

# Finding long-term solutions for the Housing Crisis in San Francisco could be so easy... or not?



Name: Heike Kaiser

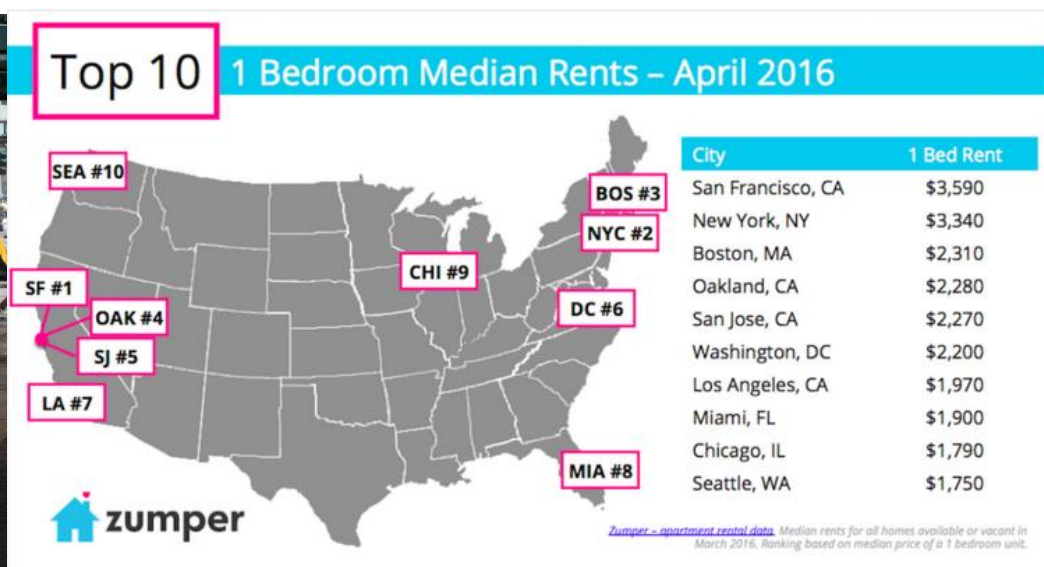
Country/City: USA, San Francisco

In recent years, there's been growing concern about the skyrocketing housing prices in San Francisco, fueled by the boom in the tech industry and too little supply for the growing population. How could this happen in the first place and what can be done to tackle the crisis in the near future?

Since the 1960s, San Francisco and the surrounding Bay Area have enacted **strict zoning regulations**: e.g. San Francisco does not allow buildings over 40 feet (approx. 12m) tall in most of the city, and has passed laws making it easier for neighbors to block developments. Partly as a result of these codes, from 2007 to 2014, the Bay Area issued building permits for only half the number of needed houses, based on the area's population growth. At the same time, there has been **rapid economic growth** of the high tech industry in the city and its surrounding. The resulting **high demand for housing**, combined with the lack of supply, have caused large increases in rents and **very high housing prices**: It is the most expensive rental market in the United States, with a median one-bedroom apartment renting for over \$3,500 in April 2016. Residents have been beset by evictions and rent hikes - making "creative solutions" like living in an RV, a tent or wooden box almost seem reasonable.



Source: Heike Kaiser 2016



Long-term residents and well as newcomers to the city, like my husband and I as well as many of our friends, are angry and frustrated about the **incapability of the municipal authorities** to improve the situation which is actually not new at all: It can be traced back decades, as recently illustrated in "*Experimental Geography*", a blog that offers a data-driven perspective on the extent and length of the problem. By analyzing thousands of apartment listings in various sources, such as rent ads in local newspapers, Craigslist postings, city records to graph housing inventory, as well as federal data on wages and number of employees illustrating the San Franciscan economy, going back to 1948, a data scientist found out that rents have gone up gradually by 6.6% since the 1950 and that **gentrification** has been going on for decades.

Based on his model, one can calculate how rents could hypothetically go down: Assuming you do not want to lower wages or employment, rolling back to the inflation-adjusted rents of 1995 would require **increasing the housing supply** by 30 percent whereas keeping rents steady would require increasing the housing supply by 5,700 units, or 1.5 percent per year.

This analysis offers a valuable look at a problem that has no clear solutions yet: While many people push for easing restrictions on development for more housing to be built in the Bay Area, others oppose it with a **typical NIMBY attitude**. Some people believe that a wave of high-rises would transform the character of San Francisco. Other groups worry that new construction would only benefit the wealthy, and increasing housing density will displace lower income residents.

Similar to what we learned from the **case studies in China**, a proposed statewide plan aimed at increasing housing would eliminate some of the hurdles developers have to jump through, with particularly big changes to the process in San Francisco. The city has been considering a range of policy proposals to **increase both density and affordability of housing**. To help policymakers focus on real solutions to the housing crisis, a report by the *Bay Area Council Economic Institute* in October 2016 compiles a list of 20 housing-related state and local policies - some that have been implemented and others that have only been considered - and analyzes their impacts on net affordability, measured in the number of households above or below a 30% housing cost-to-income ratio:

<http://www.bayareaeconomy.org/report/solving-the-housing-affordability-crisis/>