The city of East Palo Alto, a wedge of modest houses and light industrial sites in the heart of Silicon Valley, has been passed by in the great tech boom. A historically black area, it has seen a big Hispanic influx in the past two decades, with more than three out of four residents now coming from one of those two groups. It is still living down its reputation, gained a quarter of a century ago, as the murder capital of the US: one out of every 571 of its residents was the victim of a homicide in a single year.

Things have improved since then. But over the same period, it has become the poor neighbour to some of the world's richest companies. In one of the ultimate signs of the divide between the haves and have-nots of the western US, the municipal government of East Palo Alto didn't own the rights to draw more from the state's water reserves, which it would need in order to grow. In June this year, it took a gift of cash, from the private foundation set up by Mark Zuckerberg and his wife Priscilla Chan, to buy the rights from a richer neighbouring town.

Zuckerberg's personal interest in the area is understandable. Immediately to the north, his ever-expanding Facebook campus looms, a shining city alongside the salt marshes of the San Francisco Bay. With its Frank Gehry-designed buildings, ecologically sound roofs and free cafeterias, the company hugs the border of East Palo Alto like an ocean liner docked on the edge of an undeveloped country.

To the south, a 15-minute bike ride down the Bay Trail — a track that is in the process of being extended to connect the Valley's islands of tech privilege — Google has just broken ground on a big headquarters expansion of its own. With its green credentials very much in mind, the first building the company has constructed from the ground up will be a futuristic affair with a giant canopied roof to collect rainwater and generate solar power.

For the residents of East Palo Alto, each new building the tech industry throws up, bringing with it thousands more software developers, adds to the encroaching gentrification — and gives another turn of the screw to the housing crisis the city shares with much of Silicon Valley.

 "We were appalled what [Facebook] were proposing to build — some very small amount of housing, and bringing in 6,000 employees," says Tameeka Bennett, of the latest big campus expansion. A community activist who grew up in East Palo Alto, she says that it was hard to get the company to address the impact of its headlong growth. "We tried the nice way," she says. "They shot us down."

Silicon Valley likes to think of itself as a harbinger of the future: not just a model for a new economy and a new way of working, but for a new social contract. At a time when the US is in a paroxysm of tribal discord, the tech industry's young leaders promote themselves as the vanguard of an enlightened new generation.

Their industry welcomes immigrants: nearly three out of every four workers aged between 25-45 and employed in technical jobs in the area were born outside the US, according to Silicon Valley Index, an annual analysis of the region. Highway 101, the artery that connects the area's cities, spreading 50 miles to the south of San Francisco, is replete with Teslas — although, in the current boom, most are likely to be idling in a traffic jam.

But to judge from what's happening on tech's own doorstep, there is nothing to be complacent about. San Francisco itself is in the midst of a contentious spurt of growth, bringing an influx of tech workers into the city's poorer districts and pushing out Hispanics and African-Americans. Now, Silicon Valley, where the tech industry spreads out through a string of faceless office parks, is starting to show the tension too.

As space-age architecture edges closer to streets where homeless people sleep in their cars, the concept of two Americas is becoming painfully visible: one whose citizens have wealth, privilege and 21st-century skills; the other in which people are surviving day to day, facing arduous commutes or insecure housing if they are to make ends meet.

The price of the median home in East Palo Alto, at nearly $800,000, is still far below prices in neighbouring towns. But it has spiked from just $277,000 in 2012, after the real-estate bust. Long-time residents are being forced out; software developers are moving in. Bennett, 30, counts herself among the displaced.

After losing her home to foreclosure during the housing crisis, she moved to Oakland, across the bay. Some bitterness shows, as she talks of the "different faces, and baby strollers jogging by" on the East Palo Alto streets these days. But she resists the pressure for more militant opposition, which she says is how some want to respond, in favour of co-operation with the rich new neighbours.

"I'm of a new generation. We are at a point when we have to try something new, or all of our communities are going to change," says Bennett. "We're walking

cautiously down this path. How do we hold big companies accountable in low-income communities?"

"People all over the world are watching what will happen in Silicon Valley," adds **Salimah Hankins**, a lawyer who represents tenants at risk of being displaced by the onrush of the tech giants. "I do give Facebook some credit. They do in general terms accept the impact tech is having. But it's been a long road."

It is an uneasy cohabitation. It took a lawsuit from the city of East Palo Alto to get the social-networking company to consider ways to mitigate the effects of its whirlwind growth. The result was an $18.5m grant to build affordable housing for people on low incomes.

But even leveraging that up with other cash will probably bring only 200 housing units, says Carlos Romero, an East Palo Alto council member and resident for more than 35 years. Estimates put the number of new jobs — many of them low paid — that are created indirectly for each new tech worker at between two and five, adding to the housing squeeze and greatly magnifying the impact of tech expansion.

"The narrative that has been preferred by these corporations is that it's all because of their largesse. But they were coerced to the table," says Romero. "When all is said and done, it doesn't address one 150th of the impact that the size of these developments will have."

After nine years, Celia Cucalon, 56, is about to be evicted from her cramped, 300 sq ft studio apartment in Burlingame, a city between San Francisco and Palo Alto. A housekeeper and carer for elderly people in the area, she had been paying $1,035 a month in rent. But her building — which has five small apartments — was sold, and a few months ago the new landlord handed her a shock: a rent increase to $2,250, along with notice to leave in 60 days.

The rent inflation is a symptom of the speculators who are pouring into the area to cash in on tech money, says **Hankins**, the lawyer who has represented Cucalon. The building where Cucalon lives was last sold in 1996, for $340,000; this year it was listed at $1.475m. The chance to "re-tenant" the building with highly paid tech workers has driven up its value. Cucalon's neighbours included a gardener, a restaurant worker and a medical assistant. Soon, they will all be gone.

"House cleaners, nurses, servers in restaurants — they don't earn that amount of money," she says. "People who are taking care of the elderly and working in restaurants, they can't afford to live here. Who is going to clean the houses in these areas?"

The tech industry is already under fire for a lack of ethnic diversity. While an influx of workers from India and east Asia has fed the Valley's need for technical talent, other minorities are severely under-represented. For the region, the housing crisis will make the problem worse. "It's disproportionately affecting Latinos and African-Americans," says **Hankins**. "It has implications not only for the socio-economic mix but racial as well." Of the district where Cucalon lives, **Hankins** adds: "Is it becoming a county where only if you're wealthy and white you can live here?"

The housing crisis that is forcing Cucalon out has been decades in the making. Today's Silicon Valley was carved out of a rich agricultural land of apricot and almond orchards. At the time the tech companies started to emerge, the region's cities followed a simple plan: bring in jobs, not houses. This development bias is part of the legacy of California's notorious Proposition 13, the 1978 referendum that saw the state's voters severely circumscribe the ability of local governments to increase their property taxes. With little income to be had from homeowners, towns have instead relied on other sources of income, such as sales taxes. New offices also bring cash — without the attendant need to build more schools or take on other social costs.

It is the formula that produced the Californian dream. A neat ranch house on a small grassy lot and a commute down the highway to work in some faceless, sun-washed office park. But with the latest tech boom — as traffic clogs the highways and a shortage of housing makes it hard even for well-paid software developers to own a home — the old dream, for many, has evaporated.

"People laugh when you travel around the country and say we have too many jobs," says Lenny Siegel, the vice-mayor of Mountain View, where Google is based. "It can't go on indefinitely. But it's not showing any sign of slowing down."

Silicon Valley has long been a place of bubbles and busts, but something has changed. It is now in the midst of a long boom that depends heavily on a handful of globe-spanning tech giants, each of them rich enough to ride out any dips. The romantic local myth still holds that the next big idea is already being dreamt up in some Silicon Valley garage. But Facebook and Google have shown themselves adept at buying up whatever dreams they haven't been able to crush.

"We aren't a start-up place any more," says Stephen Levy, a local economist, of the dominant forces driving the tech economy. "We're a big-company-dominated place. And these companies have very deep pockets." The latest boom, running since the real-estate crisis, has already beaten the odds, he says. "There has not been a correction here — and there may not be."

In the headlong race to grow, the campuses of the tech titans are turning into sprawling empires. The developments that Facebook has on the drawing board will take the number of workers in its complex of buildings along the Bay to as many as 30,000, estimates Romero, up from around 10,000 now.

Google's plans are even more breathtaking. As well as adding a major extension to its Mountain View HQ, it has rented large parts of Nasa's Moffett airfield to the south and is spreading like a rash through Sunnyvale, where it has bought up $820m worth of properties. Next in its sights: San Jose, the Valley's largest city, where the internet search company recently announced plans to turn a ramshackle district of warehouses and car-repair shops into an urban centre. It will hold an estimated 20,000 new workers — as many as Google currently employs in all its Silicon Valley facilities. (Facebook and Google declined to comment for this article.)

But it will take years for developments like these to materialise, not to mention the new transport links on which they will depend. Among the latter is a proposed urban hub linking high-speed rail, local rail and other transport connections — the biggest such project in the western US — to support Google's giant San Jose expansion.

In the meantime, a chronic shortage of housing and poor transport links have sent people into the Californian interior to find homes, and condemned many to long and expensive commutes.

Leslye Corsiglia, a former housing director for San Jose, says cities well inland are already feeling the effects of Silicon Valley's boom, as house prices rise and homelessness spreads. "People are starting to talk about a Bay Area nether region that goes all the way up to Sacramento," she says, referring to the state capital deep inland.

Even professionals are finding it hard to hang on. The planning department for the city of Mountain View recently had 16 new proposals before it, 13 of them to

add more homes, says vice-mayor Siegel. But the department said it could not take any of the projects on: an inability to hire town planners meant it was already overworked. "We need more housing for planners," he says.

These pressures are causing a political shift, and forging unlikely alliances. Siegel describes himself as the last person to take a corporatist view of the world. He attended the Democratic party's presidential convention last summer as a delegate for Bernie Sanders. But he is now counting on an alliance with the tech industry to make up for years of under-investment in housing.

With its continued expansion at risk, Google, for its part, is getting into the housing business. It wants to add nearly 10,000 new homes alongside its headquarters extension, although it faces some opposition from a city council concerned about the impact on traffic of such rapid development.

There have been other new alignments of interests. In the early 1980s, Siegel was among those agitating, unsuccessfully, for Mountain View to adopt rent control, to protect its low-income workers. It turned out to be the high-water mark of California's rent-control movement: East Palo Alto, along with a handful of major centres such as San Francisco, adopted the protections. Then the idea fell off the political map for a generation.

The Bay Area's homeowners — not usually predisposed to welcome anything that might depress real-estate values — are now coming around to the idea that rent control may be a good idea after all. When their children can't afford to live in the area and they are worried about a lack of teachers, nurses and cleaners, the concept of regulation can suddenly sound appealing. Late last year, voters in Mountain View and Richmond backed rent control. Other local cities are weighing up similar proposals.

Artificially holding down prices can't, however, make up for a severe shortage. Getting companies such as Google to help fill the gap could go some way to addressing the issue. But their interventions have also raised concerns locally about the rise of new company towns under the sway of the Valley's giant corporations, says Siegel.

Those fears are overblown. The housing that Google hopes to build on land it owns — like the 1,500 homes recently proposed by Facebook to go alongside a development of its own — would be made available to anyone. Fifteen per cent of Facebook's new housing units, and 20 per cent of Google's, would be designed for low-income residents.

But it will take years for projects such as these to be approved and built. And, given the sheer scale of the expansion that is planned — and the low proportion of subsidised accommodation — it will still be a case of too little, too late.

This points to a troubling future for America's tech heartland. The combination of the region's ageing, rich homeowners and a shortage of new housing will inevitably lead to a slowdown in jobs creation, reckons Levy, who runs the Center for Continuing Study of the California Economy. "By 2025, you won't have a lot of 75-year-olds who are working," he says. The Valley is already worried about the impact of greater restrictions on US immigration. Add to that inadequate development, and the dynamism that has underpinned Silicon Valley's success could stall.

Robert Aguirre, a former electronics engineer, is homeless again. Now in his sixties, he refers to the condition, with a philosophical shrug, as being "unhoused". Demand for the kind of work that he specialised in, involving the testing of communications equipment, was shipped abroad years ago.

He has had two longer periods without a roof over his head before, one of which lasted a year and a half. For the past month, since being evicted, he has been sleeping on the streets of San Jose in a borrowed car while trying to find new digs. He makes it sound like no big deal. "If someone complains, the police ask you to move," he says. "If not, they leave you alone."

Robert Aguirre, a former electronics engineer currently living in a borrowed car © Talia Herman

In the Valley, homelessness has become a suburban complaint. Lines of battered RVs line certain streets in places such as Mountain View, where the courts have said they can park for 72 hours at a time. The cities don't even enforce those relaxed rules, as they try to come to grips with an issue that has become endemic. The cars and campers of the unhoused have also started appearing overnight in the parking lots of the region's shopping malls.

For some of the Valley's low-paid workers, there are few alternatives. "It's not your pierced, drug-dealing, bipolar, downtrodden homeless," says Siegel. "It's the employed."

In the shadow of the tech industry's extreme wealth, the plight of the swelling ranks of the homeless — who now number some 7,000 in Santa Clara county, by some counts more even than in San Francisco — arouses a strong reaction.

Critics point out that the big tech companies like to think of themselves as socially progressive, adopting moralistic mission statements that often involve changing the world — with the unspoken promise that it will be for the better. But they have failed to deal with a problem that is spreading in their own backyard.

Sandy Perry is a minister at a church organisation set up to tackle homelessness in San Jose. He is driven by a deep religious conviction and, invoking the spirit of Martin Luther King Jr, considers housing a civil rights issue. "If you have resources, you're responsible for taking care of your fellow human beings," he says. "A lot of what [King] stood for is not remembered today — certainly not by the tech companies." Instead of contributing to affordable housing, they "don't pay their fair share of taxes, they park the money overseas".

According to opponents like Perry, technology, rather than offering solutions to these problems, is making things worse. It has already contributed to the fragmentation of society, but the coming wave of automation will also wipe out. many types of work. This, he argues, is partly why tech companies already treat their low-paid workers and contractors as expendable.

What money there is can seem like a drop in the bucket. Kevin Zwick, head of the non-profit Housing Trust Silicon Valley, has raised $20m so far from local companies via a bond issue to back low-income housing development. But he struggles to hide his frustration. "These companies have a lot of capital that they could invest in affordable housing if they wanted to," he says.

He takes a stab at estimating how much spare cash the biggest tech companies are sitting on — and, guessing $50bn, undershoots by a factor of 10 — before adding: "If you just sliced off a per cent of that — that type of money would easily create tens of thousands of units through the Greater Bay Area."

Apple, the richest company in the world, with $262bn of cash and investments, arouses the strongest reactions from the industry's critics. Larry Stone, who as county assessor is responsible for coming up with the valuations on which property taxes are based, bristles at what he claims are the company's hardball tactics on agreeing assessments.

But he is even more incensed by its lack of support for its local community — the kind of thing he says traditional companies used to care about. "I can't stand cheapskates," he says. "The largest company in the world could and should do more. They're just not a community-oriented company. They should be giving to transportation, to education, they should be supporting non-profits for housing, social services."

Apple says that it is "the largest contributor to the local economy", and is "supporting schools and public works projects across the Santa Clara Valley". It adds: "Cupertino has been Apple's home for more than 40 years and we are proud to have a strong relationship with the community here."

The fact that Facebook and Google have made housing part of their development plans shows they recognise that some action is needed — not least to protect their own businesses by not pricing future workers out of the market. This year, Google has taken the first step towards building homes directly for its own workers, with plans to put up 300 temporary apartments at Moffett Field. But even so it is impossible to deal with the full impact of the company's surging growth. Says Siegel: "Google has done just about everything they could to solve these problems — except not grow."

According to Bennett in East Palo Alto, Facebook representatives invoked Zuckerberg's old motto — "Move Fast and Break Things" — when sitting down with local community leaders to discuss how to deal with the problems of gentrification.

"I hate that," she says. "While we need to move moderately fast, we don't have the luxury of breaking things. Families are living this life and in danger of losing their homes."

The difficult social and economic issues caused by the tech giants' colossal success seem unlikely to bend to the kind of technocratic solutions their leaders often adopt. According to Stone, it will require something else — the kind of commitment to supporting local communities that, he says, Boeing showed in Seattle when he was growing up.

To him, the tech corporations seem more like insular empires than companies with deep ties to their local neighbourhoods. "The problem with this place is,

most people come from somewhere else," he says. "People in this area don't have identity. That impacts the way people think about their community."

From Stone's office in San Jose, the low-rise tech sprawl spreads towards the horizon. "You can't identify its boundary with any accuracy," he says. "Silicon Valley is more a concept or an idea than a place."

Richard Waters is West Coast editor of the Financial Times