



**Class conflict**  
Protesters who blame  
tech wealth for San  
Francisco's soaring  
housing costs blockade  
a private shuttle filled  
with Google employees

Photograph by Jake Stangel for TIME



more working power are flooding in. The city's population is growing faster than anywhere else in the country, and the percentage of the population that is under 18 is rising. But the city's economy is still struggling. The unemployment rate is 12.5 percent, and the city's budget is in a state of emergency. The city's housing market is also in a state of emergency. The city's housing market is in a state of emergency. The city's housing market is in a state of emergency.

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## DISRUPTED

THE TECH WEALTH TRANSFORMING SAN FRANCISCO HAS UNEMPLOYMENT DOWN, EVICTIONS UP AND TENSIONS FLARING

BY KATY STEINMETZ

**O**UTSIDE A TONY OSTERIA IN THE MISSION District, the oldest settled part of San Francisco, a 29-year-old muralist with the word HOPELESS tattooed across his knuckles holds a sign: MISERABLE, HUNGRY, HOMELESS AND COMPLETELY WITHOUT ANY SHRED OF HOPE. Ronin Tomoshima has been living on the streets for six months and standing on this spot for two hours, panhandling outside a restaurant where a \$29 octopus sandwich sold out by 8 p.m.—and was quickly replaced by a \$27 swordfish plate. “A bunch of rich people moved into my neighborhood,” he says. “I’m not going to let them run me out because they have more money than me.”

Class tensions have settled over life in San Francisco like a dreary fog. Teachers, cooks and musicians are packing their bags as high-rises with two-bedroom apartments renting for \$6,000 per month open their doors. Residents who have only a high school education are filing out of the city, while college graduates with

more earning power are flooding in. African Americans now make up 6% of the population, half of the percentage in 1980. Longtime residents are worried that San Francisco is becoming a homogeneous haven for the rich, a concern facing other major metros across the U.S. "The question for cities like San Francisco and Seattle and Boston is, Can you continue to be a place that is accessible to people across parts of the income distribution?" says Alan Berube, a senior fellow at the Brookings Institution Metropolitan Policy Program. "The pressures of inequality are the here and now for cities."

The friction is particularly acute in San Francisco, where the median household income of \$73,000 is almost 50% higher than the U.S. average. A combination of exploding wealth and limited space has led to an affordability crisis. Much of the angst among the have-nots is directed toward the region's booming tech sector, which is attracting well-paid workers who once settled around San Jose and now regard the City by the Bay as the only place to be. SAN FRANCISCO IS CHOOSING THE NEW TECH CLASS OVER LONG-TERM RESIDENTS, one protest flyer reads. SF FOR THE PEOPLE, NOT FOR GOOGLE! reads another. City leaders, meanwhile, are trying to make peace among the deep-rooted residents who made the neighborhoods what they are and the tech companies that are making the economy hum.

**High Tech, High Rent**

THE SIGNS OF CHANGE ARE EVERYWHERE ON Market Street, the grand but blighted artery running through the heart of the city. Graffiti and shuttered storefronts are followed by cafés offering \$65 beers aged in Chianti barrels. Billboards promising quick check cashing give way to sleek ads for luxury apartments where residents can summon a valet via touchscreen to fetch their cars. Construction cranes swing through the sky above yet-to-be-built high-rises, as homeless people push their carts on the sidewalks below. Where the thoroughfare hits 10th Street, there flies a familiar blue bird. Twitter relocated to the Mid-Market area in 2012 after receiving a controversial tax break. So this gentrifying neighborhood is where the company was based during its IPO last November, when an estimated 1,600 people, many of them Bay Area residents, became instant millionaires. Since Twitter moved in, its local staff has nearly doubled to 1,500.

The 1,800-odd tech companies in San Francisco are doing wonders for the local economy, generating capital and funneling revenue into city coffers through their giant conferences, property taxes and hotel bills. And high-paid, high-skilled tech jobs are creating other jobs. Enrico Moretti, an economist at the University of California, Berkeley, analyzed about 10 million workers in 220 metro areas and estimated

**A CHANGING CITY**

LIMITED REAL ESTATE AND AN INFLUX OF WEALTH HAVE SENT PRICES SOARING IN WATERLOCKED SAN FRANCISCO

**HIGH INCOME**

The 2012 median household income far exceeded that of other big cities



**RISING RENT**

The median monthly rent has increased 27% in the past three years



**EVICION ZONE**

The Mission area leads the city in no-fault evictions



that every tech job ultimately supports five additional ones. Construction workers on Market, many hammering away on projects that broke ground after Twitter moved in, often eat at Sam's Diner. Two years ago, owner Jeannie Kim says, the restaurant could have gotten by with one server on the floor. Now it has four. On the cycle goes. Today the city's unemployment rate is 4.8%, about half what it was two years ago.

But this success has come at a cost. The place columnist Herb Caen called an "enchanted, troubled, gallant little city" has limitations that most other big cities don't. Its 49 sq. mi. (127 sq km) would fit inside New York City six times. And the local government has long indulged development-averse residents, fighting tall, dense buildings while preserving rows of quaint Victorian houses. "That's where San Francisco as a city has failed," says Moretti. "By constraining the amount of new housing, San Francisco has essentially pushed up the price of housing."

For example, the entire West Bay region added 26,700 jobs from December 2012 to December 2013. Yet only 6,000 new housing units are currently under construction in San Francisco. Consequently, housing costs have gone through the roof. The median rent for an apartment is now \$3,475, according to Zillow, and home values have gone up more than 16% in the past year. The average listing price for a house in Pacific Heights, where Oracle billionaire Larry Ellison and Apple design guru Jonathan Ive make their beds, topped \$12.5 million in early January, according to Trulia. In other parts of town, the less fortunate are flouting building codes and making homes wherever they can. "Look to see what San Franciscans are now renting," says local developer Patrick Kennedy, "laundry rooms, broom closets."

In up-and-coming neighborhoods like the Mission, where the taquerias and bodegas of the working-class Latino population are now neighbors to artisanal ice cream shops and boutique chocolatiers, some residents paying below-market rents are being pushed out fast. Citywide, no-fault evictions are up 123% from last year, as landlords and developers use legal loopholes to evict tenants and skirt the city's strong rent-control laws.

The prices for other goods are rising too, as businesses shift and cater to a class for whom money is less of an object. People stand in line for individually hand-poured drip coffee that costs \$3 per 10-oz. (295 ml) cup. Residents can use their smartphones to summon cars organized by Lyft, Sidecar or Uber; at peak times, the latter may charge a \$40 minimum fare no matter the distance. A restaurant selling \$4 toast recently ignited a debate about the local cost of living that inspired *San Francisco* magazine to riff on Dr. Seuss: "Is tony tech toast really at fault?/ For this should we force economics to halt?/ Of

course what we need is a city affordable/ But are luxury goods and their buyers deplorable?"

The tension between those moving in and those getting pushed out is fueled every morning as comfy private shuttles pull up to city bus stops. Known as Google buses, the often double-decker, wi-fi-equipped coaches ferry employees of Google, Facebook, LinkedIn and other tech firms from their homes in the city south to the duller corporate campuses in Silicon Valley. The luxe vehicles have become the defining symbol of the city's stratification—and the prime target for those angry about it. Their ire is directed at riders bound for jobs whose median salary might be \$100,000 and the median employee age 29 and at real estate brokers who are using proximity to the shuttle stops to charge more for nearby apartments. "When you see people who are making a lot of money and other people who are really making a lot of money, that rubs some people the wrong way," says city supervisor Scott Wiener. The city plans to start regulating the shuttles and charge them \$1 per stop, but the plan has only fanned the flames among residents who pay \$2 per person to ride city buses.

On the day in late January that a city committee approved the bus-stop charge, dozens of protesters followed a brass band down Market Street holding signs with messages like **IF I DOESN'T STOP DISPLACEMENT**. The parade came to a halt at an intersection and surrounded two buses, one bound for Facebook, one for Google. "This was a great place to live, but not anymore," an activist named Erin McElroy said through a megaphone. "If you're living in rent-controlled housing, you're probably going to get evicted so somebody making way more money than we'll ever make can move in." Bus passengers filmed the scene with their smartphones, as other employees frantically motioned for the driver to let them on. While some protesters made their case in reasonable tones, others unfurled a giant banner with a less nuanced sentiment: **F-CK OFF, GOOGLE**.

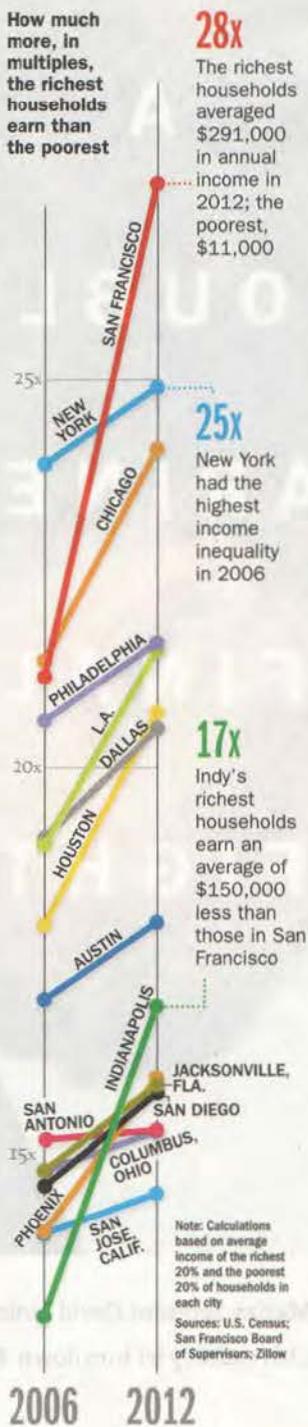
Talk to anyone about the buses long enough, and the conversation has a way of getting around to a more fundamental question: What gives a person the right to live in a place? "There's been this debate of people with more wealth saying, 'Well, if you don't have enough money, then you need to move to a cheaper city,'" says Leslie Dreyer, a graphic designer who helped organize a bus protest. "That's not taking into account their roots, their community, their needs or anything else."

The view looks different from inside the shuttle. Prominent venture capitalist Tom Perkins publicly compared San Francisco's "rising tide of hatred of the successful" to the Nazis' hatred of the Jews. (He later apologized for his choice of words.) At a focus group for a new startup held in the city's SoMa district, one young entrepreneur made the less incendiary argument that protesters are

## A NATIONAL TREND

SINCE 2006 THE INCOME GAP BETWEEN RICH AND POOR HAS GROWN IN THE 15 LARGEST U.S. CITIES

How much more, in multiples, the richest households earn than the poorest



exhibiting an "undiagnosed" sense of entitlement when they presume to control who gets to live in a neighborhood. "I hate seeing a change where the character of a neighborhood gets a shock," says Mayor Ed Lee. "So what do you do about it? Part of it, you can't do a whole lot because we have freedom. We can't control everything."

## Blinded by the Boom

**THE GAP BETWEEN RICH AND POOR HAS GROWN in the U.S. since the early 1970s. From 2009 to 2012, the top 1% of incomes rose by more than 30%, while the rest grew less than half a percent.**

The issue is especially painful in San Francisco, a town named for a saint who stripped off his garments and embraced a life of poverty. As America's countercultural hub, it welcomed the bearded beatniks and Summer of Love hippies more than a generation ago. Locals have long been proud of liberal policies that forget no one and tolerate nearly everyone (except people who put recyclables in the wrong bins). But the makeup of the city is changing, and its housing spiral is becoming a national cautionary tale; a Washington mayoral candidate recently raised the specter of becoming "like San Francisco," where the middle class is an endangered species.

One obvious solution to the crisis is to build more housing. Lee has fast-tracked projects for lower-income residents, while city officials are trying to strengthen anti-eviction laws to keep current tenants in place. The mayor also supports raising the minimum wage from \$10.74 per hour to possibly \$15. And he is encouraging the tech industry, which helped elect him, to contribute more to civic causes.

Solutions to the city's identity crisis are trickier because they depend on whom you ask. Is San Francisco still a place for a poor muralist who renamed himself Ronin, who spends his days scrubbing graffiti off public art and who says the new arrivals "are pretty much exclusively at fault" for his homelessness? Or is it for the striving engineers and entrepreneurs who have jump-started the economy—and who sometimes make off-hand comments about people who earn \$200,000 as being poor? Many residents want the city to be, as Lee says, a place for "the 100%," but that's a tall order even when there isn't a gold rush.

Lee admits city officials were blinded by the boom. "I don't think we paid any attention to the middle class," he says. "I think everybody assumed the middle class was moving out." Of course, not everyone is willing or able to take refuge elsewhere. Kurt Hillbrand, 26, was born and raised in Bayview, one of the city's poorer neighborhoods. He never left and now drives a cab, chauffeuring passengers from the financial district's skyscrapers to startups in SoMa. "There are lots of jobs for everybody here, but there are lots of jobs that don't make much money," he says. "I like technology. I just can't afford it."