

THE BIG FIX

It's Not Too Late to Make San Francisco Affordable Again. Here's How

GABRIEL METCALF JAN 20, 2014 COMMENTS



SPUR/Flickr

My city, San Francisco, is in the midst of an affordability crisis. People here are angry and afraid. The skyrocketing cost of housing comes up in seemingly every conversation and dominates local news and local politics.

The [recent piece](#) on San Francisco's housing crisis I wrote for *The Atlantic Cities* seemed to hit a nerve. But it was mostly devoted to describing how the city got to be a place with the highest housing costs in the country. Now, I want to turn to what we can actually do about it.

We face a complex problem. It has roots in income inequality, a national issue, as well as regional anti-growth attitudes that extend well beyond the city boundaries. But at the city level, there are a surprising number of things we can definitely do.

Protect existing rent-controlled housing units

San Francisco has roughly 172,000 units of rent-controlled housing. Rent control is the city's core tenant protection, allowing many people to stay here. The first thing the city needs to do is to [make sure we don't lose those units](#).

As housing prices go up, there is ever more incentive for owners of rental units to find a way to get out of the landlord business and sell. One of the most often abused mechanisms is California's [Ellis Act](#), a state law that says that landlords have the unconditional right to evict tenants to "go out of business."

Tenant groups in San Francisco have developed a [set of proposals](#) to make it more difficult for landlords to use the Ellis Act as a tool to evict people. One of the proposed reforms that seems to make sense is to discourage the practice of buying rent-controlled units for the purpose of converting to Tenancy-in-common units (TICs) or condos by requiring landlords to have been in the landlord business for some set period of time before using the Ellis Act to "leave the business."

There is a social compact in San Francisco that needs to be upheld: rent-controlled units should stay under rent control, while ownership opportunities should come from new construction.

Reinvest in San Francisco's public housing stock

The San Francisco Housing Authority has 6,300 units of public housing and roughly 9,000 Section 8 vouchers (which help subsidize rents for low-income tenants). The city is in the process of compiling a broad [public housing reform plan](#) to better manage this housing stock and provide resources to upgrade many of its public housing buildings.



1600 Market is a below market rate project. (Courtesy [Brian Spiers Development](#)).

At the same time, the city is also working on an ambitious program to rehabilitate its most troubled public housing units as part of a program called [HOPE SF](#). Through Hope SF, the city government is seeking to build in a comprehensive set of social services to give residents the resources to get out of poverty. San Francisco has started this process by identifying the highest-need public housing developments (such as those at Sunnydale and Potrero Terrace), pairing them with project sponsor teams, but much of the funding for both the redevelopment and the resident services still needs to be identified.

HOPE SF and the broader set of public housing renovations offer an opportunity to physically knit public housing back into the fabric of the city. But most importantly, it means we can keep all those affordable units habitable.

Double the amount of subsidized affordable housing

San Francisco has about 16,000 units of "affordable" rental housing (not including public housing), most owned by non-profits. We need to build more.

Building housing is expensive. The [construction cost of affordable housing](#) units is the same as market rate units. But because they are subsidized, the prices paid by residents are reduced. The average subsidy per unit in San Francisco is around \$250,000.

The roughly 16,000 units the city has today were built over a period of four decades—a long-term social housing program of which San Francisco should be proud. But given the wealth of San Francisco and the enormous problem we are having with housing affordability, I would suggest we adopt a long-term goal of doubling the current supply of subsidized affordable housing.

In 2012, San Francisco voters passed the [Affordable Housing Trust Fund](#), which will ultimately set aside around \$50 million from the city budget each year for affordable housing construction. If we can get the state of California to create a new affordable housing program, or create one regionally ourselves, we can make our local funding go further.



This green infill project located in the heart of SoMa will provide 160 units of efficiently designed studios and suites (including micro units). (Courtesy Panoramic Interests).

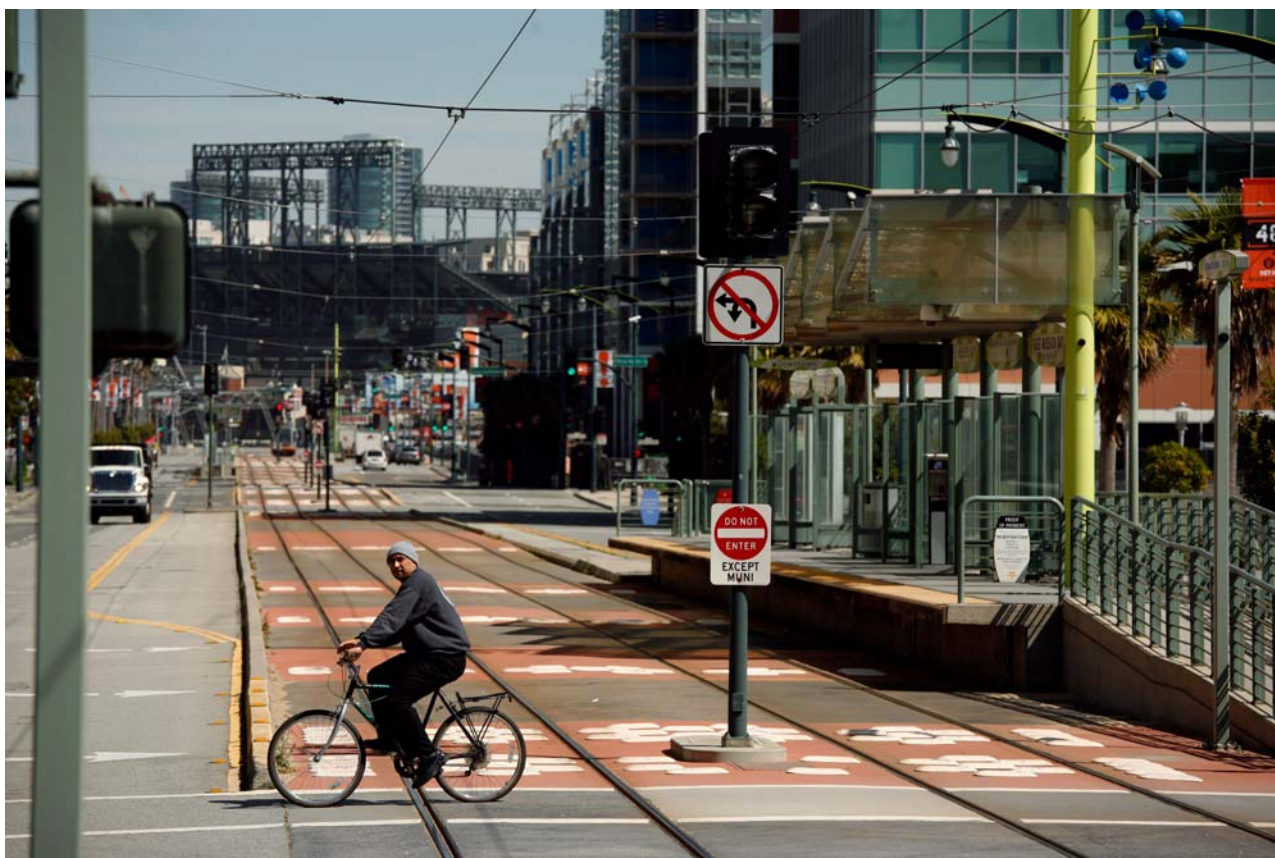
But given the uncertainty of committed state and regional funding sources, it's also time for the city to make a couple of targeted investments with local money. We are experiencing extraordinary growth in the city budget right now, as a result of the boom. San Francisco's revenues for fiscal year 2013-14 are projected to be \$700 million larger than the previous year. The city should consider some one-time

allocations from our budget for the next couple of years aimed at having a direct impact on affordability. This money could be spent on helping to rebuild the public housing mentioned above, or it could be spent helping to buy existing buildings and make more units affordable to low-income tenants.

Doubling the amount of permanently affordable housing is an expensive prospect, but we have a base to work from: thousands of affordable projects in the development pipeline, significant funding already in place and lots of affordable housing developers who know how to produce and manage these units.

Add supply at all levels

We got into this housing crisis because we don't have enough places to live in San Francisco to meet the demand.



A cyclist rides adjacent to a vacant plot of land in San Francisco. Development rules make it difficult to add new housing stock to the city. (Robert Galbraith/Reuters)

If we want to keep the city a place where all types of people can afford to live, we must remove obstacles to adding housing. We've seen the social consequences of what happens when we don't. Our best guess is that if we added 5,000 units a year for a sustained period of time, prices would stabilize. While San Francisco has produced just 1,500 units a year over the past two decades, Seattle has averaged 3,000, adding them in a way that has improved the vitality of its downtown and kept prices from rising as drastically. The [lesson](#) is clear: making it easier to add housing supply keeps rents lower than making it hard to add supply.

We can get to more supply and more affordability through two types of reforms. First, we need to [create more "zoned capacity"](#) in the city where the law allows housing to be added. The city usually does this by conducting neighborhood planning processes, in order to be precise about where to allow development

and where not to. In fact, San Francisco has a great [model](#) for how to do the kind of planning that is community driven and strengthens neighborhoods. (The [Market-Octavia Plan](#) and the [Rincon Hill Plan](#) are two good examples). We just need to do more of it.

Second, we need to make it easier to actually build buildings that conform to the zoning rules we've decided on. In many American cities, permits are issued by city staffers who merely check to make sure that a building conforms to the community's zoning rules. But in San Francisco, even after we've done the work of figuring out our zoning rules, buildings that fit them are routinely rejected, shrunk or delayed by years of process. We need to make our own plans count, by making it much, much easier to get permission to build according to zoning.

Launch a wave of experiments to produce middle-income housing

The first three proposals are ones that could work at scale, but they leave unaddressed the thing everyone seems to be wishing for: middle income housing that's more affordable than what the market produces today, but which doesn't require subsidies.

I am not sure that such a wish can be fulfilled, but there are some strategies worth trying. It's time to experiment.

One strategy falls into the category of reducing the actual hard construction cost of new housing. This generally means building units that are [affordable by design](#), with less space or with fewer amenities than standard housing. That could mean creating [smaller units](#), encouraging [secondary units](#) throughout the city, or building units without parking. All of these ideas are viable, many are in great demand. We should encourage creativity and flexibility in the quest for middle-income options. Maybe we could pick a neighborhood where all new housing is encouraged to be car-free. (In many neighborhoods a majority of households are already choosing to live this way.) And certainly the prohibition on secondary units in most of the city should be repealed.

Another strategy would be to try to form strategic partnerships with universities to get them to build more [housing for their students](#) and faculty. These units could be on or off-campus; the point would be to ease some number of students and faculty out of the competition for the rest of the housing supply.

Another strategy might be to create a new option within the city's inclusionary housing law, which requires below-market rate units to be paid for by market-rate developments. Perhaps there is a way to experiment with a shallower subsidy for a larger number of units—in essence, spreading the same development subsidy across more people, to see if we can increase the supply of middle-income housing that way.

Finally, there may be a way for the city government to [use publicly owned land](#) in new ways. Can the city put surplus land into development for housing, but somehow impose a new kind of price control that ensures it is used for middle-income units? Perhaps there is an adaptation of the land trust model that the city could use for this purpose?

Use new property taxes from growing neighborhoods to improve those neighborhoods

At first this final strategy might not sound like it has anything to do with housing affordability, but it does, because it supports conditions in which well-considered development can continue to happen.

Right now, certain neighborhoods are growing a lot more than others. If those neighborhoods are going to continue to grow, the current residents need to experience tangible benefits. We need to establish a bargain in which neighborhoods that accept growth can experience an improved neighborhood as part of the deal.

Of course there are people who will oppose physical change no matter what – even if it's well designed, even if it's in the right locations, even if it comes with neighborhood improvements. But there are also legitimate concerns from people who care about their neighborhoods. The promise of new development is not just that the new buildings themselves will improve neighborhoods (although if well-designed, they often do), not just that they will provide more customers to support more retail options (although this usually happens), but also that they will provide funding to undertake public improvements in the neighborhood: parks, sidewalk widening, transit improvements, etc. This was implicitly promised in many of the neighborhood plans that were adopted. The city needs to do more to make good on those promises.



Rincon Hill. (Flickr user [Brad Coy](#)).

Some of the neighborhoods south of downtown that were planned for highrise development (South Beach, Rincon Hill, and Transbay) are generating hundreds of millions of dollars every year in new property taxes, way above the costs of providing basic public services to those neighborhoods. More of this money should be spent making improvements to the neighborhoods that are generating the revenue.

In the long run, the only solution that will actually benefit the vast majority of people is to fix the supply problem. And the hard truth about San Francisco's housing affordability problem is that most measures we could enact will take years, if not decades, to show results.

The solutions here have two great virtues: 1) they are legal; and 2) they are capable of being implemented at the city level. They were developed through months of dialogue with housing leaders and city officials, and we are extremely pleased to see that they align with the [Mayor's announced agenda for 2014](#).

It's also important to remember that it's not just San Francisco that needs to build more housing. Every city in the region needs to do its part if we are going to have an impact on housing costs. If other cities of the Bay Area did their part to create more walkable neighborhoods, there would be less gentrification pressure on the few that we do have. As everyone points out, we can't look at this issue just within one city. Oakland, San Jose, and the other cities of the Bay Area are all part of the solution.

Our work in San Francisco would be much easier if we had support from the national level, both to provide help for a social housing program, and more fundamentally to address income inequality. But as that doesn't appear to be forthcoming we must take the lead locally. We need things like a [higher city minimum wage](#) (to increase purchasing power at the bottom of the income scale) and a [major reinvestment in Muni](#) (to reduce household transportation costs). We may be one of the first cities to experience this problem with huge new demand for city living that requires us to change our approach to affordability, but we certainly won't be the last.

Top image: Transbay Tower. Image courtesy of [SPUR](#).

Keywords: San Francisco, Minimum Wage, Inequality, Affordable Housing, Public Housing



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Cool Cool · a day ago



How about the government stop trying to steer the prices one way or the other. If we let it run its course, yeah, it's going to suck when the bottom drops out, especially for people selling their last houses before dying or hitting retirement, but it will only suck for 5 years or so as things recalibrate themselves, and prices find where they were supposed to be all along. Let's stop passing laws to protect the near or at retirement classes at the expense of common sense and everyone else's welfare.

1 ^ | v • Reply • Share ›



wmyl • 3 days ago

While Prop 13 may have outlawed property tax increases, there might be a loophole with a split-rate property tax, with land making up most/all of the revenue base, as long as the shift were revenue neutral. What do you think?

^ | v • Reply • Share ›



railroadtom • 3 days ago

There are 500 SROs with maybe 40,000 units. How about we stop using taxpayer money to keep crackheads and prostitutes in these and allow real communities to develop?

I'm not against helping crackheads and prostitutes when they need help. I am against using taxes for housing them in central San Francisco - the most expensive land in the country.

7 ^ | 1 v • Reply • Share ›



Student • 3 days ago

Did anyone attend today's SPUR meeting, and hear something new?

^ | v • Reply • Share ›



barefootmeg • 3 days ago

I really like the ideas of building smaller units and building with walkability in mind.

I suppose another way to improve the housing situation would be to decrease demand. In today's day and age, telecommuting is easy to do. Companies could allow employees to telecommute more, enabling to live further afield. And, better yet, perhaps some of the tech businesses could consider moving to places where their employees will get more bang for the buck. Even if rents go down in SF, they're still rents. And many (most?) people will never be able to afford to buy. But if companies move outside of the bay area or even outside of California, they could spend less on salaries and employees would still be able to live more lavishly.

1 ^ | 1 v • Reply • Share ›



johnwerneken • 3 days ago

More of stuff that folks desire certainly helps reduce prices!

Perhaps abolishing California environmental and land use laws would be a great start.

Ending public investment in support for commuting and for downtowns would help also.

^ | v • Reply • Share ›



Sean · 3 days ago

Wish this included at least one model.

^ | v · Reply · Share ›



bob · 3 days ago

If "the road to hell is paved with good intentions", then clearly that road goes straight to SF. No other city I've lived in is as dysfunctional as SF when it comes to housing, not even close.

First of all, rent control according to pretty much any economist on the right or the left grossly distorts rent prices. It's also egregious that rent control is not "means-tested". Many 6 figure earners still pay way under-market rents and then use their money to buy and rent out second homes. Where is the fairness? Also why reward "first come, first serve" which amounts to nothing more than generational theft especially when you have young earners that would add to the tax base over retirees. Last, while many rail against greedy landlords, I have come across even sleazier "master tenants" that gouge subletters for more rent than they pay (this is of course illegal, but the moment you ask to see a master lease agreement, you will obviously not have your application accepted.)

But as a famous quote from Upton Sinclair, "It is difficult to get a man to understand something when his salary depends upon his not understanding it" applies equally well to the renter class of SF. If over 70% of SF rents, than why would they ever vote to kill the goose laying the golden eggs?

I'm just waiting for the next big one, or for the tech bubble to pop as before.

22 ^ | 2 v · Reply · Share ›



railroadtom → bob · 3 days ago

Couldn't agree more. Rent control is a disaster. Rent controlled units are hoarded by stable upper-middle class earners, reduce the available supply, decrease efficient space usage (I know people who live alone in 2 bedroom apartments for \$1500 that should have 2-3 people at \$3000), and spike rents.

Rent control needs to end. Rent stabilization (e.g. max 10% annual increase) is not unreasonable, and tenants can be free to negotiate longer term rents - but rent control is a disaster.

5 ^ | 1 v · Reply · Share ›



Jay Verkuilen → bob · 3 days ago

Reminds me of NYC. Sure the crash pushed rents at the high end down, but they went from totally ridiculous to only ludicrous, and pressured the more affordable end as folks downsized. Thankfully I have a rent stabilized apartment (not rent controlled) so my rent changes by a predictable amount per year, but given that I've

not had a raise (even cost of living) in several years it's getting pretty lean. No raises is a net pay cut.

It's really a supply issue. Without more reasonable supply, none of it matters. However, Bloomberg was so far in the pocket of the luxury developers....

2 ^ | v · Reply · Share ›



realposter → Jay Verkuilen · 2 days ago

"However, Bloomberg was so far in the pocket of the luxury developers...." You are totally wrong on that... Bloomberg has more personal wealth than any of those developers. He couldn't be bought by them... He understood that rich ppl pay most of the taxes in NYC. The current mayor is more likely to be bought out (see the taxi fleet owners - the ppl who want the area where the stables are on the west side - etc. etc.). Don't you think it's peculiar that most of the ppl he has appointed (especially in economic development) worked at some time during the Bloomberg Administration...?

^ | v · Reply · Share ›



NYC Renters' Alliance · 3 days ago

The issue with rent control is easy to solve: Right now rents go up at a small fraction of the CPI, which means that after 10 years, a tenant is 20+% below market and will never move.

DC also has rent control, but the formula is CPI+2%, meaning that tenants are protected from rent spikes but not from inflation. SF could overlay this with a city-provided subsidy for targeted individuals (like SCRIE and DRIE in NYC), and thus make the rental market far more fluid.

This would singlehandedly eliminate the incentive to do a TIC or an Ellis.

17 ^ | v · Reply · Share ›



railroadtom → NYC Renters' Alliance · 3 days ago

Totally agree. CPI+2% may be too low, but regardless the basic idea of rent stabilization vs rent control as an asset would do a lot to help stabilize the market.

2 ^ | v · Reply · Share ›



bill wald · 3 days ago

I suspect the unspoken function of rent control and public housing is to provide cheap housing for low income workers paid for by the middle class so the international corporations don't have to pay a living wage to their employees.

15 ^ | v · Reply · Share ›



railroadtom → bill wald · 3 days ago

Excellent point.. hadn't thought of it that way.

^ | v · Reply · Share ›



Jay Verkuilen → bill wald · 3 days ago

Maybe at some point, but in many cases it's long since become a bizarre property right.

1 ^ | v · Reply · Share ›



Jesus Negros → bill wald · 3 days ago

No duh.

2 ^ | 1 v · Reply · Share ›



Razib_Taif1 · 3 days ago

Most of the new housing would be filled by people who haven't yet graduated from a 2nd or 3rd tier Indian engineering program. Thus, they have yet to receive the H1B visa that will bring them to the US to flood the housing and job markets. But rest assured, they will receive the H1B visas and eventually arrive in SF and its environs - ready to stagnate wages and take up most of the available entry level positions. Oh, and you are a racist that hates Indians if you happen to notice this corporate propagated phenomenon.

5 ^ | 4 v · Reply · Share ›



Talia → Razib_Taif1 · 2 days ago

Nah, you're a racist because you think H1B visas to Indian immigrants are actually having a measurable impact on the housing crisis. Myopia is a symptom of racist ideologies.

4 ^ | 1 v · Reply · Share ›



Razib_Taif1 → Talia · 2 days ago

Why do you ignore the proven fact that H1B visas to Indians has led to STEM wage stagnation? And yes, I get your point, pumping in 100K h1b Indians into the bay area won't lead to rent/housing costs increases because well there is no such thing as supply and demand in housing.

^ | v · Reply · Share ›



pantherblue · 3 days ago

The city bureaucracy of SF is out of control. The local press reports (without irony) of paid "expeditors" needed to shepherd any building or planning permit through the parasitic paper-pushers. Even after endless "community meetings" and slow-moving "reviews" and various officials and bodies signing off on everything, ONE complaint at the very end of a difficult and long process can set everything back for months, if not years. This is deliberate, and so-called "progressive" ideologues on the Board of Supervisors and in city government continually grandstand while hampering any rational attempts at reform and the provision of more housing.

Furthermore, SF is strangely, and weirdly, sprawling and very low density itself. Some hysterics scream at the "Manhattanization" of the city but even in the center city there is considerable underutilized land that is wasted on surface parking lots and empty or

considerable underutilized land that is wasted on surface parking lots and empty or deteriorating and architecturally undistinguished one or two floor buildings. SF wouldn't even have to build very high in most neighborhoods to increase housing. High-rises downtown and 4-5 floor buildings on side streets, and 6-8 floors on main roads (corresponding to heights in most parts of cities like Barcelona or Paris) would greatly alleviate the housing crunch. Unfortunately, many people in SF still find it hard to come to grips with the fact they live in a constantly evolving CITY instead of an idyllic town frozen in amber.

22 ^ | v • Reply • Share >



KJ → pantherblue • 3 days ago

The area east of Golden Gate Park is already about as dense as you describe. It's only the western (Sunset, Richmond) neighborhoods that are less than 3-4 stories high currently.

1 ^ | v • Reply • Share >



mamiel → KJ • 3 days ago

Hi. I live in the Excelsior. Structures here are rarely more than 2 stories high. Honestly, single family structures are a crime in this housing crisis. I think we can all add to our existing single family structures, build up. build in our huge yards (most of us already have actually, few houses here, including my own, don't have an illegal in-law in the basement!)

I agree with pantherblue. The cry of "no manhattanization" is like nails on a chalkboard to me. Do these people not realize that the choices are "manhattanization" or "los angelization"? That's it! Those are the choices! I will take dense over sprawl any day of the week, thank you.

3 ^ | 1 v • Reply • Share >



KJ → mamiel • a day ago

You're right, a lot of the Excelsior was built in the 1930s and 40s, with similar densities as the Sunset.

1 ^ | v • Reply • Share >



andrelot → pantherblue • 3 days ago

It is better to have high rises and then plenty of open space around each building instead of a city choked out with full of built-out blocks.

2 ^ | 4 v • Reply • Share >



DoctorMemory → andrelot • 3 days ago

Ah, you've just woken up from being put in a time capsule circa 1957, I take it?

10 ^ | v • Reply • Share >



KW → andrelot • 3 days ago

You're basically describing Pruitt-Igoe, which, as we all know, worked out swimmingly.

6 ^ | 1 v • Reply • Share ›



samuel • 3 days ago

I read about modular construction in Vishaan Chakrabarti's, A Country of Cities, which is being done at Barclay's Center in Brooklyn and supposedly lowers building costs. Is this a possibility to help lower building costs in SF? Or are the benefits and practicalities of this type of construction overstated? Thanks

4 ^ | v • Reply • Share ›



philbest • 3 days ago

The only thing that has made affordable cities affordable, is the freedom to develop on low cost rural land beyond the fringe.

The only route to comparative affordability when you have horizontal growth constraints, is a system like Singapore where you literally don't have private property rights. Good luck getting this in grossly unaffordable cities like SF and Vancouver as a solution.

Singapore manages median multiples of around 6 which is good compared to Hong Kong and Vancouver; and its average housing size is something like 60% larger than Hong Kong - BUT this average housing size is still something like 1/4 that of US median-multiple-3 cities. The freedom to develop on low cost rural land beyond the fringe creates a genuine "consumer surplus" effect in housing. The corollary to an absence of this effect, is that there is monopoly rent in housing.

2 ^ | v • Reply • Share ›



Student • 3 days ago

TODs on the Peninsula.

4 ^ | v • Reply • Share ›



KJ → Student • 3 days ago

Yes, the Peninsula has begun to build more TOD in the last couple of years. Redwood City and San Mateo both have a lot under construction now.

1 ^ | v • Reply • Share ›



pantherblue → Student • 3 days ago

I still find it quite bizarre that most (if not all!) BART stations outside of SF have not attracted any significant TOD. It's a no-brainer but local planning in the Bay Area is so dysfunctional.

1 ^ | v • Reply • Share ›



Al Fark • 3 days ago



Al_Fakh_Yughoud → pantherblue • 3 days ago

You are assuming the cities where those BART stations are located are really in favor of high density dwellings (i.e. high rise apartments and condos) within their city limits.

You would be wrong.

Every local government wants single family homes in big lots and commercial development (malls) in their city. That assures the presence of upper income people and a constant stream of higher property tax revenue from those single home owners and business tax revenue from those commercial enterprises. That keeps out the lower income people too, which nobody wants in their backyard.

3 ^ | 1 v • Reply • Share ›



pantherblue → Al_Fakh_Yughoud • 3 days ago

You are mainly right, but most of the areas around BART stations are commercial or industrial and will never feature single family homes. And condos in the Bay Area now are quite expensive and attract the high-income demographic these cities want.

2 ^ | v • Reply • Share ›



Lewis Lehe → pantherblue • 2 days ago

Most of the areas around BART stations are parking lots, if not directly in the middle of a freeway. Only now, 40 years in, is a lot of dense construction going in around MacArthur. Here is North Berkeley BART, surrounded by parking lot and single family homes.



2 ^ | v • Reply • Share ›



Transit_Riding_Transit_Planner • 3 days ago

Good suggestions, but your post focuses solely on housing qua housing and fails to account for the land use transportation connection. Creating a world class regional transportation network* would go a long way toward relieving pressure on San Francisco and improving housing choices for current and would-be San Franciscans.

* At a minimum: second transbay BART tunnel and more BART lines serving western and northern SF and more of the inner East Bay; extensions of Caltrain, ACE and Capitol Corridor to downtown SF and a common ticketing system and cross-platform transfers between all of these as well as BART; Very High Occupancy Vehicle (VHOV) lanes on all freeways and bridges; and, tell that funnel money towards transit

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