

# Housing affordability crisis drives Bay Area middle-class exodus

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S eana [O'Shaughnessy](#) has lived in the Bay Area for 19 years — nearly half her life. Yet in the next few months, [O'Shaughnessy](#), 41, and her husband will pack up and leave Redwood City for Chico in time for her daughter to start kindergarten in the fall. It breaks her heart, but [O'Shaughnessy](#) believes she has no choice.

"I love the Bay Area. I love the community, culture, diversity, opportunities. I love the access to the ocean, mountains and San Francisco. It is such an amazing city," she said. "But it's gotten a little crazy right now. We decided we didn't want to be slaves to our house and have nothing else."

Ironically, [O'Shaughnessy](#) has had a ringside seat for the affordability struggles that eventually priced her out of the Bay Area. She serves as the executive director of Rebuilding Together Peninsula, a nonprofit focused on building volunteer partnerships to rehabilitate homes and community facilities for low-income families and individuals, and was honored by the Housing Leadership Council of San Mateo for her efforts.

In Chico, [O'Shaughnessy](#) and her husband — who also works for a nonprofit — can much more comfortably afford a home.

"The homes are probably 60 to 70 percent less expensive there," she said. "We have been renting and looking at buying a home around the Peninsula, but with the prices, we just couldn't justify it. Combined, we ought to be able to afford a house based upon statistics — but statistics don't take into account things like the cost of child care and student loans."

[O'Shaughnessy](#) and her husband are examples of a growing population of people who can simply no longer afford to live comfortably in the Bay Area.

"It's a crisis," she said.

## No end in sight

Despite growing alarm and a widening recognition that the region's mismatch between supply and demand in housing is an increasingly severe problem, there are few signs of change. The city of San Francisco is still producing only 2,000 housing units per year — when it has needed more like 5,000 for the last 20 years and going forward.

Only 14 percent of households in San Francisco can afford the median-priced home, which was \$999,250 in October, the lowest such percentage of any metropolitan area in the country, according to a study by Trulia.

The median price of a house in the nine-county Bay Area was \$601,000. Areas such as Oakland — where 40 percent of households can afford the median price — and San Jose — where 34 percent of households can afford the median price — had more affordable homes than San Francisco. But the mismatch in housing and job production virtually ensures prices aren't going to move down. The Bay Area generated 114,000 net new jobs last year — and only 8,000 units of housing. Meanwhile, there's still a backlash in some suburban communities at policy initiatives designed to encourage or require them to produce more housing.

Renting is no cheaper, with median monthly rents for a one-bedroom apartment at \$3,200 in San Francisco — higher than New York. Seven of the 10 U.S. cities with the highest rents are in the Bay Area.

## Employers worried

The region's housing mismatch increasingly affects hiring and corporate location decisions. In early 2014, **Charles Schwab Corp.** told employees in San Francisco that it planned to move "a significant number of San Francisco-based jobs" to other locations around the country over the next three to five years. The move is expected to involve more than 1,000 of its Bay Area workforce of 2,700.

[Sarah Bulgatz](#), director of public relations for Charles Schwab, in November 2014 confirmed that the company made the decision several years ago to focus outside of San Francisco for future growth, due to factors "including the high cost of living as well as the high cost of doing business."

While San Francisco remains the company's corporate headquarters, she said Phoenix is now its largest single employment base.

For [Molly Dick](#), founder of San Francisco-based Crossroads Relocation Services, it's a familiar story. Dick specializes in helping companies move offices or executives and she's seen her client base shrink. Fewer companies, she said, are willing to invest in her services when many prospective employees are scared off by housing costs and turning down jobs.

"They basically say they can't afford to throw money at candidates who don't end up taking a job," said Dick, relating the tale of recently assisting a client with the recruitment of a CEO candidate from outside the area.

"They had two school-age children and a budget of \$1.5 million to \$1.7 million and could put a significant amount down," she said. "At the end of the weekend, they decided they were not going to do it. While the city will always have appeal, there are other factors involved and I'm definitely seeing a growing disillusionment compared to decades past.

"With soaring real estate prices and surging population growth, we are in a bubble. You're seeing primarily overseas buyers and wealthy new tech

workers," she said. "So where does that leave the relocating executive and his family who often can't sell their homes in a languishing market elsewhere? Most of them don't know how they will afford the quality of life here."

[Sean Randolph](#), president and CEO of the Bay Area Council Economic Institute, said the area's housing problem is "the accumulation of decades of underbuilding."

"There's been a lack of development of housing at all income levels," he said. "I came here in the late 1990s and even then it was very clear that there had been a failure to keep up with demand going back at least 10 years before that."

Unfortunately, Randolph doesn't foresee a letup in the housing pressure anytime soon.

"There's been a lot of resistance throughout the Bay Area of development of any kind, but we have to get real about the implications of failing to put housing into place," he said.

SPUR Executive Director [Gabriel Metcalf](#), and a longtime commentator on housing said that San Francisco residents' resistance to homebuilding is at odds with the city's professed progressivism.

"It does not make sense that you can think of yourself as progressive, but still think it's OK to not allow people to come here, which is the real-world impact of our longtime emphasis on protecting the physical character of the city from change," Metcalf said. "Ultimately, when supply is constrained and demand increases, people with more money win. Many of the people that made this city colorful and interesting are leaving or have already left."

Overall, there is growing concern that the city of San Francisco – and the Bay Area as a whole – is turning into a region of elites, one being hollowed of its middle-class and middle-aged residents, particularly those with families.

Metcalf last year authored a widely read blog post on the exodus from San Francisco in particular. "My friends keep moving to Oakland," it began.

### **Hard sell to execs to relocate**

[Betty Granoff](#), president of San Francisco-based Relocation Breakthroughs, works with individuals who have been asked to relocate or are considering a new job in the Bay Area.

"Usually what happens when someone contacts me is that their maximum rent is almost always way low compared to where they want to live," she said. "They are shocked. Most of the time, those who still can end up changing their minds."

Those who don't end up having to compromise – a lot.

"I've been doing this since 1996 and this is the craziest I've seen things," she said. "Even with the first dot-com boom in the late 1990s, demand was just as high but rents weren't."

And while San Francisco remains one of the nation's most powerful magnets for millennials with high-salaried jobs, those lower down the income scale feel pushed away.

Recent UC Berkeley graduate [Kaitlyn Quackenbush](#) is a Bay Area native who says she may leave soon. After spending nine months searching for an apartment she could afford, the 23-year-old ended up disappointed and resentful.

"There's a cultural shift and cost shift going on and San Francisco just doesn't feel like a city I want to be in anymore," she said. "It feels a little bit like a gated community where the middle class and working class are disappearing."

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Infographic



# HIGHEST RENTS IN THE COUNTRY

Here are the highest priced median rents for a typical one-bedroom apartment across the United States. The San Francisco Bay Area has 15 cities on the list including the top three in the ranking: Palo Alto, San Francisco and Cupertino.



1. Palo Alto, CA	\$3,645
2. San Francisco, CA	\$3,488
3. Cupertino, CA	\$3,136
4. Santa Monica, CA	\$2,815
5. New York, NY	\$2,800
6. San Mateo, CA	\$2,728
7. Redwood City, CA	\$2,700
8. Mountain View, CA	\$2,700
9. Hoboken, NJ	\$2,650
10. Sunnyvale, CA	\$2,616
11. Cambridge, MA	\$2,550
12. Weston, FL	\$2,448
13. Santa Clara, CA	\$2,446
14. Pleasanton, CA	\$2,445
15. San Jose, CA	\$2,400
16. Newton, MA	\$2,400
17. Daly City, CA	\$2,400
18. San Rafael, CA	\$2,351
19. Boston, MA	\$2,350
20. San Ramon, CA	\$2,350
21. Santa Cruz, CA	\$2,300
22. Fremont, CA	\$2,297
23. Berkeley, CA	\$2,295
24. Somerville, MA	\$2,275
25. White Plains, NY	\$2,220
26. Washington, D.C.	\$2,200
27. Miami Beach, FL	\$2,199
28. Brentwood, CA	\$2,195
29. Santa Barbara, CA	\$2,150
30. Irvine, CA	\$2,130

SOURCE: LOVELY