

Introduction

When Heather Baker walked into the Oakland warehouse known as the Ghost Ship in November 2016, it “looked like a gypsy dream.”¹ The artist live-work space was filled floor to ceiling with furniture and art projects. A large two-story open space was the setting for regular weekend concerts. A friend had just moved into the building and knew that Baker was looking for cheap housing. Since she was an artist he suggested she visit the Ghost Ship and check it out.

Baker had lived in Oakland’s Temescal neighborhood through the 1990s, paying \$725 for a large one-bedroom apartment with a garden. After attending Oakland’s Mills College she left the city in 2000, returning sixteen years later. Baker came back to a dramatically changed city. Rents had more than doubled for apartments that were not as nice near her former home. She discovered “legal live-work housing was way more expensive than apartments.” The Ghost Ship was cheaper because it was not legal to live there.

Despite the appeal of the low price, Baker decided not to move into the Ghost Ship. She instead accepted an offer to stay in a room in a legal live-work space while she looked for a permanent home. A month later, the Ghost Ship was engulfed in flames.

On December 2, 2016, at 11:20 p.m., when the Ghost Ship was packed with musicians and concertgoers, a fire broke out. Thirty-six people were killed, all but one visitors to the warehouse for the evening’s music. All of the residents were displaced. The friend who had suggested Baker consider moving into the space lost all his possessions in the blaze. Another friend jumped out of a second-story window and survived.

It seemed impossible that so many talented and creative young people could have their lives cut short by attending a concert in a building that

lacked legally required fire exits. In the search for answers as to how a warehouse could open its doors to residents and hold public events without the legal right to do either, one theme emerged: Oakland's young, upcoming creative class was living in unsafe buildings because their generation had been priced out of safe and affordable housing.

Media headlines on the tragedy spoke volumes: "Ghost Ship Tragedy Puts Focus on Plight of Oakland Artists Dealing with Soaring Bay Area Housing Costs"; "Rising Prices in Oakland Push Artists into Risky Housing"; "After a Tragedy, Reckoning with Oakland's Affordability Crisis"; "Housing Crisis, Not Ravers, Is Responsible for the Oakland Fire"; and "Take Note, California: Oakland Tragedy Shows the Cost of Too Little Housing Construction." Like New York City's Triangle Shirtwaist fire of 1911, which killed 146 workers and brought pressure for workplace protection for sweatshop workers, the Ghost Ship tragedy highlights the housing affordability crisis afflicting many of the nation's cities.

The message I took from the Ghost Ship is that cities must act far more urgently to stop the pricing out of working- and middle-class residents. This book offers a blueprint for making that happen.

The Ghost Ship tragedy occurred in Oakland, but urban housing unaffordability and rising inequality in cities is a national story. New York City's once working-class and then gay Chelsea district now has a skyline dominated by luxury condo towers. In some, each unit has its own swimming pool. Chelsea joined Williamsburg, the Lower East Side, Fort Greene, and other longtime working-class New York neighborhoods in pricing out the middle class. In Los Angeles, the working-class and ethnically diverse neighborhoods of Boyle Heights and Highland Park long resisted the city's trend toward housing unaffordability. But both neighborhoods are now battling to stave off gentrification. San Francisco's fabled North Beach and Haight-Ashbury neighborhoods long housed poets, musicians, and representatives of the city's counterculture; today, you need the salary of a bond trader or corporate attorney to afford a vacant one-bedroom apartment in either community.

The pricing out of the middle class used to be a story only heard in San Francisco, New York, and affluent sections of other cities. But times have changed. Seattle's housing prices are rising as fast as anywhere. Austin's boom times have left working- and middle-class Latino and African American families behind. Long-affordable Portland is a housing bargain no more. Those seeking housing in Los Angeles often must choose between living in a converted garage, renting a living room in a flat, or commuting an hour or

more to their job. Boulder, Colorado's housing prices rival San Francisco's. Denver has undergone a housing construction boom that has yet to reduce prices for the non-affluent. Berkeley and Cambridge are best known as college towns, but their housing prices are exorbitant. San Diego is no longer a coastal bastion of middle-class affordability. The unaffordability of desirable, high-employment cities now defines urban America. A generation of young people find themselves unable to live in cities that have long been open to all.

The pricing out process often intersects race and class. In Austin, Texas, the city's Latino families endure slum housing and are frequently displaced as their buildings are demolished and replaced with upscale housing. San Francisco's Mission District struggles to preserve the dominant Latino culture that put the neighborhood on the national map. The Black Panthers helped build Oakland's identity as the leading African American city on the West Coast; now the city's African American population is declining, priced out by soaring rents and home prices.

Something is very wrong with this picture.

When did it become acceptable for America's politically progressive and culturally diverse cities to price out the non-rich? And why are progressive cities—those that back minimum-wage hikes, LGBTQ rights, health care for all, and greater racial and gender equity—allowing and often promoting increased housing inequality? That the Ghost Ship tragedy occurred in Oakland, long an affordable refuge for those priced out of San Francisco, shows how desperate urban unaffordability has come. When urban America cannot offer affordable housing to artists in cities like Oakland, its future as a nucleus for our creative class is at risk.

I have been on the front lines of the housing crisis for forty years. From my office at San Francisco's Tenderloin Housing Clinic I regularly see longtime residents facing displacement. They despair over being forced to leave their home, neighborhood, and city if we cannot stop their eviction. Tenants should not have to live with such fear. Decades of misguided land-use policies have plunged urban America into a deep affordability crisis; cities must now embrace the right policies to find their way out. Cities have the ability to preserve and expand housing for low-income residents and the working and middle class; achieving that is a question of political will.

Addressing the urban affordability crisis has been hampered by policy conflicts. Many blame rising housing prices on cities' long failure to build enough homes. They see boosting the supply of housing units as the primary goal. Others see the affordability crisis as driven by the lack of strong tenant

and rental housing protections. They dispute the value of increasing supply because most new housing does not serve those with low incomes.

This often heated conflict between these perspectives creates the false impression that they are mutually exclusive. They are not. Cities can and must expand housing opportunities for the middle-class *and* strengthen tenant and rental housing protections. Cities can and must promote deeply affordable housing for low-income residents *and* change zoning laws to allow multi-unit buildings in single-family-home zoned neighborhoods. Cities must also join groups like the National Low-Income Housing Coalition (NLIHC) to demand more federal housing assistance for those unable to afford market rents. There is no “one size fits all” solution to stopping the pricing out of the working and middle class from the new urban America; to the contrary, this book offers multiple, comprehensive policies to achieve this goal.

This book argues that cities must address the housing needs of those of all income levels. Improving urban affordability also requires thinking differently about the housing crisis in four key ways.

First, there is a generational divide between millennials and boomers over the urban affordability crisis. Millennials are often the victims of inflated housing costs caused by city zoning laws—pushed by many boomers—that artificially restrict the housing supply. This leads many in the younger generation to support building a lot more housing of all types and in all neighborhoods. Many boomers, in contrast, have enjoyed soaring home values by preventing the construction of new housing in their communities. This millennial-boomer conflict is occurring across America’s high-housing-cost cities.

Second, urban gentrification is neither inevitable nor unstoppable, despite what some may claim. Political decisions caused gentrification to emerge, spread, and intensify. Cities put the interests of real estate speculators and existing homeowners ahead of the preservation of a vibrant working and middle class. Fortunately, as detailed in this book, support for a far more inclusive set of political and policy decisions has emerged across urban America. These can slow if not stop the pricing out of the urban working and middle class. Even hyperexpensive cities like New York and San Francisco can become more economically inclusive.

Third, neighborhood activism is the long-overlooked villain in cities pricing out the non-affluent. A movement that emerged in the 1970s to preserve working- and middle-class neighborhoods against the threats of urban renewal now too often works against that goal. Preserving a neighborhood’s status quo is not progressive when it denies housing to all but the rich. Neighborhood

activists worsen the housing crisis by stopping the new working- and middle-class housing opportunities essential for preserving economic diversity.

Fourth, the urban housing crisis must be seen in the larger environmental context. Rising urban population and job growth means people either live in the cities where they work or get priced out and often live a one- to two-hour driving commute away. Such commutes worsen climate change yet many who identify as environmentalists fail to see that opposing infill housing undermines green goals. Expanding urban housing for the working and middle class in cities advances social and economic justice and is the best strategy for combating climate change.

When it comes to preserving economic diversity, progressive cities have gone off track. Many of our bluest cities, the progressive bastions, price out the working and middle class. Most books blame their removal on “evil” developers, “bought-off” politicians, and real estate interests. But the pricing out process could not have happened in San Francisco, Berkeley, Los Angeles, Boulder, Cambridge, Seattle, Portland, Minneapolis, Austin, New York, and other blue cities without progressive support. No progressive city posts “Priced Out: Only the Affluent Allowed” signs in its neighborhoods. But that is where urban land-use policies have led.

I know from personal experience that new laws and policies can help protect the working and middle class. In 1992 I co-authored the first pro-tenant ballot measure to ever win in San Francisco. It slashed how much landlords could annually raise rents by more than half. This has saved the city’s tenants tens if not hundreds of millions of dollars. It may be the biggest transfer of wealth from landlords to tenants in urban history. In 1994, I authored a charter amendment passed by voters that overhauled city housing code enforcement. San Francisco’s enforcement of safe and healthy housing for tenants has become a national model.

At the state level I helped restore \$250 million annually for California’s renters’ tax credit and led the campaign to exempt single-room occupancy hotels (SROs) from the state’s Ellis Act, which preempts local just-cause eviction laws. In March 1999 I co-authored a widely covered report, “There’s No Place Like Home: How America’s Housing Crisis Threatens Our Children,” that urged increased federal funding for affordable housing. I later joined Sister Bernie Galvin in coordinating the “Religious Leaders’ National Call for Action on Housing,” an open letter to President Bill Clinton calling for increased federal housing aid. The *New York Times* described the over 300 signers from 48 states as “an unusually broad group of religious leaders.” The

Clinton Administration credited the “National Call” with securing 60,000 additional Section 8 vouchers from Congress.²

In 1980 I co-founded San Francisco’s Tenderloin Housing Clinic (THC), where I have been executive director since 1982. THC leases and manages more than twenty SROs and is San Francisco’s leading provider of permanent housing for homeless single adults. THC’s attorneys have provided comprehensive legal assistance to tenants for four decades and represent the vast majority of San Francisco tenants facing no-fault evictions. THC also directly enforces laws protecting SROs from conversion to nonresidential uses; protecting SROs is a critical city strategy for promoting economic and racial diversity.

When I arrived in the Tenderloin in 1980 it was assumed that the gentrification of this low-income community located between Union Square and Civic Center would soon occur. But thanks to proactive strategies available to many other neighborhoods across urban America, the Tenderloin remains primarily working class and low income to this day. Its resistance is a lesson for activists in other cities who are told that battling the pricing out of the working and middle class is futile.

The Ghost Ship tragedy was a wake-up call. The working, creative, and middle classes provide the cultural richness and civic engagement that underlie successful cities. Pricing out these groups displaces the parents who run and join PTAs, coach youth soccer and softball, and volunteer at neighborhood events. The working and middle class made our big cities great. Urban America still needs them.

Starting with Teresa Dulalas’s remarkable fourteen-year fight to stay in her family’s South of Market home, chapter 1 tells the stories of seniors, people with AIDS, and working families battling displacement from their San Francisco homes and neighborhoods. Tenants resisting eviction have long been a critical dimension of San Francisco’s housing crisis. These struggles show that the city’s working- and middle-class tenants are fighting to stay in the increasingly expensive city; their successes are inspiring others.

Chapter 2 discusses Los Angeles’s post-2009 transformation into a high-housing-cost city. The rapid spread of the city’s affordability crisis has put at risk even the longtime working-class neighborhoods of Boyle Heights and Highland Park, both of which had remained affordable for decades. In Boyle Heights, speculators sought to displace mariachis, the musicians who culturally define Boyle Heights and its central hub, Mariachi Plaza. Controversial

tactics employed by Boyle Heights' anti-gentrification activists have played a key role in resisting tenant displacement. Highland Park shows how quickly longtime working-class neighborhood, can be gentrified in the absence of proactive strategies to protect its affordability. Highland Park, Boyle Heights and other former working-class Los Angeles neighborhoods were particularly vulnerable to upscale transformation due to the city's prolonged failure to build much affordable housing.

Los Angeles's housing crisis has primarily profited two groups: homeowners and landlords. Homeowner opposition to new apartment buildings is so widespread that it even occurs in progressive neighborhoods like Venice. Meanwhile, politically powerful landlords have prevented the enactment of stronger tenant protection and rental housing preservation laws. I describe in this chapter how a broad pro-housing movement with support from Mayor Eric Garcetti is charting a far more inclusive course for the city. New strategies are expanding working- and middle-class housing opportunities, a sharp contrast from the days when these groups were continually priced out. Los Angeles still has the nation's worst homeless problem and rising unaffordability, but it is moving in the right direction.

Chapter 3 examines fast-growing Austin, Texas. "Keep Austin Weird" is its mantra, but beneath its progressive image lurks a disregard for tenants' rights that worsens racial and economic inequality. I tell the stories of tenants victimized by Austin's failure to ensure safe and healthy housing, and I describe how displacement and demolitions have reduced its racial diversity. As in Los Angeles, Austin's powerful homeowner groups have long used single-family-home zoning restrictions to bar tenants from their neighborhoods. This excludes the working and middle class and many families of color from the city's high-opportunity communities.

As Austin's thriving economy has increased its racial and economic segregation, a large and diverse coalition has begun pushing Austin to become more inclusive. Along with rising young politicians like councilmember Greg Casar, this coalition is promoting housing policies far more consistent with Austin's progressive reputation. An opportunity to implement more inclusive housing policies emerged in recent years, when Austin undertook a once-in-a-generation rewriting of its land-use policies (a process known as CodeNext). The battle over CodeNext has become the defining issue in Austin's November 2018 mayor's race, as the city decides whether a new generation of working- and middle-class residents gets to live in Austin, or whether the city becomes a future home primarily for the rich.

In chapter 4 I describe how Seattle and Denver have built a lot of new housing in an effort to expand affordability. While the cities cannot simply build their way out of the housing crisis, expanding housing supply is essential amid rising population and job growth. Housing prices in both cities have risen sharply in the past decade but they are far below what they would have been absent the increased supply. Seattle for Everyone, a diverse coalition of labor, environmentalists, and private and nonprofit developers, has helped implement a citywide housing plan—the Housing Affordability and Livability Agenda (HALA)—that increases affordable housing by upzoning neighborhoods to add height and density. HALA should be a national model for other cities. Denver’s housing construction boom has primarily reduced rents in downtown projects targeting high-income renters. Denver has a golden opportunity to expand housing opportunities for the working and middle class by using publicly owned land near transit stations to dramatically increase affordable housing.

Chapter 5 explains why San Francisco went from the late 1970s through 2012 without building much housing. I tell the story of Irish builders who have spent decades battling long approval processes, neighborhood opposition, and years of rezoning meetings in order to build. The city’s failure to build anywhere close to enough housing necessary to match population and jobs growth has greatly contributed to its acute housing shortage and unaffordability.

After Mayor Ed Lee took office in 2011, however, San Francisco’s approach dramatically changed. Lee pushed the city to build 5,000 units annually, more than double the average built in the thirty previous years. Lee’s pro-housing agenda changed the city’s culture around building housing. In the face of rising unaffordability, San Francisco implemented the nation’s most comprehensive program for protecting tenants and preserving and expanding housing for the working and middle class. It will take years for San Francisco to make up for over three decades of housing policy that priced out the working and middle class, but the city is moving in the right direction.

Chapter 6 highlights the generational conflict between millennials and boomers over housing. Millennials (those born between 1981 and 1996) are the generation most impacted by today’s high rents and home prices. Many support building housing, increasing density, and opening up single-family-home-zoned neighborhoods to more affordable two- to four-unit buildings. Boomers (born in 1946 to 1964) typically bought homes or secured rent-controlled housing when cities were far more affordable. Their home values have jumped due to the lack of housing supply. Many oppose the new housing and less restrictive

neighborhood zoning that millennials see as essential for a new generation of the non-rich to live in our cities. Members of Generation X (those born in the years from 1965 to 1976) typically have housing views shaped by whether they came of age before housing prices became unaffordable in their city.³

Chapter 6 goes on to describe how pro-housing millennials and their allies in Austin, Boulder, Cambridge, the East Bay, Portland, San Diego, San Francisco, and Seattle are shifting urban politics to promote rather than oppose new housing. It also describes how instead of sympathizing with millennials forced to pay skyrocketing rents (often on top of paying off huge student loans), many boomers blame young workers, particularly those in tech, for causing the housing crisis. While such boomers mock millennials for allegedly squandering money on hipster luxuries like avocado toast, their real goal is to derail a rising political movement that supports building urban housing for all income levels.

Chapter 7 addresses a chief cause of the pricing out of the working and middle class from urban America: neighborhood groups preventing the construction of new multi-unit housing. The neighborhood preservation movement emerged in Berkeley in 1973 as a progressive response to threats to middle-class neighborhoods from urban redevelopment. But today's neighborhood associations work to exclude the non-rich from these communities. Preserving neighborhood "character" now keeps tenants and racial minorities out.

I describe how affluent neighborhood groups have fought affordable senior housing in New York City's upscale Nolita neighborhood and in San Francisco's affluent Forest Hill. I also detail how Berkeley twice went to court to stop a small three-unit project on a site zoned for four units. I show how Minneapolis homeowners went all out to stop new market-rate rental housing—in an 80 percent renter neighborhood.

Boomer homeowners who oppose new housing in their neighborhoods get more than increased property values by limiting supply: they are the chief recipients of federal housing assistance, via the mortgage interest deduction. In California, boomer homeowners also disproportionately benefit from having their property taxes restricted by Proposition 13, which passed in 1978. Prop. 13 severely limits property taxes on longtime owners while shifting the state's tax burden to the millennial buyers of new homes. New buyers pay two to three times the property taxes, and often more, than is levied on the longtime owners of the house next door, which is of equal market value.

Chapter 8 highlights how the pricing out of the urban working and middle class also reduces racial diversity. New York City's Crown Heights is a

historically African American neighborhood at risk of gentrification. A block-sized city-owned parcel at the Bedford Union Armory gave Mayor Bill de Blasio a perfect opportunity to build hundreds of new affordable housing units, but de Blasio instead supported building luxury condominiums on the site. I describe the powerful battle waged by longtime residents of Crown Heights and community groups to “Kill the Deal.” The Crown Heights struggle shows how even politically progressive cities like New York often take actions that further, rather than slow, the pricing out of working people.

On the other coast, Oakland’s challenge is to maintain its historically African American population amid steadily rising rents. Oakland’s racial and ethnic diversity draws young people, many of whom are part of the generation priced out of San Francisco. But this influx has increased housing demand and rents, leaving Oakland less affordable to African American working- and middle-class residents. Oakland has adopted a “Roadmap to Equity” to promote diversity; this chapter assesses its progress and prospects for future success.

I end chapter 8 by discussing San Francisco’s Mission District. The neighborhood, seen as ground zero for gentrification, has struggled to maintain its Latino population. Mission activists have used controversial but effective tactics to preserve the neighborhood’s dominant Latino culture in the face of tech booms and rising citywide affluence. Grassroots activism is protecting the Mission’s diversity.

The conclusion provides ten proven strategies cities should adopt to expand economic and racial diversity. These strategies, drawn from the cities discussed in the book, show that expanding housing for low-income, working-, and middle-class residents is a winnable fight. A new generation is building momentum across America’s high-housing-cost cities for more inclusive housing. Many in this generation grew up in big cities. The working and middle class built these cities; their contributions are the bedrock of urban life. Housing policies promoting their exclusion created our affordability mess, and implementing inclusive policies will get us out of that mess.

There should not be a new generation of working people priced out of living in many of the country’s most desirable cities. People increasingly agree. That’s why enthusiasm for expanding housing opportunities is growing. It is my hope that this book contributes to this momentum by promoting policies that support working- and middle-class people who want to live in the new urban America.