

OPINION

San Francisco's urban tech boom

THE ECONOMY

Richard Florida Updated 1:52 pm, Saturday, September 8, 2012



IMAGE 1 OF 15

Just like any broadcast sporting event, the mostly male crowd had their eyes glued to the TVs behind the bar. "Barcraft", a Starcraft video game competition viewing, was held at Mad Dog in the Fog Pub in San

[... more](#)

Pinterest's recent move from Palo Alto to San Francisco has sparked chatter in the high-tech world: Is the Bay Area's innovative center of gravity shifting away from suburban Silicon Valley to urban San Francisco?

The answer is a qualified yes. The tech migration is not just a phenomenon of San Francisco - it's happening in New York's downtown Silicon Alley and East London's once rundown and raw Silicon Roundabout. This emerging model of "urban tech" just seems to fit downtown San Francisco especially well.

For one, the city is filled with the dense, gritty districts where young techies increasingly prefer to live and work. San Francisco's inner-city neighborhoods, some blighted and now transitioning, are a huge draw for this new generation of techies, who don't want big, cookie-cutter suburban houses and prefer walkable areas that enable them to live close to their friends and the amenities they need. To capture these workers, Google has long run its famous daily bus between the city and the Googleplex in Mountain View.

The city's urban center also is filled with easily repurposed and relatively inexpensive older warehouses and factory lofts, as well as industrial, commercial and other mixed-use buildings that companies can retrofit into the flexible, creative spaces to which this new breed of techies are drawn.

ADVERTISEMENT

Case in point: The Mid-Market neighborhood. Just last year, The Chronicle noted that "Market Street was once a destination, featuring now-shuttered theaters with lights so bright, the street was dubbed the Great White Way. But the glory faded into disrepair in the 1960s, when the street was torn up for construction of the **Bay Area Rapid Transit** system. Now, it's best known for homeless people, drug deals and the stench of urine."

A year later, it's home to Twitter's headquarters in a formerly vacant 1937 Art Deco landmark.

These neighborhoods and districts also enable companies to draw on the amenities - coffee shops, restaurants, take-out shops, food trucks, dry cleaners and gyms that tech workers require - without having to put them and pay for them on campus. Apple's San Francisco flagship is open seemingly 24/7 to serve just this group with their flexible hours and blending of work and after-work life.

ADVERTISEMENT

San Francisco's neighborhoods have the additional advantage of public transit - BART, Muni Metro, buses and cable cars - that enable workers, customers and residents to get around without owning a car. They also provide the urbanity and lively street culture that bring people together, encouraging serendipitous interactions.

When smart people rub together in different groupings and places, they spark new ideas, which ultimately generate even more startups. Surprisingly, as expensive as it is, San Francisco offers would-be entrepreneurs a significant cost advantage over Silicon Valley.

Office space for tech companies runs \$3.55 per square foot per month in San Francisco compared with \$5.78 in downtown Palo Alto, \$4.81 in the Palo Alto-Stanford Park area and \$5.21 in Menlo Park, according to figures from real estate firm Cushman & Wakefield reported in June on Gigaom.com.

This is partly due to its supply of older industrial and commercial buildings that can be redeveloped into high-tech offices.

For all these reasons, San Francisco has emerged as a high-tech power, closing in on and in some cases overtaking its well-established neighbor. The San Francisco metropolitan area ranked third in my ranking of America's high-tech metros, trailing only Seattle and Silicon Valley. And it placed second, behind Boulder, Colo., on my overall creativity index, which assesses regions on the "3Ts" of economic development (see box). And it topped the list of venture-capital investments in 2011, with \$8.6 billion compared with \$6.9 billion for Silicon Valley, according to data from the **National Venture Capital Association**.

It's not just that San Francisco has leveraged and drawn off Silicon Valley technology. Silicon Valley can only be understood in relation to the creative DNA that is etched deeply within San Francisco's culture and economy.

Two key characteristics of creative ecosystems are cutting-edge music and art scenes and openness to gays and lesbians as well as immigrants and outsiders in general. San Francisco gave birth to the Jefferson Airplane, Big Brother and the Holding Company and countless other bands that shaped its innovative 1960s sound. And it has long been the

epicenter of gay culture and the gay-right's movement.

Many of the early techies and entrepreneurs who pioneered Silicon Valley also were drawn by the openness to new ideas, risk and different and new models of thinking that were key characteristics of San Francisco's open and creative culture - what used to be called its "counterculture."

The shift to urban tech is not without its problems, however. The influx of new high-tech enterprises and higher skilled, more affluent residents is driving up already expensive rents and housing prices. San Francisco's creative class is strongly concentrated in and around the city's central core.

This stands in contrast to many other U.S. cities, which continue to suffer from the classic "hole in the doughnut" problem as affluent and middle-class residents have decamped to the suburbs.

In San Francisco, it is blue-collar and lower-wage service workers who are displaced, furthering the class divide. Rampant neighborhood transformation and gentrification deepen inequality and can threaten the very urbanity that powered the rise of such innovative spaces in the first place.

With its great neighborhoods, abundant transit and authentic urbanity, San Francisco has benefited from the shift to urban tech. To get the most out of it, the city's and region's leadership need to be mindful of the very urban assets that have powered this shift and take steps to mitigate the tensions it generates along the way.

San Francisco's high-tech stars

Twitter: With more than 500 million users generating 340 million 140-character tweets per day, Twitter is one of the 10 most-visited sites on the Internet. **Zynga:** The developer of such browser-based games as "CityVille," "FarmVille" and "Words With Friends," Zynga went public at the end of 2011. More than 292 million people play its games every month.

Yelp: A product of the San Francisco tech incubator MRL Ventures, Yelp provides a search service, consumer-generated reviews and a social-networking site to its 71 million-plus monthly users. **Square:** A credit-card reader for smartphones developed by Twitter co-founder Jack Dorsey, Square now processes about \$500 million in payments per month.

Salesforce.com: A software giant best known for its cloud-based Customer Relationship Management products. Founded in 1999, it is a Fortune 500 company with annual revenue of \$2.26 billion. **Pinterest:** The popular photo-sharing website was founded in 2009. Its current valuation is in the range of \$1 billion to \$1.5 billion.

Source: Richard Florida

The '3Ts' of economic development

Innovative cities and regions are powered by technology, talent and tolerance. Each is necessary, but one alone is an insufficient condition for growth. The most successful cities, like San Francisco, put all three together.

Technology: Innovative cities and regions need great universities and leading tech companies to power innovation. San Francisco ranks third on Richard Florida's technology index.

Talent: Successful regions need to develop, attract and retain top talent. The San Francisco metropolitan area is home to almost 750,000 creative-class workers spanning the fields of science and technology, management and business, **education** and health care, and arts, design media and entertainment, nearly 40 percent of its workforce. They take home an average pay of \$91,361 a year, the second highest in the nation. The creative class makes up more than 46 percent of the workforce in San Francisco County, placing it in the top 20 of America's more than 3,000 counties.

Tolerance: Innovative and prosperous cities and regions benefit from openness to talent from varied ethnicities, nationalities, sexual orientations and so on. The San Francisco area ranks among the top 20 metros on Richard Florida's tolerance index.

Source: Richard Florida

Richard Florida is author of "The Rise of the Creative Class Revisited," (Basic Books, 2012). He is director of the Martin Prosperity Institute at the University of Toronto's Rotman School of Management, global research professor at New York University and senior editor at the Atlantic. Send your feedback to us through our online form at sfgate.com/chronicle/submissions/#1

© 2016 Hearst Communications, Inc.

HEARST

