

S.F.'s dilemma: boom is pushing out those who make it desirable

By Richard Florida

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San Francisco's clusters of creative individuals and Mediterranean climate have helped make it the most innovative place on the planet. Will its success drive out those who made it what it is? Join the discussion at 6 p.m., Oct. 15, at the Commonwealth Club where San Francisco Chronicle Editorial Page Editor John Diaz will moderate. Look for our tweets for information on tickets #changingSF Photo: Michael Macor / The Chronicle

“Why do people pay so much to live in San Francisco?” a writer for [San Francisco Magazine](#) recently asked me. My answer: Because it’s worth it. San Francisco is one of the most innovative and creative places on the planet.

But the very forces that are making San Francisco boom are also dividing it. While techies and knowledge workers make enough extra in salary and income to afford it, the city’s working and middle classes fall further behind, accelerating a dual migration in which the affluent are pouring into the city while longtime residents and lower-paid workers are being pushed out.

San Francisco and the whole Bay Area benefit from the region’s mild climate, beautiful scenery and world-class restaurants. But that is not what drives its innovation and economic growth. The real key to that has been San Francisco’s ability to attract clusters of talented and creative people of all races, ethnicities, genders and sexual orientations. The great urbanist [Jane Jacobs](#) was the first to recognize the enormous power of urban clustering. The Nobel Prize-winning economist [Robert Lucas](#), however, nailed it when he wrote: “What can people be paying Manhattan or downtown Chicago rents for, if not for being near other people?”

Thanks to this clustering, San Francisco is one of the most productive places on the planet. “Combining quality of life and trade productivity,” the Chicago economist [David Albouy](#) wrote in 2009, “the most valuable metropolis is San Francisco: it not only has the highest productivity, but the fourth highest quality of life.”

San Franciscans make more money on average than most Americans do, even after paying for housing. Their average take-home pay after housing is \$3,342 per month, or about \$40,000 per year. And as high as San Francisco’s cost of living may be in an American context, it is a relative bargain on a global scale. The consulting firm Mercer ranks its cost of living 74th in the world, behind New York, Los Angeles and a few other cities in the United States, and far behind Tokyo, Singapore, Hong Kong, Shanghai or London.

The problem is that the very same mechanism that drives growth is also dividing the city. While the techies and knowledge workers and otherwise affluent make enough to afford housing, a huge and growing number of people who already live or want to live in San Francisco are getting priced out. San Francisco, of course, is not unique in this respect; it reflects the much broader shift in our knowledge-driven and ever-spikier global economy.

As with New York, London and other leading cities, San Francisco’s industrial jobs have fled, causing its labor market to cleave into higher-paid knowledge and creative work and lower-paid service work. If the “average” San Franciscan comes out ahead, most of the city’s service workers and blue-collar workers are falling behind. That’s because the city’s average wage is skewed upward by the high salaries its creative class (technology workers, designers, academics, lawyers, scientists and business managers) earn. Their

median wage is \$91,361, almost 30 percent above the national average for such professionals of \$70,890.

Though San Francisco's working-class and service workers also earn more than the national average for their classes, the premium isn't sufficient to make up for the higher cost of housing. The region's dwindling number of blue-collar workers, who account for just 16.5 percent of the workforce, earn \$46,540, half of what creative workers make.

Its much larger service class, which makes up 44 percent of the workforce, earns just 40 percent of what creative and knowledge workers average.

Techies, higher-paid professionals and wealthy immigrants are not going to stop coming to San Francisco. But as its housing prices climb, the artists, musicians and writers who also give the city so much of its character will. The dual migration will continue apace.

What should the city and region do? Two things. First, as SPUR's executive director, [Gabriel Metcalf](#), has powerfully argued, it needs to increase density and build a lot more housing. And second, it needs to invest in transit so that people can live more affordably farther out — and so that high-density, mixed-use communities will emerge and evolve around the transit hubs.

Though San Francisco is not yet the parasitic, gated city that London appears to be turning into, its very real economic advantages are bringing it to the brink of crisis.

San Francisco's diversity is the engine of its innovativeness — and it is that diversity that is under threat. As the ever-prescient Jane Jacobs once told me: "When a place becomes boring, even the rich people leave." But when a place like San Francisco becomes just for the rich, it risks losing the vital urban energy that powered its growth in the first place.

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