Over the past six months, San Francisco's housing prices and apartment rents have spawned coverage and editorials in Bloomberg, Wall Street Journal, New York Times, The Economist and the Atlantic. The consensus in the editorial pages has been that permitting and land use regulations keep supply from catching up to demand. Ed Glaeser, Professor of Economics at Harvard University, has spent years studying land use controls, and he recently wrote in the Times: "The best way to make cities more affordable is to reduce the barriers to building and unleash the cranes." <http://www.nytimes.com/roomfordebate/2013/10/16/housing-thats-not-a-luxury/ease-housing-regulation-to-increase-supply>

In October, Gabriel Metcalf of SPUR wrote in *The Atlantic* that building 5,000 units per year would stabilize rents. <http://www.theatlanticcities.com/housing/2013/10/san-francisco-exodus/7205/> San Francisco Mayor Ed Lee appears to agree. Announcing his affordable housing plan, Lee remarked, "We are all responsible - this is a crisis of our own making." He wants to see 30,000 housing units built over the next six years.

<http://www.sfgate.com/bayarea/article/Sneak-peek-Mayor-Ed-Lee-has-a-housing-solution-5151504.php>

This is certainly much faster than San Francisco has been building housing. Mouse over the bars and lines in the figure below to see how San Francisco has added and subtracted housing units.

SF.html

Mayor Lee's plan would mean adding housing at Seattle's rate. The chart below shows Seattle's construction over the past nine years. The average is about 4,400 units per year—about three times San Francisco's long-run average of (1,500 units per year). Moving forward, Seattle's planning department plans to facilitate about 5,000 units per year.

seattle.html

Of course, the issue isn't *only* that San Francisco lacks housing. After all, Detroit doesn't build many homes, but its housing costs have dropped swiftly. The issue is that San Francisco fails to allow enough housing *relative to its growing population and employment.* On the chart below, you can see that the city's job numbers have swung with the fate of the economy, but, over time, the rate of job growth (about 3,500 additional jobs per year) has outrun the rate of housing growth (about 1,500 additional housing units per year). Meanwhile, San Francisco has added only one new housing unit for each new resident.

Jobs.html

However, there are grounds to be skeptical that Mayor Lee's plan will make a dent in prices. Five thousand sounds like a large number, but it's little more than a 1.3% annual increase over the city's current housing stock of about 380,000 units. Ted Egan, San Francisco's chief economist, has estimated it would take roughly 100,000 new units of market-rate housing to see “a significant increase in affordability at large.” <http://www.sfexaminer.com/sanfrancisco/leveling-sf-housing-field-could-take-100000-new-units/Content?oid=2703869>

Moreover, San Francisco's track record on allowing housing is poor. Opponents of development already worry about “Manhattanization,” (<http://www.sfbg.com/2014/01/21/manhattanization-revisited>) but the city is only about one quarter as dense as Manhattan, half as dense as Brooklyn, and 80% as dense as Queens. When the Planning Commission moved to allow 8-story buildings (hardly the skyscrapers you see in Manhattan) around BART stops on Mission Street, the Board of Supervisors canceled the proposal after a public outcry. <http://www.sf-planning.org/index.aspx?page=2223>

As you can see in this zoning map <http://www.sf-planning.org/modules/showdocument.aspx?documentid=9016>, landowners in much of San Francisco are only allowed to build single-family homes on their property.

But most importantly, San Francisco is only one city in an interlocking, metropolitan housing market composed of other cities reluctant to allow more housing, which a second post will cover.

Sf housing

<http://www.sf-planning.org/ftp/files/publications_reports/2011_Housing_Inventory_Report.pdf>

seattle housing

<https://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/dpdd017579.pdf>

sf jobs

<http://research.stlouisfed.org/fred2/series/CASANF0LFN>