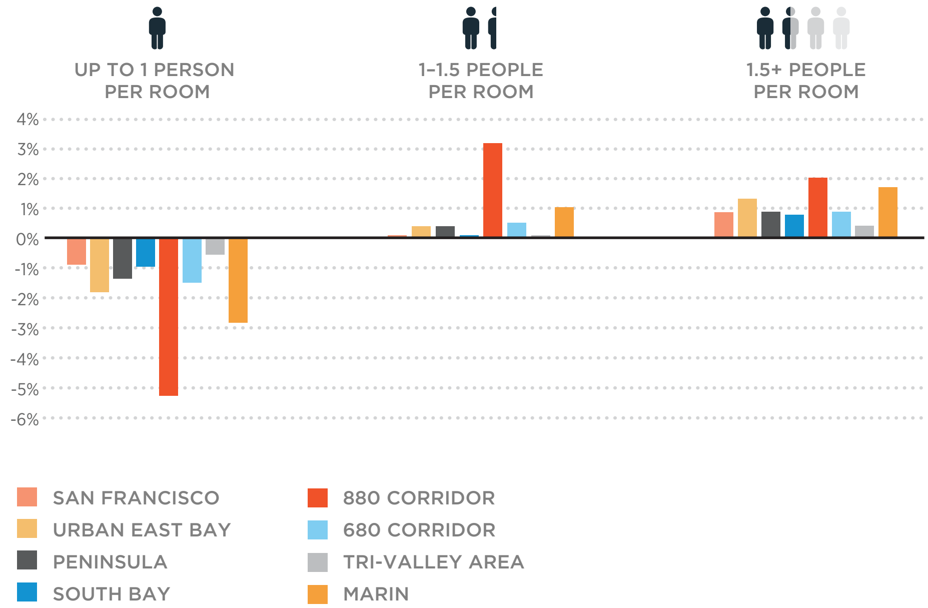
[11] Bina Patel Shrimali and Jackelyn Hwang, "Overcrowding in the Bay Area: Where the Housing Crisis Meets COVID-19," Federal Reserve Bank of San Francisco, Community Development, June 30, 2020, https://www.frbsf.org/community-development/blog/overcrowding-in-the-bay-area-where-the-housing-crisis-meets-covid-19/.

EXHIBIT 25

The incidence of overcrowding of homes is increasing, particularly along the I-880 corridor.

Percentage Change in Overcrowding, 2010 to 2019

Source: The Concord Group analysis based on American Community Survey data.



Some people are paying more and more of their income toward rent.

Many people in the region are paying more than 30% of the their income for housing, including middle-income households. Paying too much for housing leaves less for other expenses, such as food, healthcare, childcare, and education.

The percentage of super-commuters is increasing.

In search of more affordable housing, some people are driving farther and farther from major Bay Area job centers. For example, the percent of commuters traveling 50 or more miles to San Francisco rose from 10% in 2002 to 14% in 2019, a 40% increase. The share of those commuting 50 or more miles to the Peninsula increased from 11% in 2002 to 17% in 2019. In 2002, roughly 480,000 commuters traveled 25 or miles to their jobs. By 2019, that number had risen to 761,000, an increase of 280,000 people. The Bay Area and surrounding communities, such as Stockton and Modesto, have some of the highest rates of super-commuting in the entire country.[12]

[12] Bina Patel Shrimali and Jackelyn Hwang, "Overcrowding in the Bay Area: Where the Housing Crisis Meets COVID-19," Federal Reserve Bank of San Francisco, Community Development, June 30, 2020, https://www.frbsf.org/community-development/blog/overcrowding-in-the-bay-area-where-the-housing-crisis-meets-covid-19/.

EXHIBIT 26

Commutes of more than 25 miles have increased since 2002.

Bay Area Commute Times, 2002 to 2019

Source: The Concord Group analysis based on OntheMap data.

COMMUTING TO:	LENGTH OF COMMUTE	2002 NUMBER	2002 SHARE	2019 NUMBER	2019 SHARE
San Francisco	25–50 miles	52,041	11%	93,840	13%
	50+ miles	48,956	10%	95,949	14%
South Bay	25–50 miles	89,808	12%	135,719	14%
	50+ miles	77,952	11%	127,916	13%
Inner East Bay	25–50 miles	23,032	9%	32,397	11%
	50+ miles	21,416	8%	40,710	14%
Peninsula	25–50 miles	18,847	13%	24,020	14%
	50+ miles	16,277	11%	27,973	17%
I-880 Corridor	25–50 miles	22,447	12%	30,950	14%
	50+ miles	22,521	12%	41,746	18%
I-680 Corridor	25–50 miles	23,839	15%	28,994	16%
	50+ miles	18,483	12%	29,126	16%
TriValley Area	25–50 miles	28,037	24%	29,334	22%
	50+ miles	16,340	14%	22,771	17%

Some people are leaving the region or not moving to it.

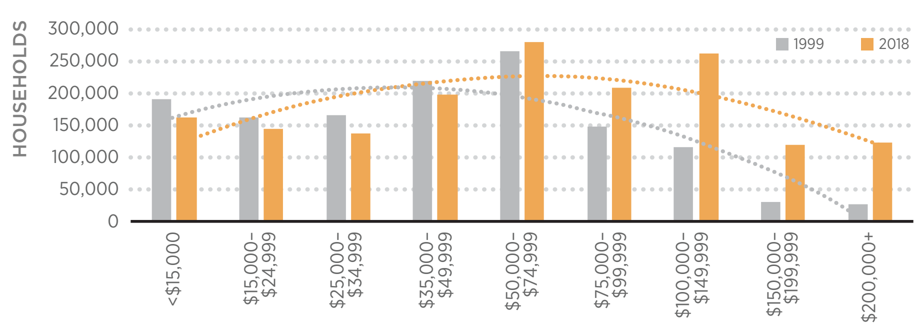
In *What It Will Really Take to Create an Affordable Bay Area*, SPUR looked at income shifts in both the 9-county Bay Area and the 21-county megaregion that stretches from Sacramento to Santa Cruz. Changes in median income — most stark in the Bay Area — are spreading as households move from the Bay Area to the 12 outer counties of the megaregion.

EXHIBIT 27

In the megaregion stretching from Sacramento to Santa Cruz, the share of higher-income households has grown over the past 20 years.

Change in Outer-Regional Household Income Distribution, 1999 to 2018

Source: The Concord Group analysis of ArcGIS income distribution data and U.S. Census American Community Survey income distribution data. First published in Sarah Karlinsky and Kristy Wang, *What It Will Really Take to Create an Affordable Bay Area*, SPUR Report, 2021, https://www.spur.org/publications/research/2021-04-19/what-it-will-really-take-create-affordable-bay-area.



Chapter 4

What Can Policymakers Do to Create Affordable Housing Options for Middle-Income People Who Want to Call the Bay Area Home?

The Bay Area is a place of tremendous wealth, with some of the highest incomes of any region in the entire country. That wealth masks the impact of high housing prices on those of more modest means. It also allows the wealthiest individuals to outcompete middle- and lower-income households for scarce housing, forcing those households to live far from jobs, endure overcrowded homes, or leave the Bay Area.

The region has been unable to build housing to accommodate its population growth. To keep middle-income people in the Bay Area, policymakers need to support housing options for those at 60% to 120% of AMI and to create homeownership opportunities that particularly help Black and Latinx households. Additionally, they need to learn from places that have created housing opportunities for the middle class, both here in the United States and abroad.

This research suggests four areas of focus for policymakers, which SPUR will explore in a future report.

1 | Build more housing of all types and at all price points to address the challenge of housing scarcity and to ensure income diversity in our region.

Policymakers must address the underlying housing shortage that drives the Bay Area's affordable housing crisis. In the competition for scarce housing options, those households with the most wealth can get the housing they want more easily than everyone else. High-income households outcompete middle-income households, and middle-income households outcompete low-income households.

Building housing of all types and at all price points as quickly as possible will help address the underlying challenge of housing scarcity. The dwellings least likely to produce more affordable choices are large single-family homes. Expanding production of multifamily housing, condominiums, accessory dwelling units (ADUs), and other smaller homes will help create housing options that many people can afford. The more housing of all types we can build, the fewer the subsidies that will be needed for middle-income households.

2 Develop policies to support not just those households at 80% to 120% of AMI but also those earning between 60% and 80% of AMI.

Teaching, postal work, construction, and some other professions may no longer command middle-income wages. The incomes for some of these professions have remained flat after adjusting for inflation. Additionally, the median incomes of Black and Latinx households are slightly less than 80% of AMI.

For these reasons, policymaking for middle-income households in the Bay Area may need to focus more on households earning between 60% and 80% of AMI as well as on those earning between 80% and 120% of AMI. Some programs do focus on the 60% to 80% income tranche. The state's welfare property tax exemption covers households earning 80% or less of AMI. In addition, the Low-Income Housing Tax Credit (LIHTC) subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants, but housing for those at 80% of AMI is not competitive for LIHTC funding. There is more work to do to develop robust programs for households earning 60% to 80% of AMI as well as for households in the 80% to 120% range.

3 Expand policy tools to increase affordable homeownership opportunities, and ensure those tools reach Black and Latinx households.

The median home price in the Bay Area almost doubled between 2010 and 2020. The affordability gap is now almost $400,000. Unless middle-income buyers have sources of wealth in addition to wage income, they will be unable to purchase a home in the Bay Area.

Homeownership plays a critical role in creating economic security in the United States. In addition to stabilizing housing costs for homeowners, homeownership allows homeowners to borrow against their homes to pay for costs like college tuition, large unexpected medical expenditures, or retirement. Unlike in other wealthy countries, the education, health care, and retirement safety net in the United States is relatively paltry, making homeownership all the more important for middle-income households. Perhaps most importantly, homeownership is a vehicle for families to transfer wealth to future generations — a vehicle often made inaccessible to Black families by racist practices such as restrictive racial covenants and redlining.

Policymakers should expand affordable homeownership opportunities in a variety of ways. First, they can remove impediments to affordable homeownership production — for example, by reforming laws to promote building of condominiums.

Second, they can support homeownership opportunities for Black and Latinx households. This task is challenging because federal law does not allow for housing programs to be targeted by race. However, Black and Latinx households are the groups most harmed by historic policies that gave white homeowners the tools to buy homes and amass wealth in the process. Reparative policies that focus on Black and Latinx homeownership are needed.

Third, they can provide homeownership opportunities for those earning 60% to 80% of AMI by looking to examples such as the California Dream for All program, which targets households at 60% of AMI.

4 Learn from places that have done a good job of creating middle-income housing. Countries that emphasize social housing models build significantly more middle-income housing than the Bay Area. Social housing is publicly financed housing with affordable rents. It typically includes low- and middle-income households and features highly stabilized rents.

Austria is one such country that has prioritized social housing. Roughly 48% of all housing stock in Vienna is social housing.[13] It is often built on public land, with government financing that mandates price controls for units. People earning up to twice the average income can qualify for social housing, and households are not required to leave if their incomes increase. A mix of incomes in each building creates social cohesion and increases public support for social housing programs.

Aspects of the social housing model could be deployed in California. The state could provide flexible and inexpensive capital sources and loan guarantees for housing to aid in the creation of middle-income housing.[14] The state could allocate some of its significant land holdings to create middle-income or mixed-income housing. These are just a few ways the state can encourage building of middle-income housing at scale.

The Bay Area is increasingly becoming a place where middle-income families cannot afford to live. Those working middle-class jobs are seeing their relative economic position decline, while the wealthiest households are enjoying explosive income growth. This type of economic and racial inequality threatens the Bay Area's sustainability. Changes to our housing policies and housing delivery systems could combat this inequality.

[13] Sarah Karlinsky, Paul Peninger, and Cristian Bevington, *From Copenhagen to Tokyo: Learning from International Housing Delivery Systems*, SPUR Briefing Paper, SPUR and AECOM, 2020, https://www.spur.org/publications/research/2020-08-06/copenhagen-tokyo.

[14] Alex Schafran, "Transforming the Development Industry: A Conversation with Charmaine Curtis," Shelterforce, August 29, 2022, https://shelterforce.org/2022/08/29/transforming-the-development-industry-a-conversation-with-charmaine-curtis/.

Appendix A:
Bay Area Population Changes

EXHIBIT A1

Total Population Count by Race and Ethnicity, Bay Area, 2010 to 2019

RACE OR ETHNICITY	2010 POPULATION	2019 POPULATION	% POPULATION CHANGE
White	3,038,398	2,962,738	(2.5%)
Hispanic or Latino	1,691,854	1,820,821	7.6%
Asian	1,650,592	2,093,313	26.8%
Black or African American	462,586	456,797	(1.3%)
Native Hawaiian and Other Pacific Islander	43,487	42,610	(2.0%)
American Indian or Alaska Native	21,357	18,534	(13.2%)
Other	243,479	346,444	42.3%
Total	**7,151,753**	**7,741,257**	**8.2%**

Source: U.S. Census

EXHIBIT A2

Total San Francisco County Population by Race and Ethnicity, 2010 to 2019

RACE OR ETHNICITY	2010 POPULATION	2019 POPULATION	% POPULATION CHANGE
White	336,025	351,010	4.5%
Hispanic or Latino	122,190	134,309	9.9%
Asian	267,357	304,721	14.0%
Black or African American	47,899	46,063	(3.5%)
Native Hawaiian and Other Pacific Islander	3,465	3,548	2.4%
American Indian or Alaska Native	1,924	2,465	28.1%
Other	26,603	39,433	48.2%
Total	**805,463**	**881,549**	**9.4%**

Source: U.S. Census

EXHIBIT A3

Total Alameda County Population by Race and Ethnicity, 2010 to 2019

RACE OR ETHNICITY	2010 POPULATION	2019 POPULATION	% POPULATION CHANGE
White	519,461	508,598	(2.1%)
Hispanic or Latino	341,735	373,055	9.2%
Asian	380,906	517,004	35.7%
Black or African American	183,122	172,718	(5.7%)
Native Hawaiian and Other Pacific Islander	11,871	12,858	8.3%
American Indian or Alaska Native	4,074	5,518	35.4%
Other	55,239	81,578	47.7%
Total	**1,496,408**	**1,671,329**	**11.7%**

Source: U.S. Census

EXHIBIT A4

Total Santa Clara County Population by Race and Ethnicity, 2010 to 2019

RACE OR ETHNICITY	2010 POPULATION	2019 POPULATION	% POPULATION CHANGE
White	626,199	586,461	(6.3%)
Hispanic or Latino	482,053	482,298	0.1%
Asian	569,073	724,178	27.3%
Black or African American	43,819	46,306	5.7%
Native Hawaiian and Other Pacific Islander	6,187	6,752	565
American Indian or Alaska Native	3,640	3,213	(11.7%)
Other	56,723	78,644	38.6%
Total	**1,787,694**	**1,927,852**	**7.8%**

Source: U.S. Census

EXHIBIT A5

Total Solano County Population by Race and Ethnicity, 2010 to 2019

RACE OR ETHNICITY	2010 POPULATION	2019 POPULATION	% POPULATION CHANGE
White	167,985	165,752	(1.3%)
Hispanic or Latino	100,019	122,101	22.1%
Asian	59,395	68,374	15.1%
Black or African American	61,181	59,764	(2.3%)
Native Hawaiian and Other Pacific Islander	3,803	3,775	(0.7%)
American Indian or Alaska Native	1,777	1,130	(36.4%)
Other	20,145	26,745	32.8%
Total	**414,305**	**447,643**	**8.0%**

Source: U.S. Census

Appendix B
Income Shifts by Race and Ethnicity

This analysis covers five counties in the Bay Area: Contra Costa, Marin, Napa, San Mateo, and Sonoma. The four remaining counties in the Bay Area – San Francisco, Alameda, Santa Clara, and Solano — are discussed in the main body of the report. In every county, the median household income of white and Asian households outstripped that of every other racial or ethnic group.

Contra Costa County

In Contra Costa County, while whites and Asians enjoyed the highest median income of any racial or ethnic group, Native Hawaiians and Other Pacific Islanders made the greatest gain of any group while also shrinking as a percent of the overall population.

Change in Median Income by Race and Ethnicity in Contra Costa County, 2010 to 2019

Source: The Concord Group analysis based on U.S. Census data.

Note: Figures are not adjusted for inflation.

Contra Costa County Population by Race and Ethnicity, 2010 to 2019

	Population		Change	
RACE	2010	2019	#	%
White	502,751	489,677	(13,074)	(2.6%)
Black or African American	92,992	99,615	6,623	7.1%
American Indian or Alaska Native	2,597	2,259	(338)	(13.0%)
Asian	153,505	203,261	49,756	32.4%
Native Hawaiian and Other Pacific Islander	4,976	4,020	(956)	(19.2%)
Hispanic or Latino	257,409	300,420	43,011	16.7%
Other	38,597	54,274	15,677	40.6%
Total:	**1,052,827**	**1,153,526**	**100,699**	**9.6%**

Source: U.S. Census

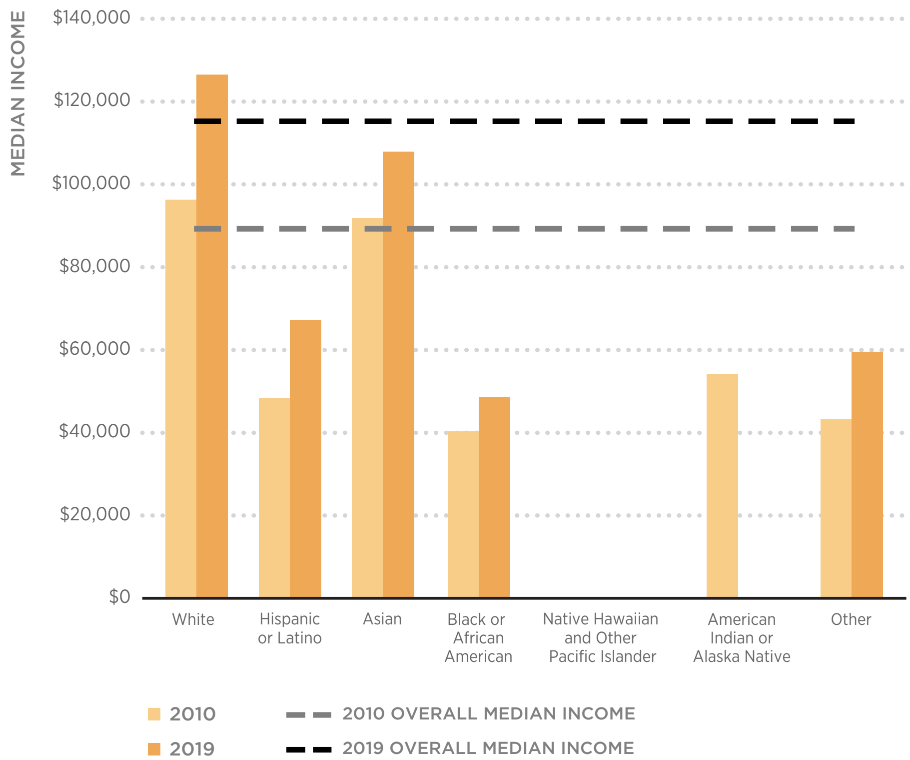
Marin County

In Marin County, the median household income for whites and Asians far outstripped that of other racial or ethnic groups.

Change in Median Income by Race and Ethnicity in Marin County, 2010 to 2019

Source: The Concord Group analysis based on U.S. Census data.

Note: Figures are not adjusted for inflation.



Marin County Population by Race and Ethnicity, 2010 to 2019

RACE	Population 2010	Population 2019	Change #	Change %
White	184,532	183,557	(975)	(0.5%)
Black or African American	6,733	6,663	(70)	(1.0%)
American Indian or Alaska Native	357	70	(287)	(80.4%)
Asian	13,771	16,383	2,612	19.0%
Native Hawaiian and Other Pacific Islander	542	273	(269)	(49.6%)
Hispanic or Latino	39,359	42,160	2,801	7.1%
Other	7,622	9,720	2,098	27.5%
Total:	252,916	258,826	5,910	2.3%

Source: U.S. Census

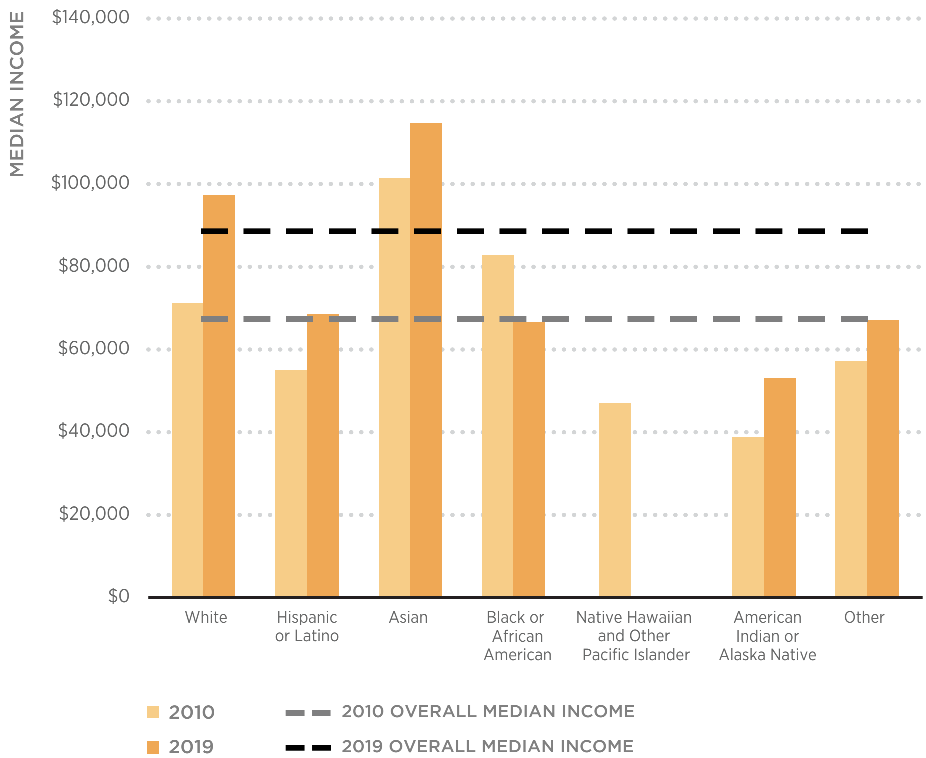
Napa County

In Napa County, the median income for white households increased by 37%, while the median income for Black households decreased by 20%.

Change in Median Income by Race and Ethnicity in Napa County, 2010 to 2019

Source: The Concord Group analysis based on U.S. Census data.

Note: Figures are not adjusted for inflation.



Napa County Population by Race and Ethnicity, 2010 to 2019

RACE	Population 2010	Population 2019	Change #	Change %
White	76,899	73,210	(3,689)	(4.8%)
Black or African American	2,644	2,780	136	5.1%
American Indian or Alaska Native	484	407	(77)	(15.9%)
Asian	9,890	11,196	1,306	13.2%
Native Hawaiian and Other Pacific Islander	177	284	107	60.5%
Hispanic or Latino	44,292	47,544	3,252	7.3%
Other	2,472	4,202	1,730	70.0%
Total:	136,858	139,623	2,765	2.0%

Source: U.S. Census

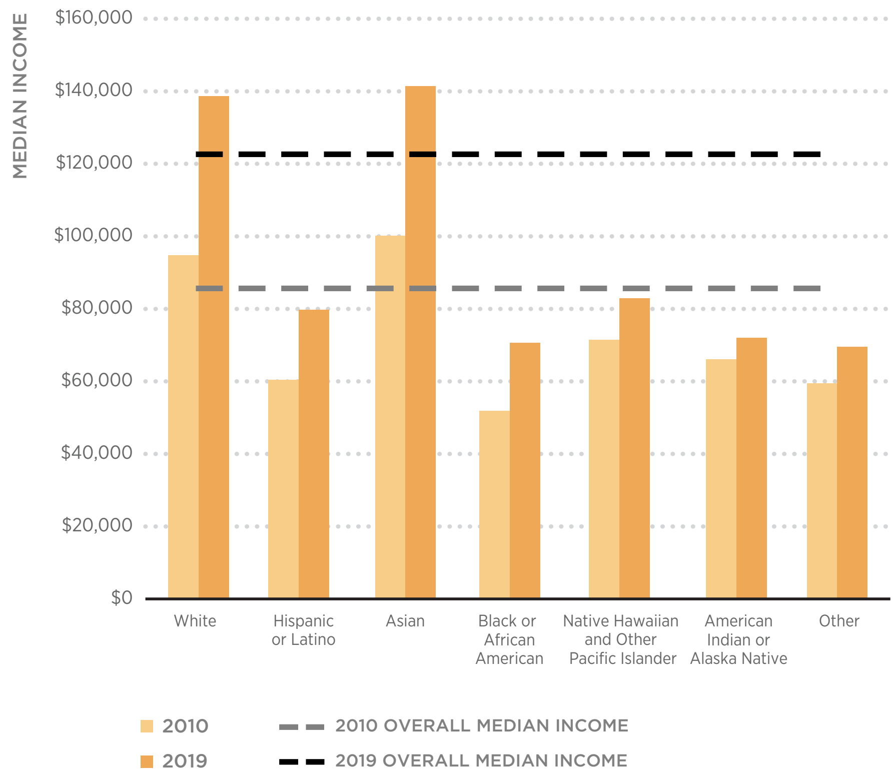
San Mateo County

In San Mateo County, the median income of white and Asian households grew by 46% and 41%, respectively. While the median household income of Black households grew by 36%, the median income of Black households was still far below that of their white and Asian counterparts.

Change in Median Income by Race and Ethnicity in San Mateo County, 2010 to 2019

Source: The Concord Group analysis based on U.S. Census data.

Note: Figures are not adjusted for inflation.



San Mateo County Population by Race and Ethnicity, 2010 to 2019

RACE	Population 2010	Population 2019	Change #	Change %
White	303,825	294,406	(9,419)	(3.1%)
Black or African American	16,834	16,441	(393)	(2.3%)
American Indian or Alaska Native	1,172	1,212	40	3.4%
Asian	177,080	227,794	50,714	28.6%
Native Hawaiian and Other Pacific Islander	10,637	9,236	(1,401)	(13.2%)
Hispanic or Latino	183,534	183,978	444	0.2%
Other	27,080	33,506	6,426	23.7%
Total:	720,162	766,573	46,411	6.4%

Source: U.S. Census

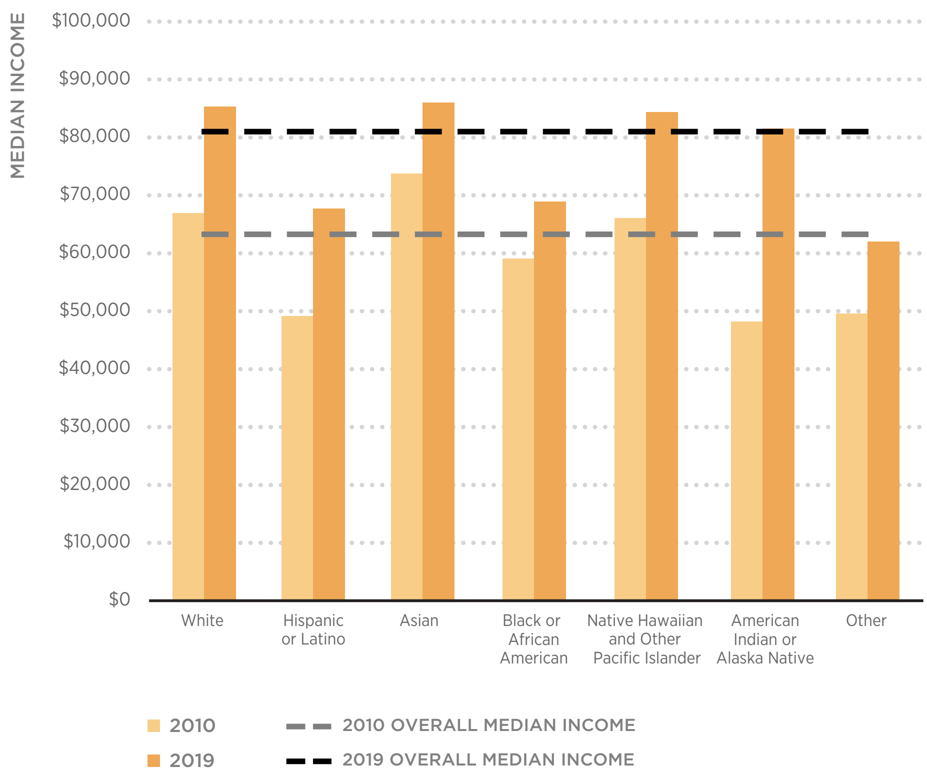
Sonoma County

In Sonoma County, median incomes for white, Asian, American Indian or Alaska Native, and Native Hawaiians and Other Pacific Islanders were all at or above the overall median income for the county.

Change in Median Income by Race and Ethnicity in Sonoma County, 2010 to 2019

Source: The Concord Group analysis based on U.S. Census data.

Note: Figures are not adjusted for inflation.



Sonoma County Population by Race and Ethnicity, 2010 to 2019

RACE	Population 2010	Population 2019	Change #	Change %
White	320,721	310,067	(10,654)	(3.3%)
Black or African American	7,362	6,447	(915)	(12.4%)
American Indian or Alaska Native	5,332	2,260	(3,072)	(57.6%)
Asian	19,615	20,402	787	4.0%
Native Hawaiian and Other Pacific Islander	1,829	1,864	35	1.9%
Hispanic or Latino	121,263	134,954	13,691	11.3%
Other	8,998	18,342	9,344	103.8%
Total:	485,120	494,336	9,216	1.9%

Source: U.S. Census

Appendix C
Rental Affordability in the Bay Area

This analysis covers five counties in the Bay Area: Contra Costa, Marin, Napa, San Mateo, and Sonoma. The four remaining counties in the Bay Area — San Francisco, Alameda, Santa Clara, and Solano — are discussed in the main body of the report.

In all five counties, rents were flat or grew somewhat as median incomes increased between 2000 and 2010. By 2020, rents had escalated in tandem with strong median income growth.

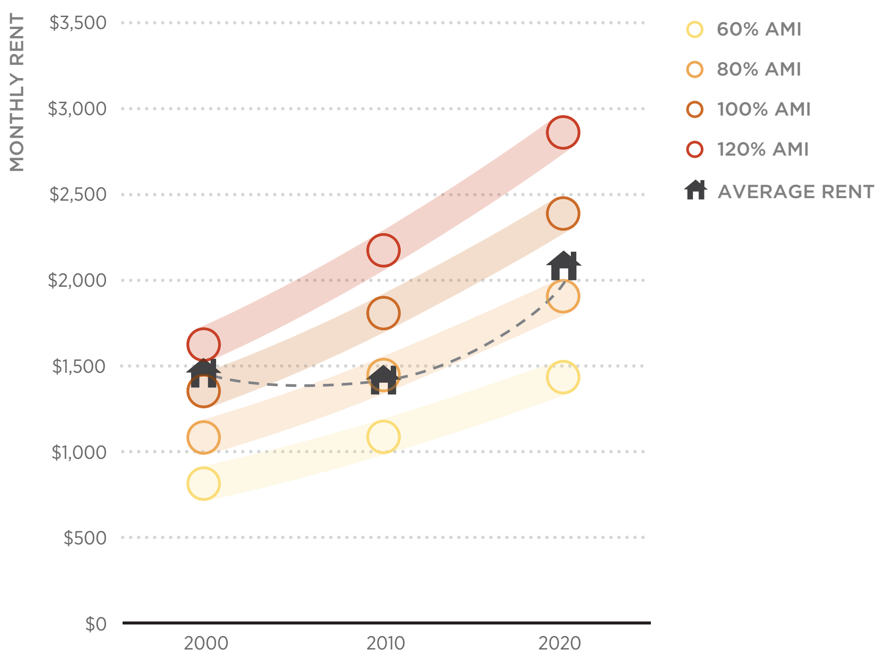
Contra Costa County

Rents remained flat between 2000 and 2010 but grew 47% between 2010 and 2020.

Relative Rental Affordability in Contra Costa County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.



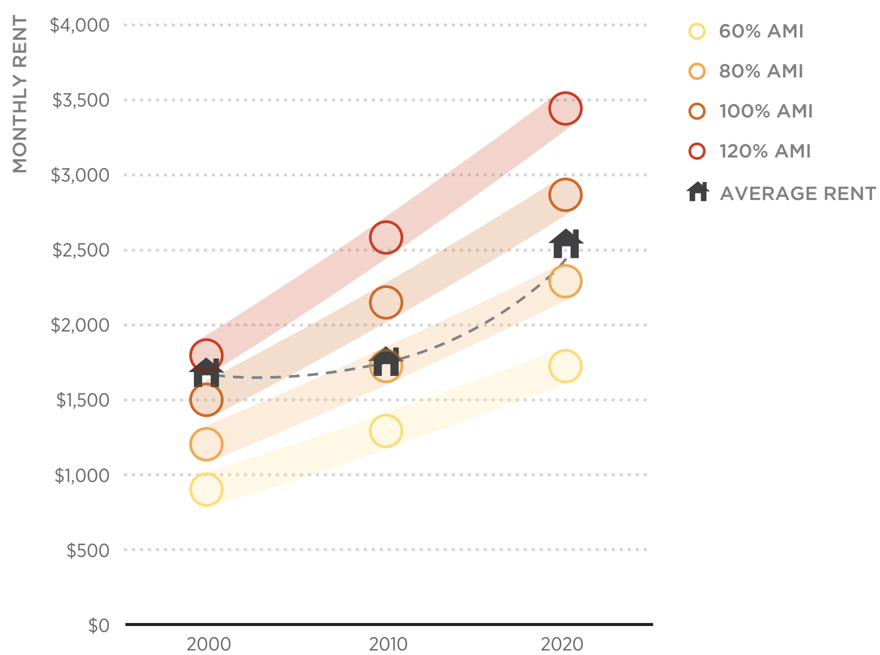
Marin County

Rents declined by 4% between 2000 and 2010 but grew 46% between 2010 and 2020.

Relative Rental Affordability in Marin County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.



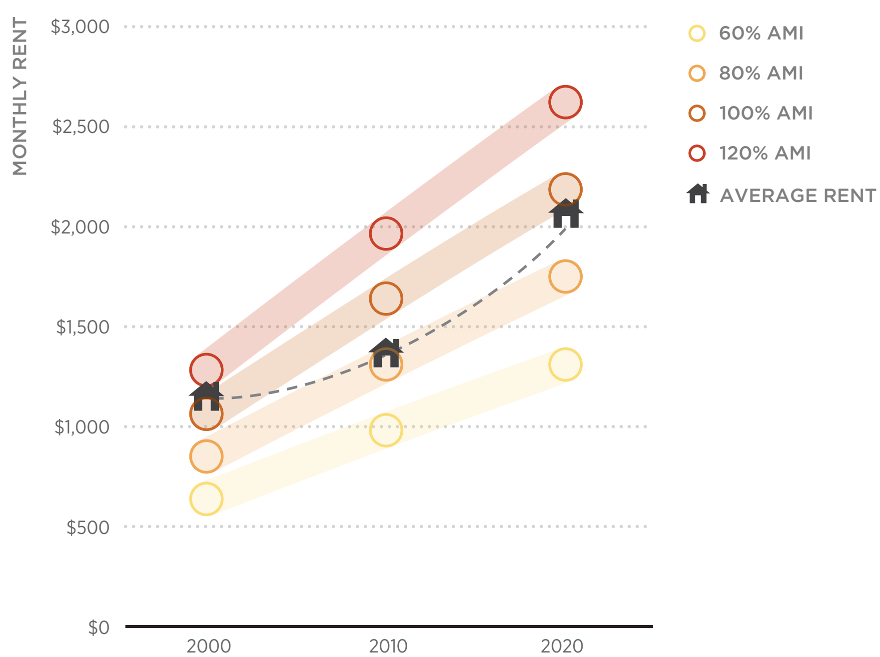
Napa County

Rents grew 18% between 2000 and 2010 and 52% between 2010 and 2020.

Relative Rental Affordability in Napa County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.



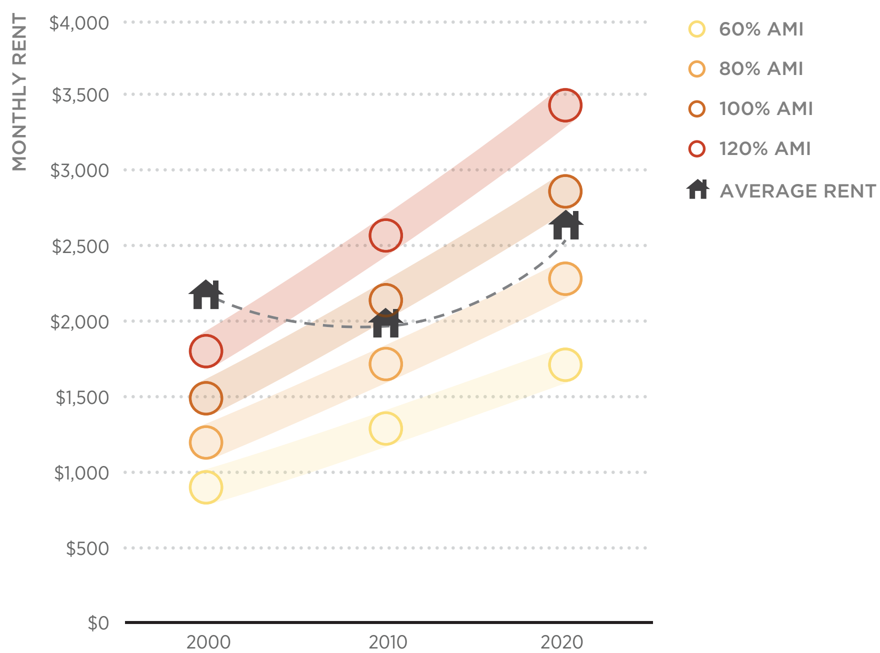
San Mateo County

Rents declined 9% between 2000 and 2010 but grew 33% between 2010 and 2020.

Relative Rental Affordability in San Mateo County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.



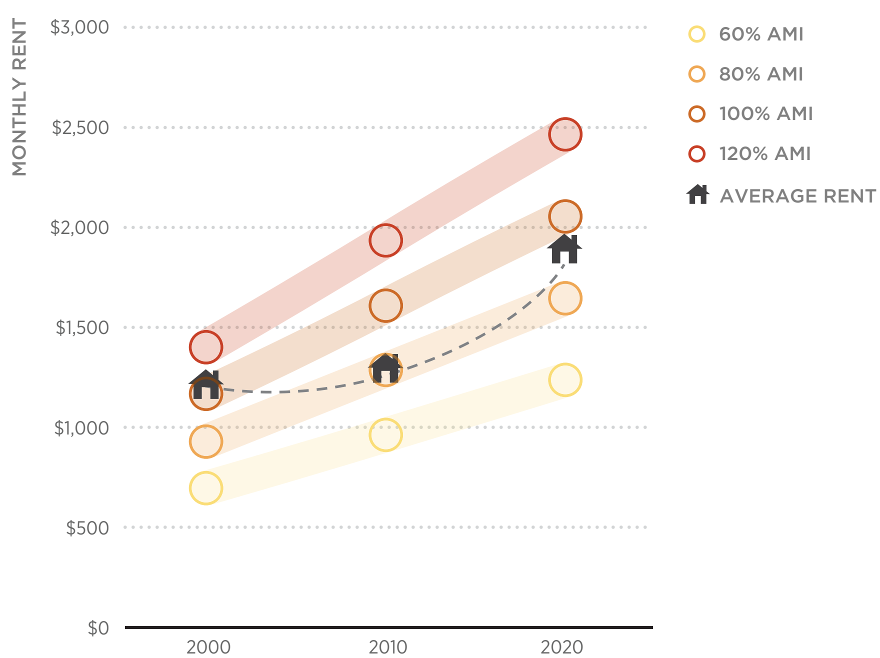
Sonoma County

Rents increased 7% between 2000 and 2010 and then grew an additional 46% between 2010 and 2020.

Relative Rental Affordability in Sonoma County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to rent payment.



Appendix D
Homeownership Affordability in the Bay Area

This analysis covers five counties in the Bay Area: Contra Costa, Marin, Napa, San Mateo, and Sonoma. The four remaining counties in the Bay Area — San Francisco, Alameda, Santa Clara, and Solano — are discussed in the main body of the report.

In all five counties, the cost of ownership outstripped what the median-income household was able to pay by 2020, even taking into account increases in income between 2000 and 2020.

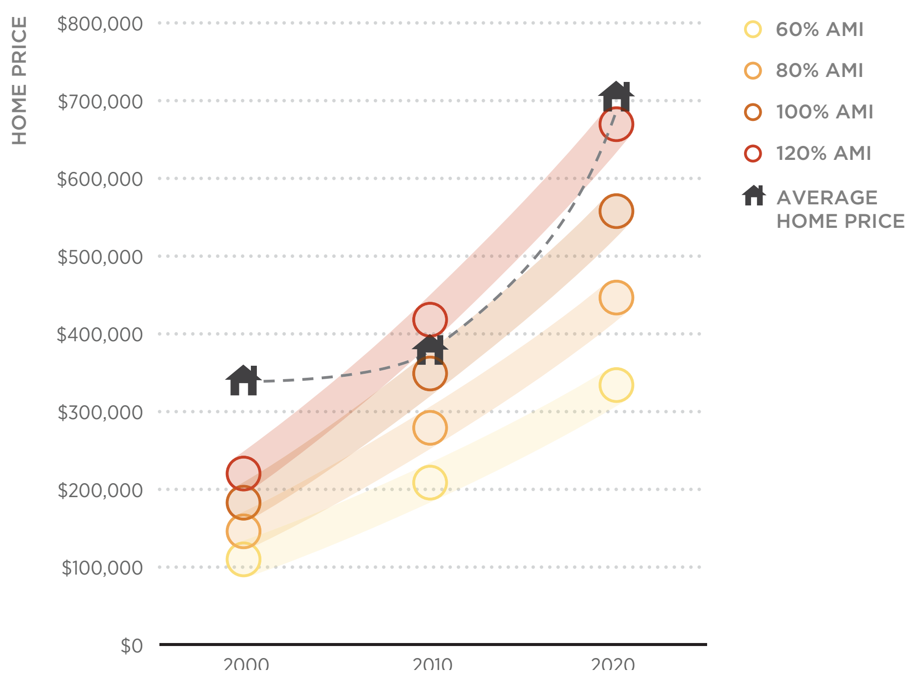
Contra Costa County

The median home price in Contra Costa County grew 12% between 2000 and 2010 and an additional 86% between 2010 and 2020.

Relative Homeownership Affordability in Contra Costa County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to mortgage payment.



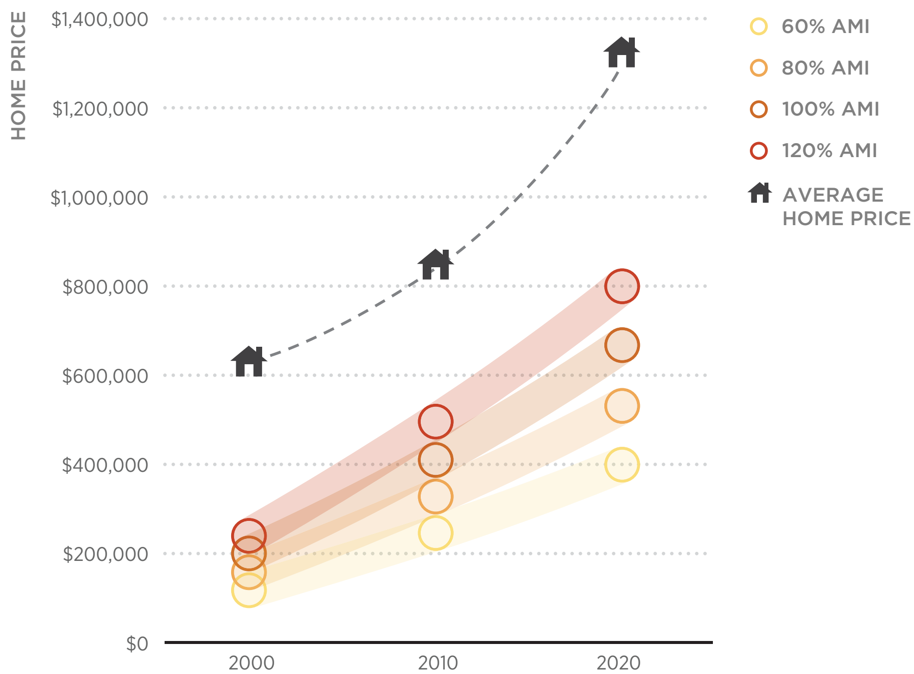
Marin County

The median home price in Marin County grew 35% between 2000 and 2010 and another 56% between 2010 and 2020.

Relative Homeownership Affordability in Marin County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to mortgage payment.



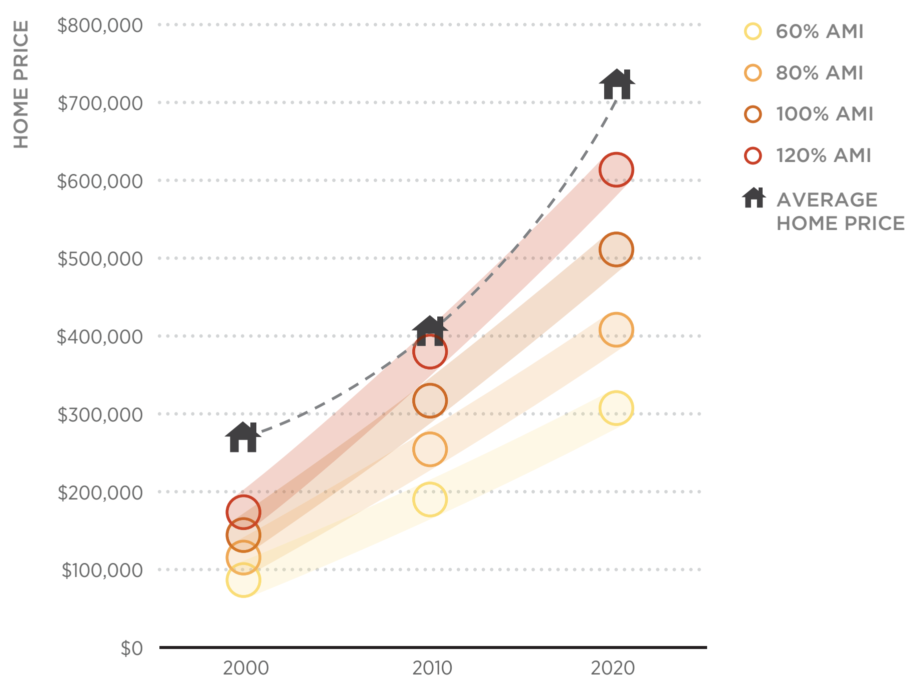
Napa County

The median home price in Napa County grew 51% between 2000 and 2010 and another 79% between 2010 and 2020.

Relative Homeownership Affordability in Napa County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to mortgage payment.



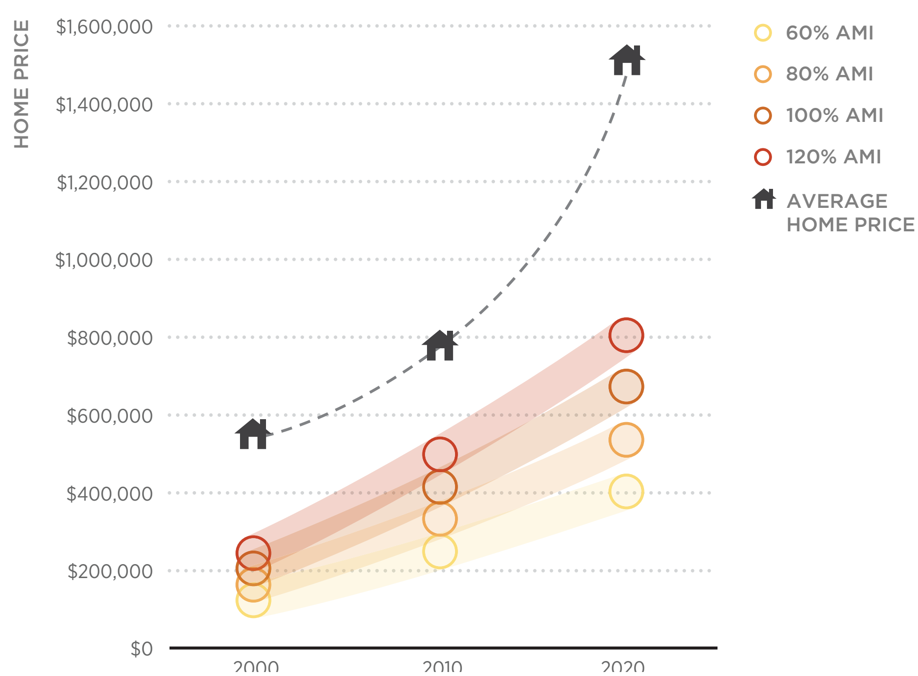
San Mateo County

The median home price in San Mateo County grew 41% between 2000 and 2010 and another 95% between 2010 and 2020.

Relative Homeownership Affordability in San Mateo County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to mortgage payment.



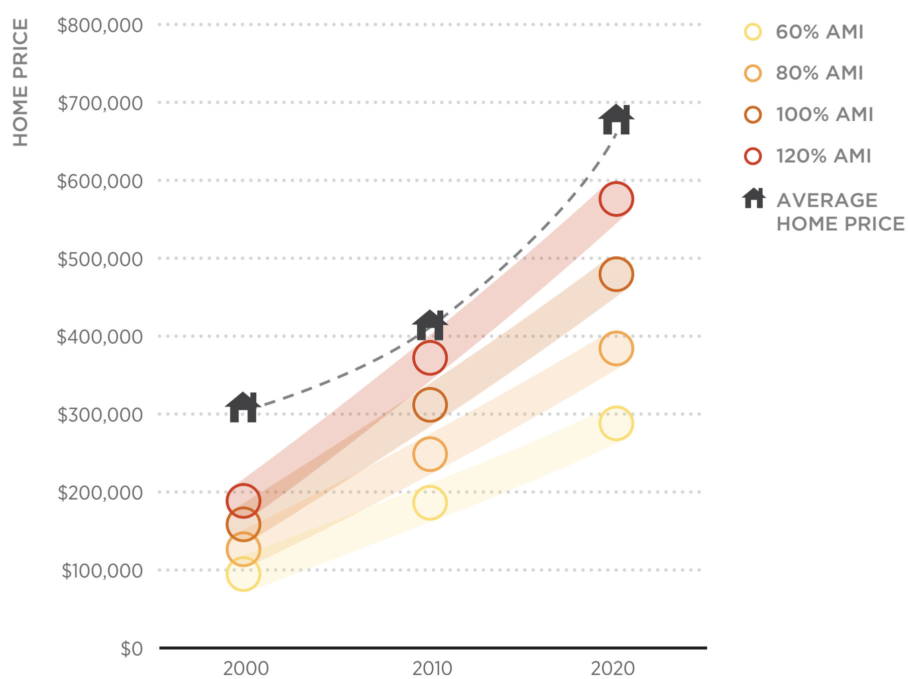
Sonoma County

The median home price in Sonoma County rose 34% between 2000 and 2010 and another 64% between 2010 and 2020.

Relative Homeownership Affordability in Sonoma County, 2000 to 2020

Source: The Concord Group analysis based on data from Zillow and FRED.

Note: Incomes are defined using HCD income limits for two-person households. Rental affordability power assumes that no more than 30% of monthly median income goes to mortgage payment.



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