

# Solving the Housing Crisis Is Key to Inclusive Prosperity in the Bay Area

By Sarah Treuhaft with Jessica Pizarek, Ángel Ross, and Justin Scoggins



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# Preface

Advancing racial and economic equity is the defining challenge of our time. Rising inequality and persistent racial inequities threaten our social cohesion and economic potential. We must work to build a Bay Area that is inclusive and prosperous for all residents.

We cannot make meaningful progress toward inclusive prosperity in the region without addressing the housing crisis. As this report describes in detail, the combination of skyrocketing housing costs and stagnant wages has created a pressure cooker. The crisis has hit low-income communities of color the hardest, but pain is reverberating throughout the region as more workers are commuting several hours to work daily, businesses cannot find employees who can afford to live near work, and even high-wage tech companies struggle to recruit talent because of high housing costs.

This report is a part of the Bay Area Equity Atlas, a partnership between The San Francisco Foundation, PolicyLink, and the Program for Environmental and Regional Equity at the University of Southern California (PERE). It is the first of many analyses that will be produced in the coming months and years.

The Bay Area Equity Atlas will leverage the foundation's equity strategy and the regional equity profiles produced in 2014 and updated (and expanded to cover the nine-county region) in 2017. When we spoke with our grantees, partners, and donors about how to move forward, one clear need was a data system to track the state of equity across the region and to inform solutions. Thus, we are working to create a regional platform designed to provide data and serve those who are seeking to advance solutions at a local and regional scale. The Bay Area Equity Atlas will leverage the capabilities of the National Equity Atlas.

We believe in the power of data to craft solutions. Robust data disaggregated by race, income, and geography and showing trends over time is critical to cultivating a shared understanding of current conditions and charting a more equitable future. As regional equity scholar (and founder of PERE) Manuel Pastor puts it: "regions that know together, grow together." Data is also an essential ingredient for community solutions—undergirding programs, organizing, and advocacy.

Data itself is not change, but we think the data and stories in this report can catalyze conversations and elevate the debate about how and why equity matters to our region's future. This report provides important new data to the dialogue about housing security and our region's economic future.

Together with residents and community, civic, business and philanthropic leaders, we are committed to moving from dialogue and debate to action. Join us.

**Fred Blackwell**  
Chief Executive Officer  
The San Francisco  
Foundation

**Judith Bell**  
Vice President  
The San Francisco  
Foundation



Sheila James on BART  
(Andrew Burton,  
The New York Times)

## Introduction



3:16 A.M. Sheila James makes  
her first cup of coffee of the  
day at home. (Andrew Burton,  
The New York Times)

Her day begins at 2:15 a.m. After being evicted from her Alameda apartment when a developer bought her building, 62-year-old Sheila James, a public health adviser for the federal government, moved to Stockton where she could afford to rent a house. Traveling three hours to and from her office job in downtown San Francisco via car, Amtrak train, bus, and BART, James represents the 5 percent of Bay Area workers who are now extreme commuters—taking more than 90 minutes to get to work—up from 3 percent just three years ago.<sup>1</sup>

In the working-class community of East Palo Alto, home prices have increased from \$500,000 to \$800,000 over the past decade, pushing many low-income working families into homelessness. Dozens of residents living in RVs were abruptly evicted by city officials in November 2017, and, according to the superintendent, six in 10 of the district's schoolchildren are now homeless, up from 25 percent at the beginning of 2016.<sup>2</sup>

Palo Alto's Gryphon Stringed Instruments, a legendary guitar shop founded in 1969, has lost nearly a third of its staff due to high housing costs. From neighborhood retailers and restaurants to nonprofits and tech companies, Bay Area businesses are struggling to find and keep workers in the face of soaring housing costs and stagnant wages.<sup>3</sup>

California's housing crisis has reached epic proportions in the Bay Area. From displacement and homelessness to employers struggling to find workers who can afford to live anywhere near work, housing has become the Achilles' heel of one of the strongest economies in the world.

The twin forces of a housing shortage—particularly affordable housing—and uneven wage growth have converged to create a regional crisis. Between 2011 and 2015, the Bay Area added 500,000 jobs but built only 65,000 new homes.<sup>4</sup> As high-wage knowledge-economy workers bid up the cost of homes, low-income families have been pushed into deep housing and economic insecurity, and out to the edges of the region and beyond. More than six of every 10 households are now at risk of displacement, according to the University of California–Berkeley's Urban Displacement Project.<sup>5</sup> And despite the booming economy, 3.2 million residents are economically insecure and do not have enough income to make ends meet.<sup>6</sup>

Though the housing crisis is far-reaching, it has hit low-income communities of color the hardest, exacerbating longstanding racial inequities and threatening the region's social and cultural vitality.

**Despite the booming economy, 3.2 million residents are economically insecure.**

## Key Findings

This report presents new data illustrating how the combination of rising rents and stagnant incomes is straining household budgets and stifling opportunity for all but the very wealthy in the nine-county Bay Area, raising serious questions about the sustainability of the region's economy. Key findings include the following:

- **More than 480,000 economically insecure households pay on average \$9,000 more than they can afford on rent annually—adding up to \$4.4 billion that they could be spending on their family needs and in the regional economy.**
- **Between 2000 and 2016, rents increased 24 percent while renter incomes rose just 9 percent.<sup>7</sup>**
- **Six of every 10 economically insecure residents are renters and 75 percent of them pay too much for housing (more than 30 percent of their income).**
- **A family of two workers each making \$15/hour for a yearly household income of \$62,400 can afford the median market rent in only 5 percent of the Bay Area's 1,500-plus neighborhoods.**
- **Ninety-two percent of the neighborhoods affordable to these working-class households are rated “very low opportunity” on a comprehensive index of neighborhood opportunity.**

This situation is not only unjust; it places the entire region’s economic future at risk. Already, the region’s robust growth has slowed over the past year, and analysts have blamed the housing crisis for this sluggishness.<sup>8</sup> Without a change in course, employers across all parts of the economy could be starved of the talent they need to deliver, innovate, and grow. Addressing the crisis is a moral and economic imperative—one that is critical to the success of Bay Area families and businesses alike.



Annette Bernhardt

Thankfully, community, business, civic, and elected leaders are stepping up to the challenge. In September 2017, after tremendous advocacy efforts, state lawmakers passed a historic housing package of 15 bills to spur production and fund and preserve affordable housing. Local advocacy is also gaining traction: In November 2016, Richmond and Mountain View passed rent control and Oakland and Berkeley strengthened existing tenant protections, while housing bonds passed in four counties and three cities.<sup>9</sup> And, there are some promising signs. After community groups took Menlo Park to court for failing to deliver adequate affordable housing, the city changed its zoning laws to allow for more new

homes, including apartments, along with affordability incentives. Time will tell whether adequate affordable homes will actually be built, but the change is definitely a sign of progress.<sup>10</sup>

These are all steps in the right direction—and much more is needed. The Bay Area is in a state of emergency, one that requires bold collective action. Together, we must forge a different path, one that preserves our diversity, halts displacement, and builds a more resilient economy that taps everyone’s talents and spreads prosperity across our neighborhoods.

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## Data and Methods

Unless otherwise noted, all figures in this report are based on PolicyLink/ PERE analysis of the 2015 5-Year American Community Survey and 2000 Decennial Census microdata from the Integrated Public Use Microdata Series (IPUMS), and the Zillow Rent Index (ZRI) from Zillow Group, Inc. The term “renters” refers to renter-occupied households, except when it is connected with the term “residents,” in which case it refers to individuals living in renter-occupied households. Data on housing costs for renters include the contract rent and utilities. All data by race/ethnicity and gender tabulated from the IPUMS microdata files are determined by the race/ethnicity and gender of the household head. All racial/ethnic groups refer to non-Latino groupings (except for Latinos) and women/men of color include all persons who do not identify as non-Hispanic White.



RVs line a street where people live and sleep in the heart of Silicon Valley in Mountain View. Many of them are employed, working as retail clerks, plumbers, janitors — even teachers. (Phyllis Peterson, Shutterstock.com)

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# The Collision of a Tech-Driven Economy and California's Housing Crisis

In the region at the epicenter of the digital revolution, tremendous economic growth is not translating into broadly shared prosperity—largely due to runaway housing costs that are outpacing wage gains for workers outside the tech sector.



Homeless tents line a city street in San Francisco. (Dianne Bentley Raymond, Getty Images)

The nine-county Bay Area—stretching north-south from Sonoma to Santa Clara and including the San Francisco and San Jose (Silicon Valley) metro areas—is one of the strongest and fastest-growing economies in the world. The region's growth has far exceeded the nation's since 2011, and in 2015, Silicon Valley's economic growth surpassed that of China.<sup>11</sup>

The tech boom is largely responsible for this impressive growth. One in five Bay Area jobs are now in tech, and the region leads the nation in the growth of new technology jobs.<sup>12</sup> Between 2006 and 2016, San

Francisco and San Jose ranked first and fourth on tech job growth among the 53 largest metros.<sup>13</sup>

And where tech jobs go, others follow. Berkeley economist Enrico Moretti found that every new high-tech job in a region creates four or five new jobs in the local-serving service sector cutting across all wage levels. Each manufacturing job, in contrast, creates about 1.6 additional jobs.<sup>14</sup> Regions with strong tech sectors and “advanced industries” also experience comparatively higher wage growth in their service sectors, although this effect can be negated by even stronger pressure on housing prices.<sup>15</sup>

But while the tech sector has generated tremendous growth, driving down overall unemployment in the Bay Area, it has been inequitable growth. Inequality is rising as highly educated, predominantly White knowledge-economy workers earn high wages, build wealth, and have their choice of neighborhoods while the middle class shrinks and low-wage service sector workers—who are disproportionately people of color—see far lower wage gains and escalating rents.

Top of page: Jose L. Stephens, Getty Images

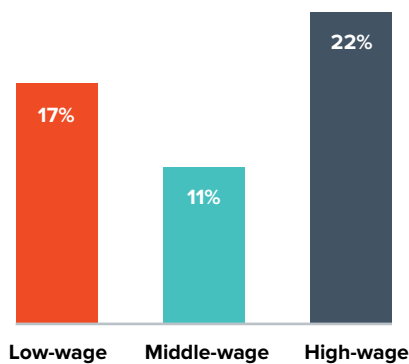


A look at job growth by wage level over the past decade explains this disparity. As shown in the chart below, the region has seen fast growth in high-wage jobs as well as low-wage jobs, but slower growth in the middle-wage jobs that have typically served as stepping stones into the middle class for workers without college degrees—occupations like construction laborers, plumbers, truck drivers, or auto salespeople.<sup>16</sup>

The story is similar with wages. High-wage workers saw their wages increase significantly but low- and middle-wage workers did not. Information technology workers, for example, received a 69 percent salary bump to about \$233,000 between 2005 and 2015. Retail workers, by comparison, got a 5 percent raise to about \$41,000, and educators saw their pay increase by 9 percent to about \$59,000.<sup>17</sup>

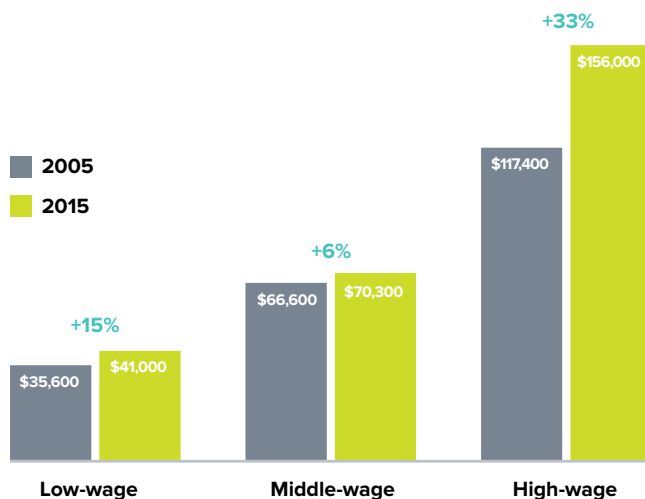
## Unequal job and wage growth continues, along with a decline in middle class pathways

Growth in Jobs and Wages by Industry Wage Level, 2005–2015



### Job Growth

Jobs in middle-wage industries have grown at a slower pace than those in low-wage and high-wage industries, further polarizing job growth.



### Wage Growth

Jobs in middle-wage industries saw the slowest growth in earnings per worker. While earnings per worker increased by 15 percent to \$41,000 per year among low-wage industries, they grew by 33 percent in high-wage industries.

**Source:** PolicyLink/PERE analysis of data from the U.S. Bureau of Labor Statistics and Woods & Poole Economics, Inc.

**Note:** Universe includes all private sector jobs covered by the federal Unemployment Insurance (UI) program.

Racial inequity is baked in to this unequal growth. Although job growth data itself does not show the race of the workers in those jobs, we know that Black, Latino, and other workers of color are disproportionately concentrated in the low-wage sector, while the high-wage sector is predominantly White and Asian. The largely high-wage tech sector notoriously lacks diversity: in 2015, just 2 percent of Bay Area tech workers were Black and about 5 percent were Latino. And while educational inequities play a role, the primary problem does not appear to be preparation: 17 percent of California’s college-educated citizens are Black or Latino—far more than the 7 percent who hold tech jobs in the Bay.<sup>18</sup>

In addition to this extreme racial sorting by industry, wide pay disparities by race and gender persist. Workers of color and women across all racial/ethnic groups earn lower wages than their White counterparts, even when they have similar levels of education. Looking solely at college graduates, White and Asian or Pacific Islander men earn \$12 to \$20 more per hour compared with other race and gender groups, as the below chart illustrates.<sup>19</sup>

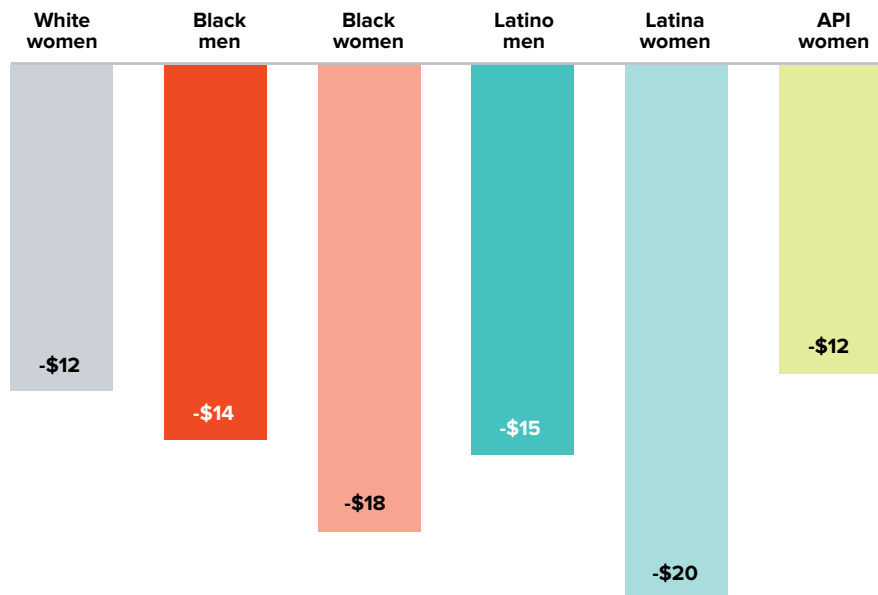
## Wide racial and gender inequities in pay persist among workers with college degrees

Difference in Median Hourly Wage of Full-Time Wage and Salary Workers with a Bachelor’s Degree or Higher Compared with the Median Wage for White and Asian or Pacific Islander (API) Men, 2015

Median wage of college-educated White and Asian or Pacific Islander (API) men (\$49/hour) set as baseline

**Source:** PolicyLink/PERE analysis of 2015 5-year ACS microdata from the Integrated Public Use microdata Series (IPUMS).

**Note:** Full-time workers are defined as those ages 25-64 who usually worked at least 35 hours per week and worked at least 50 weeks during the year prior to the survey. Values are in 2015 dollars. Data represent a 2011 through 2015 average.





Aerial photo of the Apple campus building in Cupertino (Uladzik Kryhin, Getty Images)

Beyond contributing to economic inequality, the influx of highly paid knowledge-economy workers has put enormous pressure on the region’s housing market, driving up rents and home prices, as well as the costs of other goods and services. As Russell Hancock, president of Joint Venture Silicon Valley, put it: “We have an economy in an upward spiral, and it’s driven by the competition for talent. But that upward spiral is also driving costs higher for just about everything.”<sup>20</sup>

The pressures of this level of economic boom would be intense in any housing market, but they are magnified many times over in the Bay Area because of the statewide housing crisis.<sup>21</sup> California’s housing and land-use paradigm has led to a massive housing shortage, especially for lower-income households that cannot afford to pay market prices. Protections for low-income and vulnerable renters are highly uneven across jurisdictions and sometimes absent altogether. And there is not yet a viable system for financing affordable homes at the needed speed and scale, even as the number of workers earning low wages continues to rise.

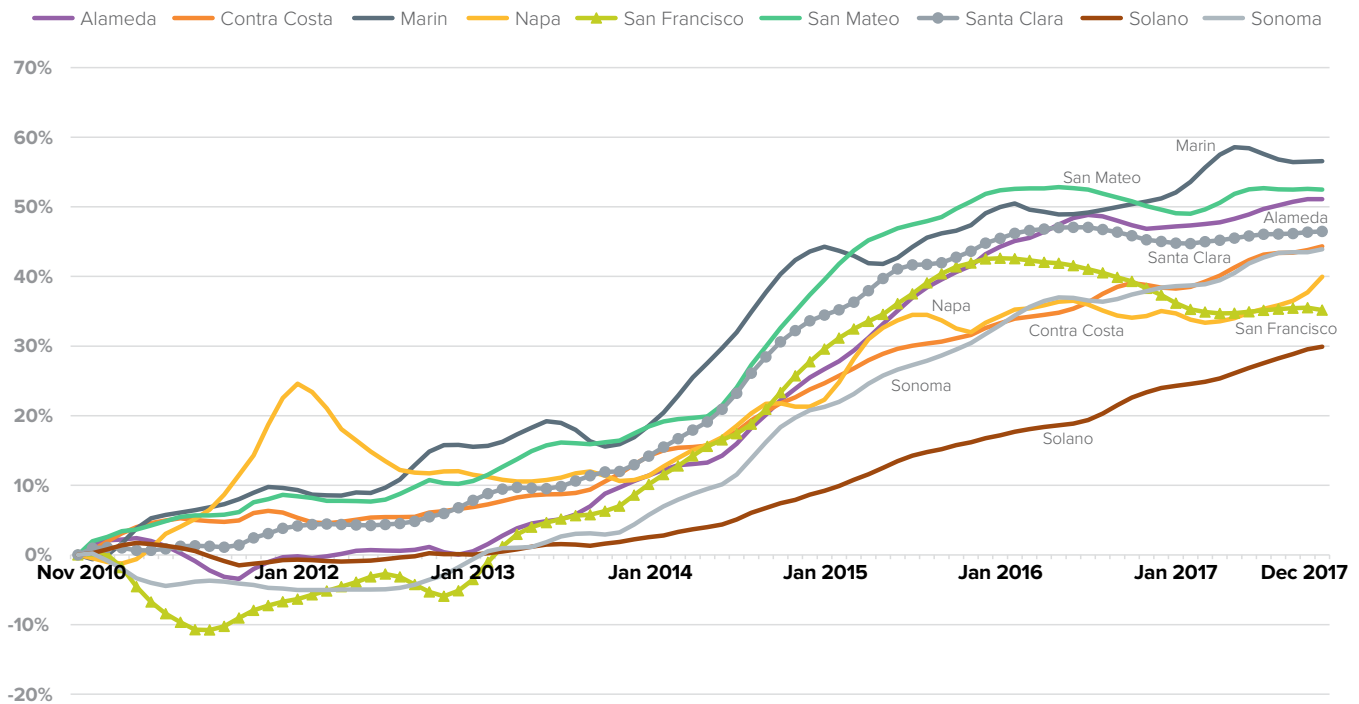
This system is growing more and more unsustainable, with steep consequences for all but especially for low-wage workers, low-income tenants, and communities of color, as the following analyses illustrate.

# Rents Are Draining Household Budgets

The Bay Area has never been a low-cost housing market, but over the past three years, rents have skyrocketed in all nine counties, as shown in the below chart. According to Zillow's latest data from February 2018, the San Jose metro area has the highest median rent among the largest 50 metros (\$3,512/month), followed closely by the San Francisco metro (\$3,412). That's more than \$650 higher than the next-highest cost region (Los Angeles) and about \$1,000 higher than New York City or Boston metros.<sup>22</sup>

## Since 2010, market rents shot up in all nine counties, ranging from a 57 percent increase in Marin County to a 30 percent increase in Solano County

Cumulative Growth in Median Market Rent (Zillow Rent Index)



**Source:** PolicyLink/PERE analysis of data from the Zillow Rent Index (ZRI) Time Series: Multifamily, SFR, Condo/Co-op.

**Note:** Values are not inflation adjusted.

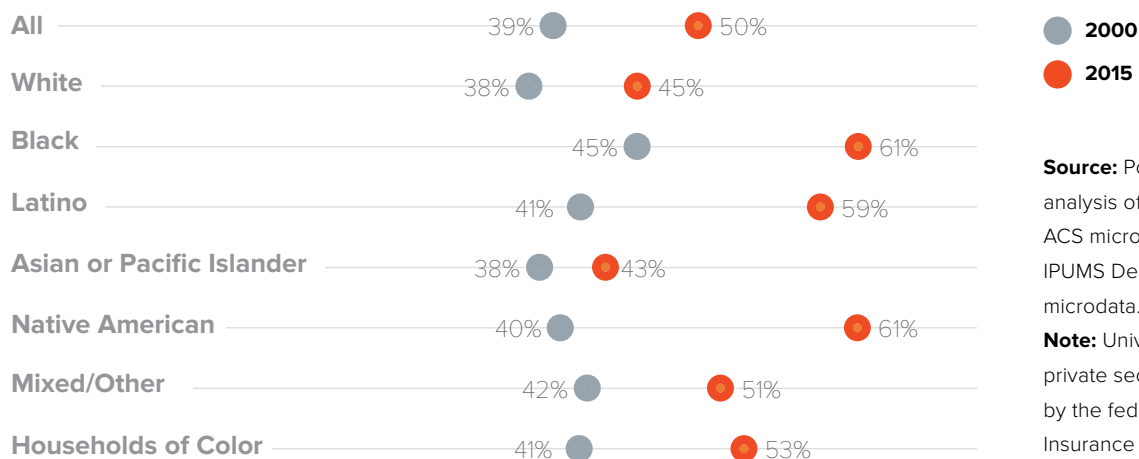
Top of page: Chuck Schug, Getty Images

Since wage growth has not kept up, especially for low-wage workers, this has created an affordability crisis. Typically, housing affordability is measured by the 30 percent standard used by the federal government: spending more than 30 percent of income on housing costs is considered unaffordable, and these households are “housing burdened.”<sup>23</sup> In the Bay Area, fully half of all renters are now rent burdened, up from 39 percent in 2000, and six of every 10 Black, Latino, and Native American households are rent burdened.

While rent burdens have increased across the board, they’ve increased much more for renters who are low-income, Black, Latino, or Native American, and this is widening racial inequities. Rent burden also has a gender dimension: women of color are the most likely to be burdened across all race and gender groups (58 percent), while men of color saw the largest increases since 2000 (from 36 percent to 49 percent).

## Rent burdens are highest and have increased the most for Black, Latino, and Native American renters

Share of Renter Households Paying More than 30 Percent of Income on Housing Costs by Race/Ethnicity, 2000 and 2015



**Source:** PolicyLink/PERE analysis of 2015 IPUMS 5-Year ACS microdata and 2000 IPUMS Decennial Census microdata.

**Note:** Universe includes all private sector jobs covered by the federal Unemployment Insurance (UI) program.

The high cost of rent in relation to tenant incomes is draining household budgets, sending more families into economic insecurity and further straining those that are already economically insecure. Six of every 10 residents who are economically insecure in the Bay Area are renters, and 75 percent of them pay too much for housing. This leaves them with little left over to spend on basic household needs like food, child care and transportation, or to invest in their future.

# How High Rents Limit Opportunity

Decades of research underscores how much your address matters to your economic success. What neighborhood you live in shapes your access to good schools, public transportation, parks and sidewalks, grocery stores, and other necessities. But as housing costs have skyrocketed, working-class residents and communities of color have been driven out of the urban core and pushed into neighborhoods at the outer edges of the region that

offer few services (despite growing poverty) and are far from job centers. Some residents have been displaced from the region altogether. Urban Habitat describes this phenomenon as the “resegregation of the Bay Area.”<sup>24</sup>



Antioch, two and a half hours away from downtown San Francisco, where many affordable houses are located. (Paul Fearn, Alamy Stock Photo)

A look at the median market rents across the region’s 1,500-plus neighborhoods reveals that it is nearly impossible for a low-wage worker to find an apartment to move into on their own.<sup>25</sup> Not a single neighborhood is affordable for a cashier, barista, or other minimum-wage worker. The most affordable neighborhood—located in Antioch two and a half hours away from downtown San Francisco via public transit—has a median market rent of about \$1,200. You need to earn \$47,400 annually, or \$22.80 per hour for full-time work, for that to be affordable according to the 30 percent standard.

For low-wage workers, pairing up is essential. Even then, a family of two minimum-wage workers earning \$62,400 per year can afford market rents in just 5 percent of Bay Area neighborhoods—and they are nearly all clustered in Contra Costa and Solano counties. No neighborhoods in Marin, Napa, San Francisco, San Mateo, or Santa Clara counties are affordable for these families, and only one neighborhood in Alameda County falls within that category.

With a typical salary of around \$70,000, a single teacher faces only slightly better prospects; 10 percent of neighborhoods have affordable rental housing for them, though again, Marin, San Francisco, San Mateo, and Santa Clara County remain out of reach. This is one of the key reasons why teacher turnover is so high in many school districts. San Francisco and other cities are desperately seeking to fund teacher housing.<sup>26</sup>

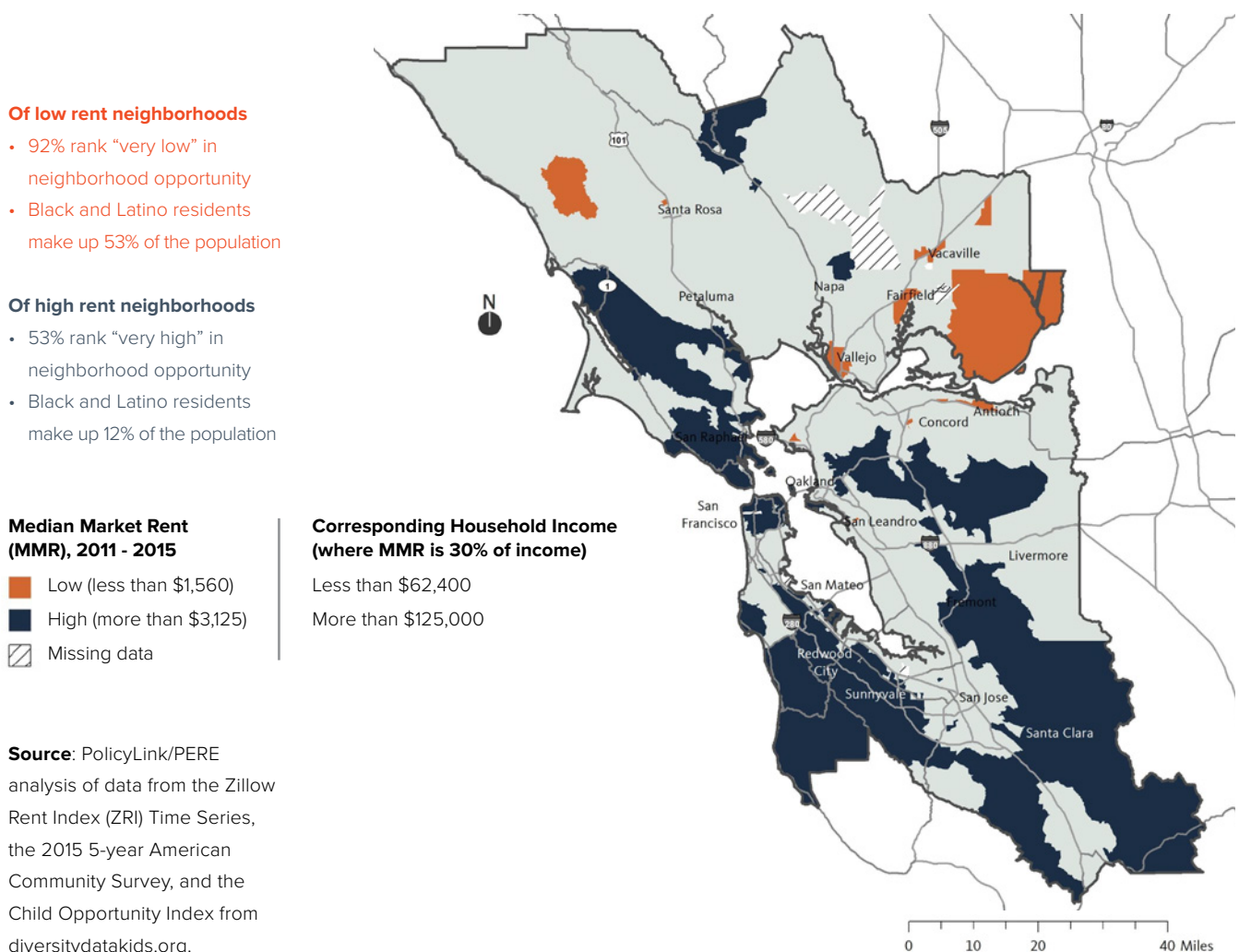
Top of page: Derek Neumann, Getty Images

Crossing the \$101,200 annual household income threshold (a family including a teacher and a retail salesperson earning \$31,200 annually, for example) gets you access to about half the region’s neighborhoods, located in every county save for San Francisco, where the least expensive neighborhood has a median market rent of \$2,530.

To truly have their pick of Bay Area neighborhoods, households need to make more than \$125,000 per year—a little above the average software engineer’s salary at tech companies like LinkedIn or Salesforce, or in occupations like software development, law, pharmacy, and general management. Only 17 percent of renter households bring in that much income.<sup>27</sup>

## Two minimum-wage workers can find affordable rent in just 5 percent of Bay Area neighborhoods

Median Market Rent by Census Tract, 2015



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**92 percent of neighborhoods affordable to a household of two minimum-wage earners have very low levels of opportunity.**

Beyond just being limited to a small number of neighborhoods in the region—with major impacts on commutes—low- and even middle-wage workers are confined to neighborhoods that have lower levels of opportunity.

Nearly all the neighborhoods affordable to low-income renters rank low on a comprehensive index of neighborhood opportunity developed by researchers at Brandeis University and Ohio State University’s Kirwan

Institute for the Study of Race and Ethnicity. The index factors in 19 different indicators of opportunity, such as the presence of high-quality preschools, grocery stores, and parks, and proximity to jobs.<sup>28</sup>

Today, 92 percent of neighborhoods affordable to a household earning less than \$62,400 (the equivalent of two full-time workers earning \$15/hour) have “very low opportunity” levels, along with 87 percent of neighborhoods affordable to families earning up to \$70,000. Sixty-two percent of Bay Area Black and Latino households earn \$70,000 or less per year.<sup>29</sup>

Hwy 80 East to Vallejo,  
Vacaville, and other cities.  
(jmoor17, Getty Images)





The opportunity outlook improves somewhat for households earning middle incomes of \$70,000 to \$101,200. But to have access to high-opportunity neighborhoods, a Bay Area family or household really needs to be above the \$101,200 threshold.

The challenges of finding affordable housing take a tremendous toll on working families—from the intense stress of trying to make ends meet to the loss of family time due to excessive commutes to the material and social costs of displacement and homelessness. And this uneven geography of opportunity exacerbates racial inequities, since Black and Latino residents, and other workers of color, disproportionately work in low-wage jobs and are confined to lower-cost, lower-opportunity neighborhoods.

Aerial view of Vacaville  
adjacent to I-80  
(aerialarchives, Alamy Photos)





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# When Renters Rise, Regions Thrive

Reducing the crushing costs of housing would strengthen families, communities, and the region. The Bay Area's three million renters—43 percent of all residents, and growing—represent an important constituency that is contributing more to the economic, social, and cultural vitality of the region than ever before.

Despite having lower incomes on average than homeowners, renters have tremendous collective spending power, contributing \$70 billion to the regional economy every year after paying their rent and utilities. They are a growing block of voters and are increasingly mobilizing to strengthen their rights and protections.

**If economically insecure Bay Area renters paid only what they could afford for housing, their spending power could grow by \$4.4 billion.**

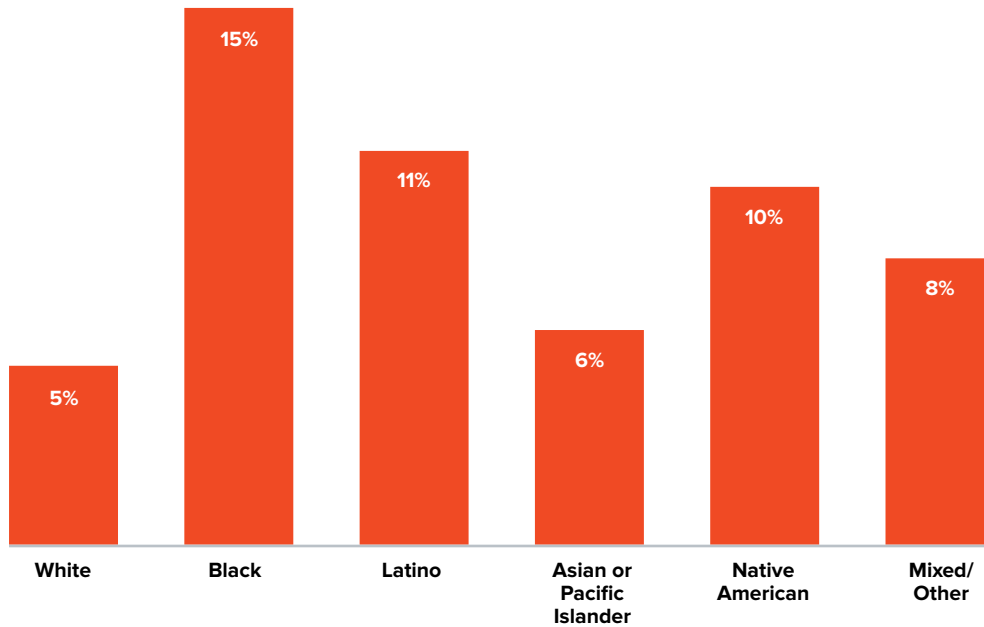
Renters could be contributing even more if it were not for skyrocketing rents and stagnant wages. When rent is too high, little is left over to pay for the basics or save for the future. To understand the weight of rent burden for Bay Area tenants, we calculated how much extra income they would have to spend on other household expenses if they paid only what they could afford for housing using the 30 percent standard.<sup>30</sup>

The potential gains are dramatic. On average, renters who are currently housing-burdened would have an extra \$8,500 per year if their rent was affordable. Economically insecure renters who are housing-burdened would recover even more: an average of \$9,000 each year. That additional income would translate into tangible benefits for households. For a family of three that is economically insecure, \$9,000 could cover more than an entire food budget, nearly the full cost of childcare, all transportation costs, or a year of tuition at a California state university.<sup>31</sup>

Top of page: Xavier Arnau,  
Getty Images

## If no renter households paid more than 30 percent of their income on rent, incomes would increase substantially, reducing racial inequities

Increase in Annual Disposable Income with No Rent Burden, 2015



**Source:** PolicyLink/PERE analysis of the 2015 5-year ACS microdata from the Integrated Public Use Microdata Series (IPUMS).  
**Note:** Data reflect a 2011 through 2015 average.

Ensuring rental affordability would reduce racial inequities and have a ripple effect throughout the region. If economically insecure Bay Area renters paid only what they could afford for housing, their spending power could grow by \$4.4 billion—more than San Jose’s annual budget.<sup>32</sup> And if we eliminated housing burden for all renters in the region, spending power could grow by \$4.9 billion. Because renters are far more likely to have low incomes than owners of rental properties, and low-income households are more likely to spend additional income at the margin, the whole region would get a substantial economic boost.<sup>33</sup>



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# Cascading Impacts

The crisis of housing unaffordability and economic insecurity that is hitting our most vulnerable neighbors the hardest is also “trickling up” and putting our entire region’s economic future at risk.

Forecasters have been warning that the housing crisis will eventually choke growth. In September and October 2017, job growth declined in the region, seeming to validate this prognosis.<sup>34</sup> Reflecting on the shift, Christopher Thornberg of Beacon Economics said:

“...the crisis has moved from simply eating up the disposable income of residents to now slowing overall employment growth in coastal economies driven by a lack of available workers, in turn driven by the housing shortage.”<sup>35</sup>

Employment growth picked up strongly again in November 2017 with the holiday hiring surge, so the trend is not yet clear, but the risk remains.

For businesses, the crisis affects the bottom line because of the cost of turnover and the struggle of finding employees who can afford to live near work. In the foodie mecca of the country—the birthplace of organic, local cuisine—the restaurant industry is facing a shortage of chefs, cooks, and waitstaff.<sup>36</sup>

The effects are spreading throughout the economy. Many Bay Area tech workers are now decamping to cities like Seattle where their paychecks go further. A recent analysis found that Seattle’s tech workers have about \$5,500 to spend after paying rent every month, compared with \$4,000 for Bay Area techies.<sup>37</sup>

Bay Area tech companies are also having trouble recruiting workers from lower-cost cities.<sup>38</sup> A tech worker from Chicago who was being recruited by Apple, for example, declined the job because of the high cost of living. The recruiter’s response: “We hear that a lot more often lately.”<sup>39</sup>

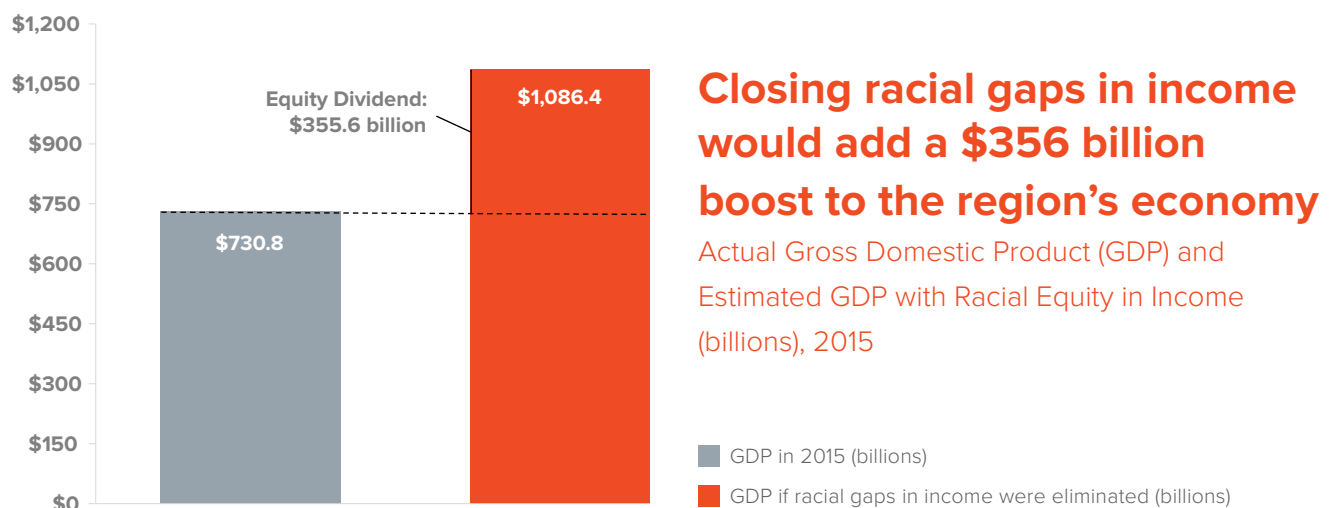
In the public sector, the crisis is straining city budgets. Residents who are financially insecure with unstable incomes or high housing costs often fall behind on rent or mortgage payments, rack up utility bills, or get evicted and become homeless—all of which has an impact on local governments. The Urban Institute found that in San Francisco alone, residents’ financial insecurity could cost the city up to \$54 million per year in homeless services, unpaid utilities, uncollected property taxes, and more.<sup>40</sup>

Top of page: Chuck Schug,  
Getty Images

Another steep cost of the Bay Area’s inequitable growth relates to transportation. Commute times are up throughout the region—leading to increased spending on fuel and lost time spent in traffic. The growing number of commuters in the region has led to a 17 percent increase in commute times over the past decade (an extra 35 hours per commuter per year), even as commuters drive fewer miles per person and are increasingly taking transit or biking to work.<sup>41</sup> The Texas A&M Transportation Institute found that traffic congestion cost the Bay Area economy a staggering \$3.1 billion in 2014.<sup>42</sup>

Beyond these direct costs to businesses and governments, the level of racial and economic inequality in the Bay Area hampers its prospects. Despite massive displacement of Black residents and other communities of color from the urban core, the region remains incredibly diverse. Communities of color will continue to drive population growth for the foreseeable future: six in 10 Bay Area residents are people of color and that share is expected to grow to 76 percent by 2050.<sup>43</sup> Yet structural racism, segregation, and persistent discrimination in the labor market continue to hold communities of color back. Our analysis in the *Equity Profile of the Nine-County Bay Area Region* using pooled data from 2010 to 2014 revealed that racial inequities in income cost the region about \$200 billion in lost economic output per year. Updating that analysis with more recent data, we find that the equity dividend has already risen to over \$350 billion in lost GDP.<sup>44</sup> If action is not taken to reduce racial disparities, these inequities will grow and weigh more heavily on the region as our demographics shift.

The latest economic research also suggests that inequality weakens economic growth and limits growth spells. Recent studies from the International Monetary Fund and others find that countries and regions with lower income inequality and less segregation experience stronger and more sustained growth and their residents experience more upward mobility.<sup>45</sup>



**Source:** PolicyLink/PERE analysis of the 2015 5-year ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and the Bureau of Economic Analysis. **Note:** Data reflect a 2011 through 2015 average.



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# Unraveling the Gordian Knot: Steps Forward

This collision of the innovation economy and the housing crisis in the Bay Area has placed our region at a critical juncture, and—as with past moments of rapid technological and economic change—our public institutions must establish a new policy framework that produces broadly shared prosperity.<sup>46</sup> Addressing the region’s housing crisis is critical to our economic future, and business leaders must engage in creating regional solutions as well as the new, equity-driven business models that will ultimately enable them to stay and thrive in the region. We recommend the following steps forward.

## **Housing Solutions: Protection, Inclusion, Preservation, and Production**

Shifting the region toward inclusive growth requires addressing the housing challenges that are straining household budgets and impeding business growth and success. This means advancing a housing agenda at the state and local levels that does four things: 1) protects lower-wealth residents from housing instability and displacement; 2) includes more people of all races and incomes in high-opportunity neighborhoods and communities; 3) preserves existing affordable homes for the long term; and 4) produces sufficient housing at all levels of affordability. The immediate challenges of eviction and displacement should be addressed with a “protection first” approach to stem the tide of displacement while efforts to preserve and construct housing are underway.

Action is needed at all levels: comprehensive policy approaches at the regional level, advocacy for state policy solutions, new affordable housing financing mechanisms, and local innovation. Every locality must step up—only 17 of the region’s 101 cities met their housing production goals in the 2007-2014 period.<sup>47</sup> All public land should be evaluated for housing opportunities. Cities should continue to reform antiquated zoning schemes that foster what Richard Florida calls a “winner-take-all urbanism” that benefits the few and excludes the many. And the region needs more risk-taking leaders like Oakland’s Black pastors who are committing their land and energy to

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creating affordable housing solutions, the mayor of South San Francisco who is advocating for housing in the new biotech park at Oyster Point, or the Santa Clara County residents, county supervisors, councilmembers, and other officials who raised \$40 million in public funds to purchase Buena Vista Mobile Home Park and prevent 400 evictions.<sup>48</sup>

## Renter and Community Power

As the Bay Area increasingly becomes a renter region, our policy frameworks must better support renters in accessing secure and quality housing, participating in economic and political life, and having a “right to the city”: the ability to shape, define, and create their neighborhoods and urban space. History shows the crucial role of organizing and advocacy in producing these outcomes. Strong tenant and community organizations provide a megaphone for residents who lack money and power to share their stories, concerns, and solutions, and work to advance the housing agenda above and beyond other policies to build community wealth. The Bay Area’s tenant and neighborhood organizations are already growing in number and strength, but this community infrastructure needs continued investment and support.

Tenants and advocates are already demanding bolder anti-displacement policies that match the extent of the crisis. Tenant protections are on the state policy agenda for 2018, with advocates working hard to put a measure on the ballot to repeal the state Costa-Hawkins law, which restricts local municipalities’ ability to protect their residents from exorbitant rent increases. A policy that is gaining traction nationwide as well as in San Francisco where it is on the June 2018 ballot is the right to counsel in the case of eviction.<sup>49</sup> Eviction rates drop from 90 percent to about 50 percent when a tenant has legal representation, and cost-benefit analyses show that paying for legal counsel in eviction cases more than pays for itself by preventing homelessness.<sup>50</sup> More Bay Area cities should consider providing legal assistance to tenants. Renter protections such as just cause eviction need to be expanded and enforced, and localities should make rental assistance available to meet financial gaps and prevent eviction. More land needs to be taken off the market and placed into nonprofit and community ownership, preserving affordability in perpetuity. San Francisco’s Small Sites program offers a great model for this, and New York City’s recent investments in a citywide, multipartner community land trust also offers policy inspiration. New policies and tools are also needed to ensure renters are not just able to stay in their homes but can build wealth.

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## Economic Security for All

In addition to alleviating the economic pains created by the housing crisis, the Bay Area cannot achieve inclusive prosperity without ensuring all residents have sufficient incomes to meet their needs, invest in their futures, and actively participate in building a sustainable and thriving Bay Area economy. Achieving economic security for all requires a holistic set of strategies that create pathways to economic security and mobility for low-wage service-sector workers, increase opportunity and participation among people who are currently locked out of the economy, and strengthen the safety net for those who cannot participate as workers.

**Solving the housing crisis is not optional: it is necessary to preserve the Bay Area's diversity, ensure greater opportunity for residents, and create an environment where businesses can innovate and thrive.**

Many seeds have already been planted. Regional leaders have laid out a comprehensive agenda to address the challenges of low-wage work, including a set of implementable strategies for growing the economy with a focus on middle-wage work, creating pathways for low-wage workers to access good jobs, and improving the quality of jobs for lower-wage workers.<sup>51</sup> Efforts are underway to eliminate barriers to economic participation and craft effective workforce strategies that reach the region's 92,000 "opportunity youth" ages 16 to 24 who are currently not working or in school, as well as people who are returning from prison. Social entrepreneurship—creating businesses that employ people with barriers to employment—is one model that has strong roots in the Bay Area and is well-poised to expand.<sup>52</sup> Improving transportation access to work (and reducing costs) is another critical solution that is gaining traction.

All of these efforts need further investment and collective action to translate into tangible gains for the region's 3.2 million economically insecure residents. More innovation is also in order. This year, the City of Stockton will be giving several dozen families \$500 per month to test the potential impacts of a universal basic income policy. The idea of a municipal job guarantee—providing a good job for all who want to work—is also gaining traction in policy circles. Other regional leaders should experiment with new, bold ideas to achieve economic security for all.

## Conclusion

Solving the housing crisis is not optional: it is necessary to preserve the Bay Area's diversity, ensure greater opportunity for residents, and create an environment where businesses can innovate and thrive. Now is the time for action. Momentum is growing, with new laws paving the way and new coalitions moving bolder solutions forward. It is time for all of us to put the regional spirit of innovation into building an inclusive economy—one that can deliver housing and economic security for all.





# Are you in?

**Please lend your participation and support to these ongoing collaborative regional efforts:**

## **6 Wins for Social Equity Network:**

The 6 Wins for Social Equity Network convenes social justice, faith, public health, and environmental organizations across the Bay Area around a regional policy agenda to ensure that the region's transit, housing, jobs, and sustainability policies work for low-income communities and communities of color with a focus on disrupting patterns of segregation, sprawl, and pollution that have created deep inequities.

## **Bay Area Youth Employment Partnership (BAYEP):**

The Bay Area Youth Employment Partnership is a cross-sector, regional initiative that collaborates with employers, community-based organizations, young adults, policymakers, and advocates across the Bay Area to build career pathways for boys and men of color who represent one of the fastest-growing populations in California yet face the highest unemployment rates.

## **CASA – The Committee to House the Bay Area:**

The Committee to House the Bay Area convenes a diverse set of leaders from across the Bay Area to identify the most effective strategies to address housing unaffordability, including increasing housing production at all levels of affordability, preserving existing affordable housing, and protecting vulnerable populations from housing instability and displacement.

## **Great Communities Collaborative:**

The Great Communities Collaborative is a multisector collaborative that engages in local and regional policy and planning efforts to create a socially equitable, economically prosperous, and environmentally sustainable Bay Area by building healthy, thriving neighborhoods that are affordable to all and linked to regional employment opportunities.

## **Regional Tenant Organizing Network:**

The Regional Tenant Organizing Network was founded to raise awareness about and challenge the displacement crisis in the Bay Area, drawing attention to the systemic effects of market-driven investments and rising housing costs that make it difficult for low-income communities to meaningfully contribute to equitable development.

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**Sarah Treuhaft** is a senior director at PolicyLink where she coordinates the organization's work on demographic change and the economy, and works with national and local partners to build a more equitable economy.

**Jessica Pizarek** is a program associate at PolicyLink where she plans, implements, and sustains cradle-to-career systems of supports for children and families.

**Ángel Ross** is a program associate at PolicyLink where they conduct research and collaborate with local and national partners to leverage data for building the case for equity and racial economic inclusion.

**Justin Scoggins** is the data manager at the University of Southern California's Program for Environmental and Regional Equity and the Center for the Study of Immigrant Integration where he organizes datasets and conducts quantitative analyses.



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