Facebook And Google caused the Bay Area's housing shortage while pretending to be social saviors

JEFF DURHAM/BAY AREA NEWS GROUP

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EVERYONE HAS A THEORY about who's to blame for the housing shortage that's driving up prices and chasing Bay Area families out of the region.

A new poll offers surprising insights into where most of us point the finger: not at the government officials who control what homes are built where, but at the tech companies that have flooded this region with jobs and the real estate developers trying to maximize profits.

Experts say finding someone to blame is not that simple. The real answer, they say, lies entangled in a complicated web

48%

of those polled say tech companies are a major reason for the Bay Area's housing shortage, and in the same poll…

57%

say that developers are a major reason

that implicates everyone involved, from businesses to local elected officials to your next door neighbor. And the stakes are high for policy makers trying to untangle that web as the housing crisis intensifies. To solve the problem, it's crucial to understand the factors that turned the Bay Area's real estate market into one of the country's most dysfunctional.

"There isn't one single sector to blame for the housing crisis," said Pilar Lorenzana, deputy director of pro-affordable housing organization SV@Home, "and consequently there isn't one single sector that's responsible for fixing it."

In a five-county poll conducted for the Silicon Valley Leadership Group and this news organization, 48 percent of those surveyed pointed to tech companies as a major contributor to the region's housing shortage. Only developers ranked higher, with 57 percent of residents saying they were a major factor.

"Before 'Silicon Valley' got here, it was more affordable," said 46-year-old microbiologist Megan Moore, who has lived in La Honda her whole life. "It's great that there are so many jobs available… but the lack of housing kind of unbalances it all."

But some experts say city and state officials have far more control over the region's supply of homes.

"People are not focused on the source of the problem when it comes to our housing shortage — if they're blaming tech companies and developers, then they're not showing up at our city council meetings," said Ethan Elkind, director of UC Berkeley law school's climate program and an expert in land use and infrastructure policy. "That's where their attention should be focused."

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Construction for mixed-use residential and business project in Fremont.

Just 38 percent of survey respondents said local governments opposing new construction played a major role in the problem, while 28 percent pointed to the state government adding burdensome taxes and regulations to residential projects, and 19 percent blamed environmental groups attempting to block development.

It's city officials who permit and approve, or reject and delay, new housing projects — and new housing is what the Bay Area needs to pull itself out of this crisis, most observers agree. Santa Clara and San Mateo counties together added about 47,000 jobs in 2017, while permitting just 12,000 new residential units, according to the Silicon Valley Index, an annual report released by Joint Venture Silicon Valley's Institute for Regional Studies.

But while tech leaders might disagree, it's hard to argue that their industry — which accounted for 29 percent of new jobs from the second quarter of 2016 to the second quarter of 2017, according to the Silicon Valley Index — hasn't also played a major role in the housing crisis.

Part of the problem, said 58-year-old Mark Himelstein, is that the tech industry for years grew unchecked in Silicon Valley.

"We didn't have balance," said Himelstein, a management consultant who owns a home in unincorporated San Mateo County and responded to the housing poll. "There was no relationship between the tech companies' hiring practices and hiring goals and funding lower-income housing opportunities."

Himelstein would like to see companies work more closely with local cities and counties to fix the problem. For starters, he said, large companies should release data on their hiring plans — including how many people they are hiring, and their pay ranges — and then work with officials to plan housing for the new employees.

Even the techies themselves are quick to blame their employers for the housing shortage: Of the tech workers polled, 47 percent said technology companies are a major reason for the shortage, compared to 49 percent of nontech workers.

More tech companies are stepping up as they realize the problem is impacting their bottom line, Lorenzana said.

COURTESY OF CITY OF MENLO PARK

In February, Facebook proposed to construct Willow Village near its headquarters in Menlo Park. At least 1,500 housing units (in pink) are planned.

With the prohibitive cost of housing making it harder to recruit and retain workers, companies including Google, Facebook, LinkedIn and Cisco are contributing money and clout to building more housing. Another 100 tech leaders recently signed a letter supporting SB 827, which would lead to more housing development near transit hubs.

There's plenty more that tech companies can do, Lorenzana said, from donating money, to spearheading residential construction projects, to simply speaking out in favor of housing development.

"I think what you're seeing right now is tech and the private sector are finally understanding that this is an issue that is affecting their consumer base, and it's affecting their employees," Lorenzana said. "And whether it's their job or not, there is a role for them to play."

But tech companies can't conjure up more housing without city officials, who experts say can be reluctant to approve large-scale residential development projects, or can otherwise limit construction with rules that govern where projects can be built, how tall they can be and how much parking they must provide.

Brisbane city officials, for example, for years have resisted plans by Universal Paragon Corp. to build nearly 4,500 housing units on the Baylands former industrial site, only recently agreeing to consider allowing a fraction of that. In Cupertino, which approved Apple's massive new campus for 12,000 employees without any additional homes, housing advocates recently criticized Mayor Darcy Paul for saying the region's housing shortage was "not dire." Fed up with Cupertino's approval process, Sand Hill Property Company recently used a new law, Senate Bill 35, to go over city officials' heads and propose a redevelopment plan for Vallco Mall that includes six times the number of housing units the city originally intended.

COURTESY OF SAND HILL PROPERTY COMPANY

Sand Hill Property recently submitted a new proposal to redevelop the old Vallco Mall in Cupertino. The plan includes 2,402 housing units as well as 1.8 million square feet of office space and a rooftop park.

“They’ve been green-lighting office projects like crazy,” Elkind said of Bay Area cities, “but they don’t care about where those workers are supposed to live.”

25%
of those polled say NIMBY groups are a major reason for the Bay Area's housing shortage

Some cities are making an effort to build more housing. Mountain View recently approved a Google-backed plan to build 10,000 new homes in North Bayshore, and San Jose Mayor Sam Liccardo has proposed a plan to build 25,000 homes over the next five years.

Cupertino Vice Mayor Rod Sinks says city officials shouldn’t shoulder all the blame for the Bay Area’s housing shortage.

“I recognize that the cities have a major responsibility for this, and we haven’t generated enough housing,” he said. “On the other hand ... it takes two to tango.”

Once the city approves housing, it’s up to a developer to build it, Sinks said. And it can be challenging to find developers willing or able to step up. Housing projects are getting more expensive to build as construction costs rise, Sinks said, and it’s more lucrative for developers to build office space or market-rate housing instead of affordable housing.

It’s also important to remember that cities’ housing policies are largely a reflection of their constituents, including long-term residents with a “not in my backyard,” or NIMBY, attitude toward development, said Gary Painter, an economics professor at the University of Southern California who studies housing markets.

“Current residents are probably the source of a lot (of) blame,” Painter said. “They don’t want newcomers to come in and change their quality of life, because they’ve already been here and established that.”

In the poll, just 25 percent of respondents said NIMBY groups play a major role in the Bay Area’s housing shortage.

State regulations have a hand in the problem too, experts say, by creating incentives for cities to favor commercial development over residential.

FIVE STEPS TO BUILDING RESIDENCES

Building large-scale residential projects can be boiled down into these five basic steps, according to developer Mark Rhoades of Rhoades Planning Group. He says a potential project can die at any one of these junctures.

Step 1 | Step 2 | Step 3 | Step 4 | Step 5

Step 1: Searching

A developer can't build a project without land to put it on, but finding a parcel of unused space at a reasonable price can be difficult in the Bay Area — where vacant lots are scarce and land costs are high.

Source: Developer Mark Rhoades of Rhoades Planning Group

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Many developers also blame the California Environmental Quality Act, a statute that imposes strict requirements on real estate projects to limit their environmental impact. Developers say residents also use CEQA to file lawsuits purely to delay projects and jack up construction costs. In the poll, 19 percent of people said environmental groups play a major role in the Bay Area’s housing issues.

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Mark Rhoades, principal and CEO of Rhoades Planning Group