

Cashing In on Renters

Wealthy corporations and absentee landlords reap millions in profits from rising rents, increase in “no cause” evictions

A booming technology sector has helped turn the city of San Jose into the second most expensive apartment rental market of any major city in the country.¹

A family now needs to earn \$113,040 just to afford the average two-bedroom apartment.² Unfortunately, wages for most families have not kept up with the cost of rent, making it difficult for many to afford basic necessities every month.

In fact, rents have skyrocketed in the past few years, increasing by nearly 40 percent since 2011.³ These increases have come at a high cost to families, while putting millions of dollars in profits into the pockets of wealthy corporate landlords and financial institutions (most of whom live far outside the city).

Rental housing plays a vital role for a variety of people in San Jose. The majority of single mothers, families with young children, Latinos, African Americans, and non-citizens in San Jose live in rental housing.

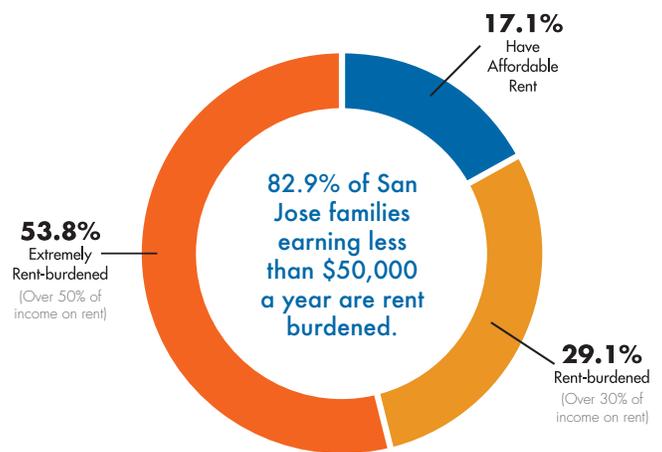
The US Department of Housing and Urban Development sets a national benchmark that household should spend no more than thirty percent of their income on rental housing to be affordable. Of the more than 400,000 tenants in San Jose, the majority pay more than thirty percent of their income on housing and struggle to afford rent every month. Most San Jose families earning less than \$50,000 a year are extremely rent-burdened, paying more than half of their income every month just for rent.⁴

Nonetheless, it’s getting worse. Landlords have a new trick to drive profits: they have begun to use “no cause” evictions to kick some of the city’s most vulnerable families to the curb.⁵

The law offers no protection from these “no cause” evictions. Good tenants who play by the all rules — pay rent on time, keep their properties in good order, and never bother their neighbors — can be evicted by their landlords. And the tenants have no means to stop it.



Source: Bureau of Labor Statistics, May 2016 Occupational Employment and Wage Estimates; realAnswers Third Quarter, Average Rents, 2016; City of San Jose, Housing Market Update Q3 2016; US Census Bureau, American Community Survey, 2011-2015 Five Year Estimates



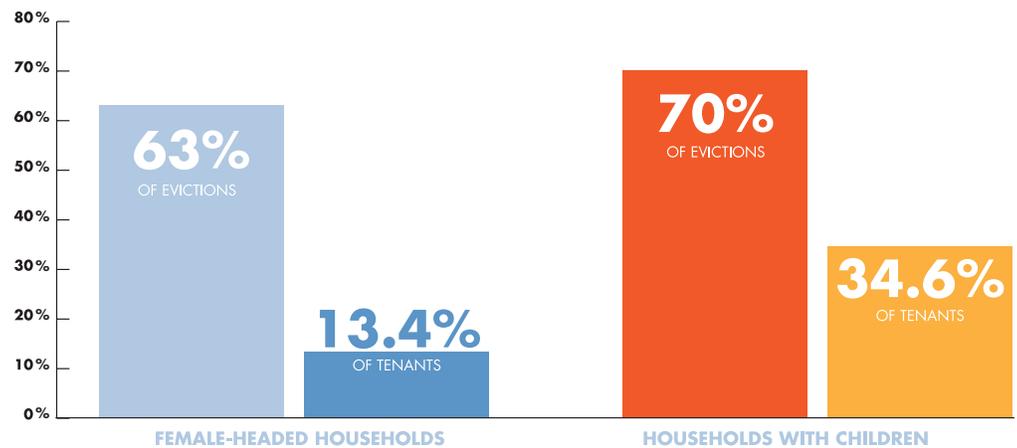
Source: US Census Bureau, American Community Survey, 2011-2015 Five Year Estimates

From 2010 to 2016, reported “no cause” evictions increased by over **270 percent in San Jose.**

Eviction crisis

Since 2010, more than 2,200 “no cause” evictions have been reported in San Jose (rent-controlled units are the only ones required to report such evictions).⁶ These kinds of evictions allow landlords to raise rents (including illegal rent increases in rent controlled units) and have enormous impacts on low-income families and communities.

It’s possible that this is only the tip of the iceberg of “no cause” evictions, since only rent controlled units are currently required to report such evictions, and other communities report that most such evictions go unreported. In neighboring San Mateo County, legal service organizations found that only 10 percent of “no cause” evictions were reported to the local government.⁷ It’s likely that thousands of area residents have lost their homes through the trauma of unnecessary evictions. Immigrant families are particularly likely to be impacted, but unlikely to report the effects; in San Mateo, 35 percent of evicted tenants list Spanish as their primary language.⁸



Source: San Mateo 2016 Eviction Report, Legal Aid Society of San Mateo and Community Legal Services in East Palo Alto

Cities across California — including Oakland, Mountain View, Alameda, San Diego, and Hayward — have responded to the rise of “no cause” evictions by passing stronger tenant protections, such as “just cause” eviction policies.

These laws create a more transparent and stable process; landlords are required to have proper cause before evicting tenants (such as failure to pay rent, damaging property, or engaging in behavior that causes a nuisance to neighbors).

The majority of “no cause” evictions studied target **low-income families, Latinos, African Americans and seniors.**⁹

THE COSTS OF EVICTION TO FAMILIES AND COMMUNITIES:

“No cause” evictions wreak havoc on families, children, and communities:

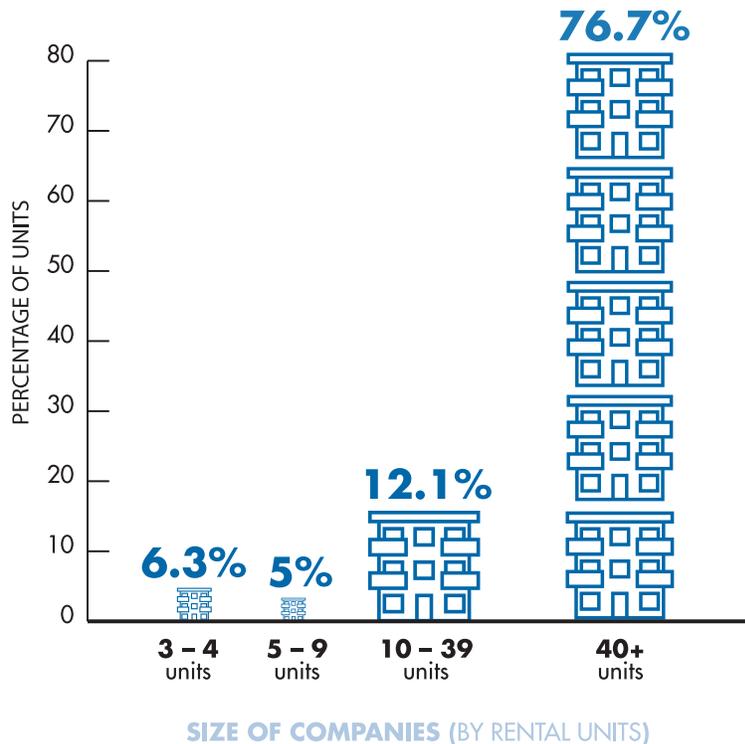
- **Depleted savings and debt:** Moving to a new apartment is extremely expensive in San Jose, and is not viable for many families. It can cost \$8,200 or more to pay first month’s rent, security deposit, and other moving costs.¹⁰ The average tenant may not even have that much in savings.
- **Homelessness:** Eviction is a leading cause of homelessness in Santa Clara County, according to a 2015 survey.¹¹
- **Poverty and crime:** After eviction, tenants are more likely to move into areas with higher rates of poverty and crime.¹²
- **Job loss:** Tenants who experienced evictions were 20 percent more likely to experience job loss than similar coworkers.¹³
- **Disruption in children’s education:** Eviction and moving often mean young children are pulled from early education programs; this can disrupt school readiness, lead to behavioral problems, and harm academic progress.¹⁴
- **Substandard housing:** One study found tenants who experienced an eviction or involuntary move were 25 percent more likely to move to a home with substandard housing quality.¹⁵
- **Negative impact on mental health:** Mothers who face eviction are more likely to report depression than their peers, even two years after the move.¹⁶
- **Negative impact on physical health:** The stress and impacts of an eviction can lead to a host of health risks – from poor birth outcomes to increased incidence of drug use to poor diet to cardiovascular disease.¹⁷

Only **30 percent** of the apartments in the city are owned by San Jose-based companies.

San Jose renters outnumber landlords actually based in the city by more than 250 to 1.

Large landlords dominate market

The largest property owners in the city, those with forty or more rental units, own more than three quarters of all multifamily apartments.¹⁸ Small landlords, with one three- or four-bedroom building, own only about one in every twenty apartments in the city.



Source: Working Partnerships analysis of City of San Jose Multi-Family Housing Roster (accessed January 2017); Santa Clara County Tax Assessor (accessed January 2017)

Of the over 6,000 companies who own properties in the city, only about 1,600 have a San Jose address. The majority of multifamily housing units are not even based in our region: most (53.8 percent) are owned by companies and investors based outside of Santa Clara County. In fact, the five largest owners of apartments in San Jose are all based outside the city:

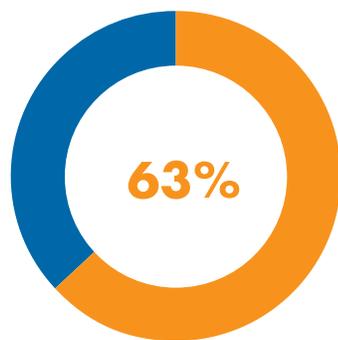
- **Irvine Company LLC** (2,317 units), run by one of the richest men in the world, billionaire developer Donald Bren;
- **Tischman Speyer Archstone-Smith** (1,596 units), a New York City-based multibillion dollar real estate firm;
- **Riverview Apartment Development LLC** (1,308 units), a subsidiary of the Irvine Company;
- **Essex Portfolio LP** (1,137 units), a San Mateo-based firm that owns over 130 apartment buildings across the country and paid its CEO more than \$20 million over the last three years;
- **Park Kiely Real Estate Investment Trust** (947 units), owned by a South Carolina-based multinational corporation that operates over 400,000 units in 130 global markets.

Market studies show that a single apartment at fair market rent in a large building in San Jose brings in more than \$18,000 a year in profit.¹⁹ Using that figure, the largest owners of San Jose apartment buildings make tens of millions a dollars a year in profit. On average, large landlords (those owning 40 units or more) clear more than \$2.9 million annually. Even landlords of smaller buildings may bring in over \$49,000 in profit (for a three-unit building) or \$65,000 (for a four-unit building).²⁰ These profits are often higher than most hardworking San Jose families earn in an entire year.

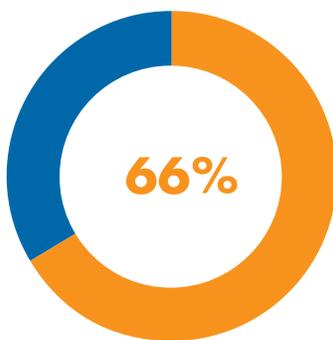


Source: Estimate based on Operational Expenses Data for San Jose, Institute of Real Estate Management (IREM). 2015. Income/Expense Analysis, Conventional Apartments; US Department of Housing and Urban Development. 2016. Fair Market Rate Area Rents-FY2017; Economic Roundtable. 2016. "San Jose ARO Study Final Report"; US Census Bureau, American Community Survey, 2011-2015 Five Year Estimates

Health & safety violations



Properties with moderate to severe degree of code violations owned by landlords based outside of San Jose



Properties with moderate to severe degree of code violations owned by large landlords (owning 40+ units)

Source: Working Partnerships analysis of City of San Jose Multi-Family Housing Roster; Santa Clara County Property Tax Assessor Data

Despite their enormous profits, the largest landlords in the city own hundreds of units with one or more violations of the local building code in their most recent inspection.²¹ The problems include mold, pest infestations, and other issues and code violations which can particularly threaten the health and safety of children.²² Landlords are reluctant to reinvest their profits into bringing properties up to code.

Many tenants are afraid to report these issues; they worry that landlords will retaliate against tenants who speak up (often with "no cause" evictions). Tenants are struggling to cope with substandard housing and intimidation at the same time.

In San Jose, the **largest landlords own the majority of below-standard rental housing** in the city.²³

Companies outside of the city own the majority of units in rental property with the **most reported code violations in San Jose.**²⁴

Far too many of San Jose's **most vulnerable residents are being displaced.**

Protecting families from eviction

Without protecting tenants from unwarranted evictions it is becoming increasingly difficult to improve the quality of housing, health and safety of tenants in San Jose.

Thousands of families in San Jose have already endured “no cause” evictions, and have been exposed to these risks.

Moreover, the skyrocketing rental prices have made it impossible for many tenants to find affordable housing in San Jose at all. They are compelled to move outside the city, which often means families pull their children from schools; leave their churches, civic organizations and social networks behind; and are forced to endure long commutes to their jobs.

The affordable housing crisis and rising evictions in San Jose have created clear winners and losers.

The winners are the billionaire and millionaire absentee landlords and financial institutions who continue to reap hundreds of millions of dollars a year in profits.

The losers are low-income families, single mothers, children, immigrants and people of color who suffer increased instability and often poverty. Sadly, they are also increasingly at risk of ending up on the street — despite playing by the rules.

POLICY SOLUTIONS

Other cities have taken action to protect tenants from this crisis:

- **“Just cause” eviction protections;**
- **A strong, properly enforced rent control program;**
- **Enhanced legal support and education for tenants;**
- **Improved code enforcement that doesn't penalize tenants who report problems;**
- **Relocation assistance for tenants of properties needing substantial rehab, or under the Ellis Act when properties are taken off the rental market.**

Endnotes

- 1 San Jose has the second highest median rental costs of any of the one hundred largest cities. Zillow. 2017. “ZRI Time Series: Multifamily (\$)”, Retrieved March 1, 2017. http://files.zillowstatic.com/research/public/City/City_Zri_MultiFamilyResidenceRental.csv.
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- 3 Zillow, “ZRI Time Series: Multifamily (\$)”; WPUA analysis of City of San Jose Multi-Family Housing Roster and Santa Clara County Assessor’s Office Tax Records.
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- 5 Giwargis, Ramona. 2017. “San Jose landlord evicting tenants to house vets at higher rents”, San Jose Mercury News. <http://www.mercurynews.com/2017/04/05/s-j-landlord-evicting-tenants-to-house-vets-at-higher-rents/>.
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- 15 Desmond et al. 2015. “Forced Relocation and Residential Instability,” Social Service Review.
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- 18 Working Partnerships analysis of City of San Jose. 2017. Multi-Family Housing Roster. Retrieved January 15, 2017; Santa Clara County. Property Tax Assessor Data. Retrieved January, 15 2017.
- 19 Estimate based on Operational Expenses Data for San Jose, Institute of Real Estate Management (IREM). 2015. Income/Expense Analysis, Conventional Apartments; US Department of Housing and Urban Development. 2016. Fair Market Rate Area Rents-FY2017.; Economic Roundtable. 2016. “San Jose ARO Study Final Report.”
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- 22 Bashir, Samiya. 2002. “Home Is Where the Harm Is: Inadequate Housing as a Public Health Crisis”, American Journal of Public Health.
- 23 Working Partnerships analysis of City of San Jose. Multi-Family Housing Roster; Santa Clara County. Property Tax Assessor Data.
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WORKING PARTNERSHIPS USA

Working Partnerships USA is a community organization that drives the movement for a just economy by bringing together public policy innovation and the power of grassroots organizing. We build the capacity of workers, low-income neighborhoods and communities of color to lead and govern. Based in Silicon Valley, we tackle the root causes of inequality and poverty by leading collaborative campaigns for good jobs, healthy communities, equitable and sustainable growth and a democracy that works for all.

www.wpusa.org

Silicon Valley

RISING

Silicon Valley Rising is a coordinated campaign driven by a powerful coalition of labor, faith leaders, community based organizations and workers aiming to inspire the tech industry to build an inclusive middle class in Silicon Valley.

The campaign is led by Working Partnerships USA and the South Bay AFL-CIO Labor Council, along with:

- Affordable Housing Network
- Asian Americans for Community Involvement
- Communication Workers of America
- Interfaith Council on Economics and Justice
- International Brotherhood of Teamsters
- Latinos United for A New America
- NAACP San Jose Chapter
- Our Lady of Guadalupe
- Rainbow PUSH Coalition
- SEIU Local 521
- SEIU-USWW
- Silicon Valley De-Bug
- Tech Workers Coalition
- UNITE HERE Local 19

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