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A Study of Housing Affordability in □  
San Francisco □  
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# **Priced High, On a Hill**

**A Study of Housing Affordability in San Francisco  
for the  
NATIONAL ASSOCIATION OF REALTORS®**

**By**

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**"Priced High, On a Hill: A Study of Housing Affordability in San Francisco"**  
**by Larry A. Rosenthal, Ph.D., Michael Donavan, and Greg Wagner**  
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*Executive Summary*

San Francisco's high-priced real-estate markets are among the most expensive in the United States. Housing affordability problems are actually rooted in the disparity between wealth and incomes of the city's poorest families, on the one hand, and steadily increasing rents and home prices, on the other. The city faces special challenges to house its lesser skilled workers, because its tourism and service-based economy depends upon an adequate supply of such labor.

According to May 2003 figures published by the California Association of Realtors, only 19% of Bay Area households can afford to purchase the median priced home within the metropolis (\$552,128). As of May 2003, only 12% of San Francisco's households could afford to purchase the median priced home within the city (\$637,907). Seven of the ten least affordable counties, as identified by the National Low Income Housing Coalition's "housing wage" measure, are located in the Bay Area.

Factors affecting housing affordability in San Francisco include extraordinary demand, growing incomes, increased formation of smaller households, seismic and environmental regulation, neighborhood opposition to new development, and rent control. The city has exceptionally low homeownership rates, low vacancies in ownership and rental units, and high mobility and turnover. Population continues to grow, returning to mid-century levels, but the housing stock is not expanding proportionately, and overcrowding is becoming a problem in some of the city's blue-collar and ethnically concentrated neighborhoods. The city continues to have problems with homelessness; a 2002 count found approximately one percent of the city's population located on the streets, in shelters, in treatment facilities, and in transitional housing. Real incomes are rising and poverty is decreasing, meaning that prospective renters and buyers can bid up housing prices, well beyond the reach of the city's least well-off households.

The city is racially diverse, with pockets of ethnic concentration in neighborhoods such as Chinatown and the Mission. As indicia of housing capital, aggregate rents and values are not disbursed equally in the city's smaller areas and housing markets. Compared to state and national averages, San Francisco represents a substantial concentration of housing wealth in its real estate sector.

Rents and housing prices have never fully recovered from their astronomical levels during the dot-com years in the late 1990s. Despite the fact that the Bay Area remains in a sluggish recessionary state, prices and affordability levels have only slightly moderated from levels seen two years ago during the boom. But at least some fraction of the observed price increments in San Francisco is due to broader patterns observed throughout California's metropolitan areas, particularly San Jose and San Diego, and to a lesser extent Los Angeles and Orange County. Importantly, when affordability is measured over the entire income distribution, in order to determine relative cost burdens for renters and owners, it becomes clear that Bay Area incomes have kept up with housing price increases more proportionately than in many other cities.

Key sources of housing subsidy in San Francisco are the San Francisco Housing Authority (managing section 8 vouchers and currently renovating much of the city's public housing stock under the HOPE VI program), the Mayor's Office of Housing (administering most supply-side federal funds), and the San Francisco Redevelopment Agency (utilizing the tax-increment financing device to boost rehabilitation of rundown housing and commercial buildings in blighted areas). Housing advocacy organizations include the Council of Community Housing Organizations (opposed to market-rate development's use of scarce buildable land), the San Francisco Housing Action Coalition (lobbying on behalf of all builders), the San Francisco Planning and Urban Research Association (advocating infill, high density development to stem suburban sprawl), and the San Francisco Chamber of Commerce (trying to establish housing opportunities for the city's public workforce through new mortgage and downpayment assistance).

It is important to recognize how the city's vigorous rent control system skews the balance between landlords and tenants, in a city where two of every three voters are renters. The city's quarter-century of rent regulation has no doubt slowed housing development while making life progressively easier for stable rental households. The city is permanently embroiled in the politics of rent control, as tenant advocates attempt to secure their franchise against all perceived threats. Also of interest in the city's regulatory landscape is the story of live-work loft development. To ease the rent burdens of the city's artisans and crafts workers, the city liberalized zoning to allow mixed commercial and residential uses, only to find that such units were usurped by dot-com firms when the market for commercial space tightened in the late 1990s. Ultimately the live-work ordinance was repealed, and the story of its demise helps illustrate the complex and divisive nature of housing politics and policy in San Francisco.

This report concludes with a set of case studies revealing a remarkable variety of developers and operators active in serving different categories of lower-income households in need throughout the city. The sites featured represent several significant types of low-income housing development activity: sponsorship by faith-based charities with innovative housing programs; live/work loft-style housing in rehabilitated commercial and industrial locations; reuse of the city's closed military sites; sophisticated industry leaders such as San Francisco's own BRIDGE Housing Corporation; densely populated neighborhoods with prominent national or ethnic identities, such as Chinatown and the Mission; and award-winning designs recognized for their innovative use of land and built space.

"Housing affordability in San Francisco" is likely to remain a stable contradiction in terms. Shrinking state and federal budgets for housing subsidies will be matched by widening disparities between the city's poorest and wealthiest households. Nevertheless, recent increases in the political profile of housing needs throughout California, combined with the substantial expertise in the nonprofit development sector, insure that affordability will remain a prominent issue and a primary focus of policy professionals rendering housing assistance to the poor.

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