

# RECLAIMING the SOUL of *San Francisco*

**What is really causing  
our housing crisis?**

**Faith in Action Bay Area**

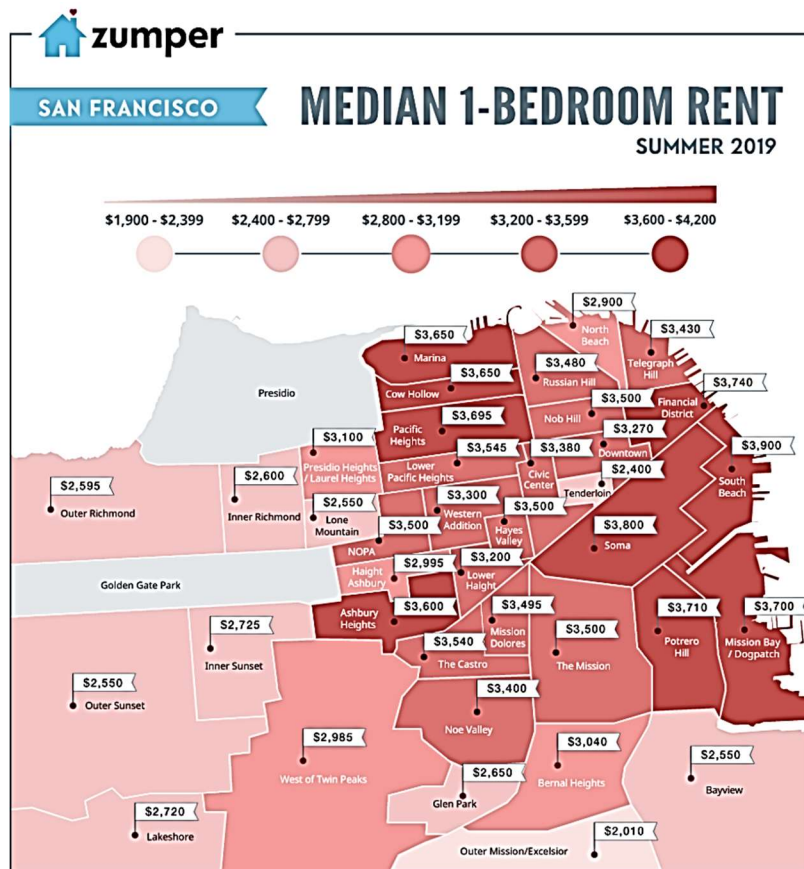
November 2019

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## Why is housing so expensive?

**San Francisco** has long been a symbol of an open city. Our history, like that of so many cities, is marred by racism and efforts to exclude—but San Francisco has also been a place where people have offered a home to all.

From Chinese and Irish and African-American workers, to hippies, the LGBTQ community, and new immigrants from all over the world, people who've needed a home and a refuge have found sanctuary and community here. Together, we have shaped the City of St. Francis into a city with a soul, a place that values diversity and respects human dignity.



Yet homelessness and inequality keep soaring, housing costs are astronomical, and ordinary people who make up the soul of the city are being forced out.

We are told that this situation is the result of market forces beyond our control. According to this view, there are simply too many people who want to live here, so housing is scarce and very expensive.

But the truth is that as our population has grown, we have built housing: In fact, **there is *more* housing per resident in San Francisco today than there was in 1970.**<sup>1</sup>

So why do housing costs keep rising?

One reason is that **out of 380,000 housing units, over 30,000—nearly 10%—are vacant**, either kept empty as investment properties or used for Airbnb rentals.<sup>2</sup>

Another reason is that **70% of the housing built in recent years has been deliberately priced only for people making over \$100,000 a year.**<sup>3</sup>

But the biggest reason housing in San Francisco is so expensive is simple: **The decision-makers want it that way.**

Why, in open, liberal San Francisco, would city and business leaders want to make housing *more* expensive, driving out long-time working residents and poor people in the process? To understand, we must travel back nearly 75 years.

<sup>1</sup> [SF Housing Data Hub](#)

<sup>2</sup> Paige Dow, "[Unpacking the Growth in San Francisco's Vacant Housing Stock](#)" (2018)

<sup>3</sup> SF Planning Department, [2017 SF Housing Inventory](#), p. 13

## The 1945 Master Plan

In the 1940s, San Francisco was an industrial port city with a strong labor movement. Despite ongoing struggles over race and immigration, the city had many diverse working-class neighborhoods where whites, Chinese, African-Americans, Mexicans, Central Americans, Filipinos, Japanese, and others lived alongside one another.

But these neighborhoods stood in the way of a new vision that wealthy landowners and bankers were developing for San Francisco—one where the city would become a center for finance, commerce, tourism, and housing for the affluent.

In 1945, business leaders who “understand the power of the business community to get things done” founded a group called the Bay Area Council to promote this vision.<sup>4</sup> Also in 1945, the city government published a “Master Plan” for reshaping the city along the lines envisioned by these elites. The plan identified five neighborhoods as suffering from “blight,” a word used as code for poor people and people of color: the Western Addition, South of Market, Chinatown, the Mission, and Hunters Point.<sup>5</sup> These areas, the plan argued, should be “reclaimed” to promote big business development, increase property values, and grow the city’s tax base, thus creating an “attractive, new city.”

Blight disfigures San Francisco, drives people out of the city, interferes with business and industrial development, lowers the value of good property, increases the costs of government. An attractive, new city can be built by reclaiming blighted areas.

<sup>4</sup> Bay Area Council, “[BAC Celebrates 70 Years](#)”

<sup>5</sup> San Francisco City Planning Commission, [The Master Plan of San Francisco](#), 1945





## A new vision for the Western Addition

One of the first neighborhoods targeted by landowners and bankers was the Western Addition, which included the Fillmore and Japantown. It was a thriving working-class neighborhood, home to over 5,000 Japanese-Americans who had just returned from three years in concentration camps and nearly 15,000 African-Americans, most of whom had migrated from the South to work in the city's shipyards.

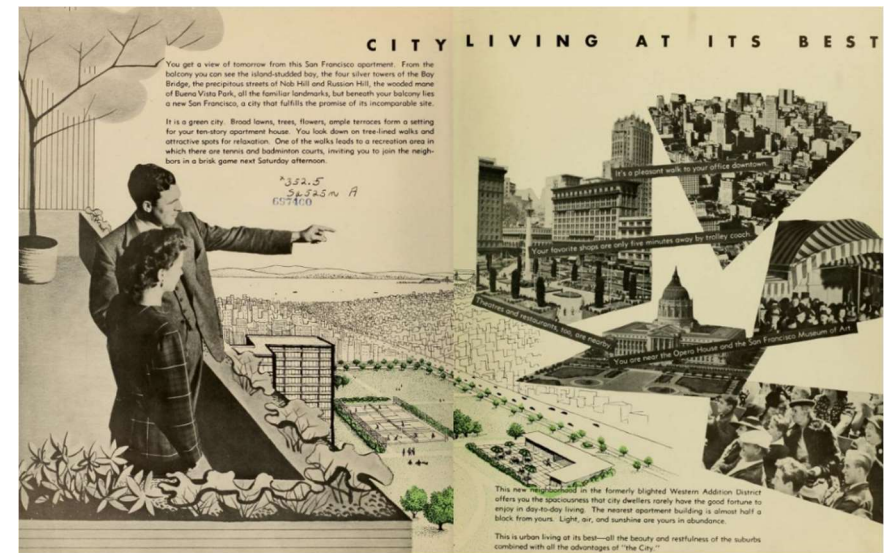
The Fillmore was known as the “Harlem of the West” and Japantown was an important cultural hub, yet white business leaders began a public campaign to label the neighborhood “blighted.” To lend legitimacy to their claims, they used a nonprofit policy advocacy organization called the San Francisco Planning and Housing Association—now renamed SPUR.

In a 1947 report called *Blight and Taxes*, SPUR compared tax revenue and city services in two similarly-sized neighborhoods, the Marina and the Fillmore/Western Addition, found that the Fillmore was not “paying its own way,” and concluded that the land in the Fillmore was too valuable to allow low-income residents to continue living there. The land, noted the report, “is in the heart of a growing city and anyone can see its latent value.”<sup>6</sup>

### TWO NEIGHBORHOODS



One of SPUR's Board members was retired Bank of America executive and real estate investor Morgan A. Gunst, who also served as a member of the City Planning Commission, the government agency in charge of development policy. In November 1947, the same month the SPUR report was published, the Planning Commission published its own report on the Western Addition, echoing the same themes.



The city government pitched the neighborhood as the future site of “urban living at its best—all the beauty and restfulness of the suburbs combined with all the advantages of ‘the City.’”<sup>7</sup>

The report foreshadowed generations of displacement by noting that current residents of the Western Addition might not be able to enjoy the positive changes to come: “In view of the characteristically low incomes of colored and foreign-born families, only a relatively small proportion of them may be expected to be in a position to occupy quarters in the new development.”



<sup>6</sup> SF Planning and Housing Association (SPUR), *Blight and Taxes*, November 1947

<sup>7</sup> San Francisco City Planning Department, “Western Addition District Redevelopment Study” and public summary called “*New City: San Francisco Redeveloped*,” 1947

## The transformation of a neighborhood

By the mid-1950s, business leaders' vision for the Western Addition began to materialize, thanks to a federally-funded strategy called Urban Renewal. While Urban Renewal was sold as a plan to improve low-income neighborhoods, it more often worked like this: The city government would force existing residents to leave, bulldozing their homes, small businesses, and community gathering places. Then the city would sell the land to developers, increasing land values and generating profits for large-scale owners and investors.

Starting in 1956, the city government led two phases of Urban Renewal in the Western Addition.<sup>8</sup> Although resistance from Black churches, unions, and the Japanese community forced the city to build cultural centers and affordable housing, over the next 25 years the neighborhood as an organic community was destroyed. By 1980, over 20,000 people had been displaced, especially people of color, and the neighborhood had far less housing than before—but the median income had increased dramatically.<sup>9</sup>

Western Addition Neighborhood	1950	1980	Change
Housing units	16,369	11,078	-32%
Total population	43,612	21,460	-51%
Black population	14,888	10,266	-31%
Japanese population	5,383	1,310	-76%
Median income (1980 dollars)	7,197	11,734	+63%

The Western Addition represented the new San Francisco—an “attractive, new city” that was also wealthier and whiter.

*Western Addition transformed:  
Fillmore and Geary Streets, 1946, 1960, & 2019*



1946



1960



2019

<sup>8</sup> Walter Thompson, “[How Urban Renewal destroyed the Fillmore in order to save it](#),” *Hoodline*, 1/3/16; Rachel Brahinsky, “[Fillmore Revisited](#),” *SF Public Press*, 9/23/19

<sup>9</sup> U.S. Census data, cited in John H. Mollenkopf, *The Contested City* (1983), pp. 202-203



## The growth agenda

In the 1950s, business leaders, often organized through the Bay Area Council, accelerated their planning to make San Francisco the financial capital of the Pacific Rim. A key part of this vision was a requirement for constant growth, which included replacing older buildings that had been used as factories, warehouses, small businesses, and low-income housing with new, fancier buildings that would be used for finance-related businesses or housing for professionals and upper-income residents. Growth had the intended result of increasing land values and creating massive profits for the people who owned the land.<sup>10</sup>

In 1958, Ben Swig, an influential real estate investor who owned the Fairmont and St. Francis hotels, promised: “The whole San Francisco skyline is going to change. We’re going to have a great building wave... We’re going to become a second New York.”<sup>11</sup> Since then, Swig’s dream has become a reality.

1960



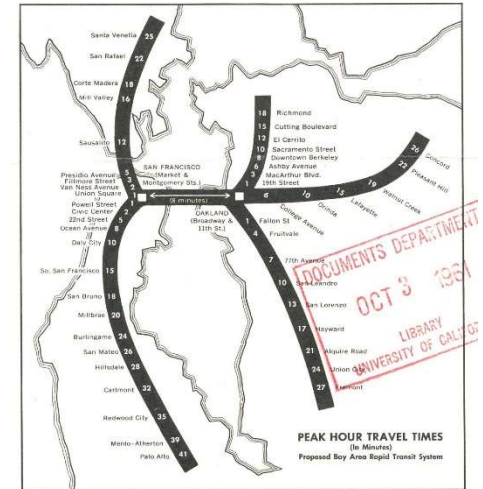
2019



In 1956, a subset of the Bay Area Council organized itself into a secretive group called the Blyth-Zellerbach Committee. The Committee kept no records or written policies but included leaders of all the city’s largest corporations, including Standard Oil, Bank of America, Bechtel, Levi Strauss, Wells Fargo, Hewlett-Packard, and PG&E.<sup>12</sup>

Using the Bay Area Council and SPUR as their mouthpieces, they presented their growth-oriented vision as “progress” that would benefit all San Franciscans.

For example, the Bay Area Council was one of the early promoters of BART. It was pitched as an eco-friendly transit system that would relieve traffic congestion, but its more significant purpose was to make San Francisco a financial hub, to increase land values, and to encourage lower-income workers to live outside the city and commute in for work.



Frank Hunt, an owner of multiple properties in the Mission District, explained in the early 1970s how BART was going to make him a nice profit when it opened: “What BART means is at 24th you can get down to Montgomery in eight minutes... That means that there will be high-rise apartments built in the Mission district, close enough for people to walk to the station and go to work. The same [transit] system that’s in effect at Toronto, Canada has increased property values there from 100% to 500% around the stations.”<sup>13</sup> And as property values and profits for land owners rose, so too did rents for working people.

<sup>10</sup> See G. William Domhoff, “[Power at the Local Level: Growth Coalition Theory](#)”

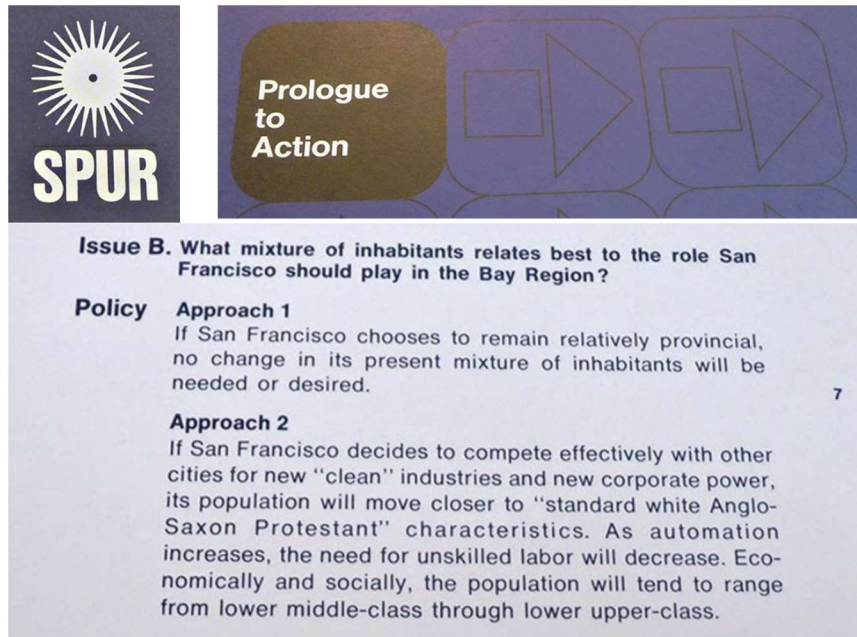
<sup>11</sup> Stephen McGovern, *The Politics of Downtown Development* (1998), p. 63

<sup>12</sup> Chester Hartmann, *City for Sale: The Transformation of San Francisco* (2002), pp. 6-11

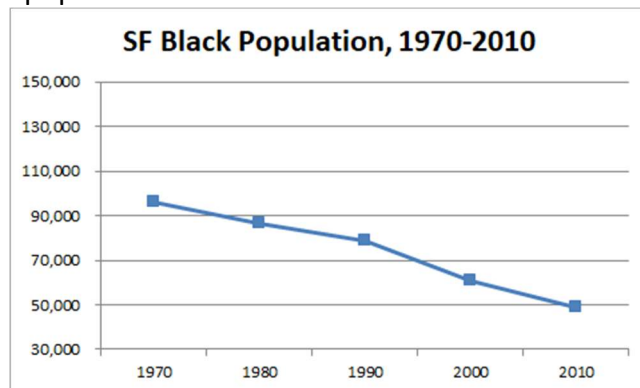
<sup>13</sup> [Redevelopment](#), 1974 documentary film by Resolution Film Collective

## The impact of growth

In 1966, SPUR, which by this time was funded largely by the Blyth-Zellerbach Committee, published a report which was unusually candid in its admission of how racist and classist its vision was:<sup>14</sup>

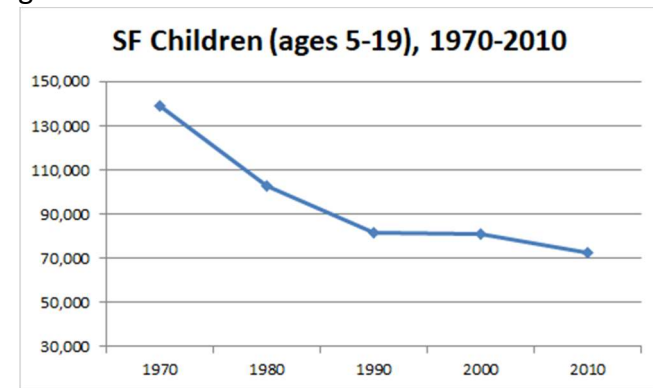


Over the following four decades, as SPUR's plans came to fruition, the Black population in San Francisco was cut in half:



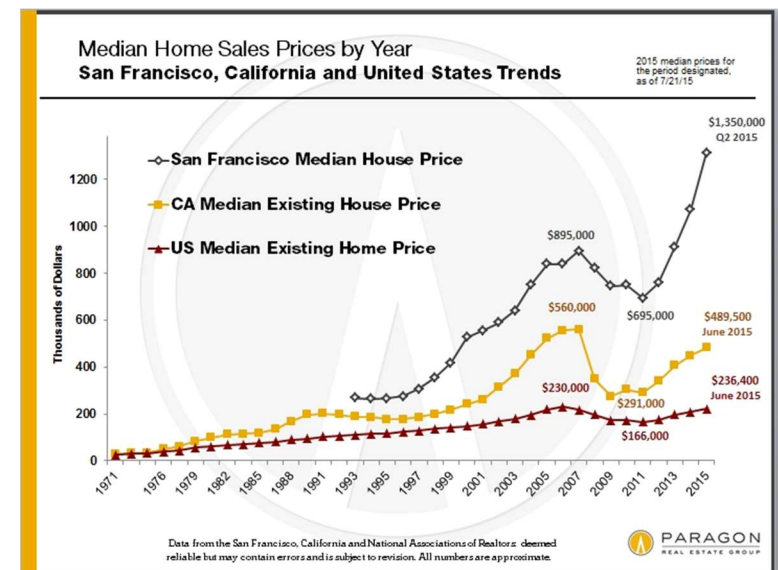
<sup>14</sup> SPUR, [Prologue to Action](#), 1966

During the same time period, San Francisco also lost half of its school-age children:



The displacement of working people from San Francisco in recent years is therefore not a new phenomenon, nor is it an accidental result of the recent tech boom. It is the culmination of a plan that corporate interests developed starting 75 years ago.

That plan has made fortunes for real-estate interests, investors, and bankers, because over the past 50 years, land values in the city have increased 10-fold, even after adjusting for inflation:<sup>15</sup>



<sup>15</sup> Jennifer Ferland, ["2018 YTD: A Wild Ride for San Francisco Real Estate,"](#) Paragon Real Estate



## The role of government

Although the new vision for San Francisco was designed by landowners and bankers, it never could have become reality without the active collaboration of city government.

In the 1950s, one of the Blyth-Zellerbach Committee's first actions was to urge the city government to tear down the waterfront produce market run by working-class Italian-Americans. City officials complied, and in a 1963 publication offering to sell the land to developers, they articulated a vision of San Francisco that could have been written by the business leaders. The city, they said, was a center of Pacific Basin commerce and forward-looking growth—and not incidentally, offered great wealth for the people who would own and develop the land.<sup>16</sup>

These Golden Gateway sites are extraordinary parcels worthy of extraordinary developers. They lie at the very heart of a highly developed city and in the very center of the Bay Area, the United States' commercial and cultural anchor to the Pacific Basin. In addition, these sites are in the path of California's and the West's great population growth.

The uses of these sites will unavoidably reflect past and present attitudes in this country toward San Francisco, yet these uses look indeed to the 21st Century. "Omnes habitare in urbe Sancti Francisci volunt"—everybody wants to live in San Francisco—is more than the motto of the San Francisco Redevelopment Agency. It is the hope of many individuals throughout the world. The City is the favorite of businessmen. Millions of people each year consider themselves fortunate in being able to visit San Francisco. With such popularity and growth of the community, these choice downtown sites imaginatively developed are certain to produce great incomes and values to match.

### San Francisco Redevelopment Agency

#### Members

Everett Griffin, Chairman  
Walter F. Kaplan, Vice Chairman  
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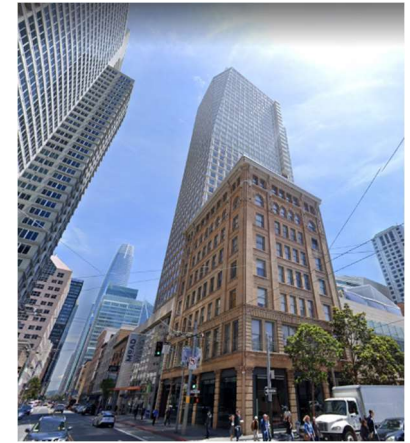
M. Justin Herman  
Executive Director



## SOMA transformed: 3<sup>rd</sup> and Mission Streets, 1961 & 2019



1961



2019

Today the former produce market site is occupied by a Hyatt Hotel, the Embarcadero Center office complex, hundreds of luxury apartments and a private tennis club. The city official who led the produce market redevelopment was M. Justin Herman, who served as the director of the city's powerful Redevelopment Agency from 1959-1971. Business leaders viewed Herman as a highly skilled administrator, while Thomas Fleming, then San Francisco's most influential Black journalist, wrote that "Negroes... generally regard [Herman] as the arch villain in the black depopulation of the city."<sup>17</sup>

Herman also led the redevelopment of South of Market (SOMA), where thousands of low-income residents (including many retired dockworkers and factory workers who had been the backbone of the city's strong unions) were displaced to make way for a glitzy new convention center and fewer, much more expensive housing units. In explaining that project, Herman declared, "This land is too valuable to permit poor people to park on it."<sup>18</sup>

<sup>16</sup> SF Redevelopment Agency, "[Commercial Development in the Golden Gateway](#)," 1963

<sup>17</sup> Cited in Hartmann, *City for Sale*, p. 18

<sup>18</sup> Central City SRO Collaborative, "[History of SRO Hotels in San Francisco](#)"



## The real winners

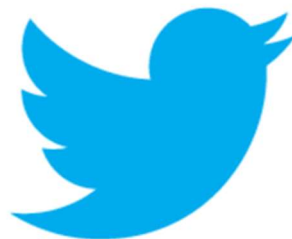
As redevelopment displaced poor and working people, both directly through city-sponsored projects and indirectly through the rising rents that result from increasing land values, the real beneficiaries were the people who owned the land and the banks who financed their investment deals.

San Francisco's most well-known real estate moguls include people like the Shorenstein family, who have used the growth agenda to amass a \$1.2 billion fortune and become one of the wealthiest families in the Bay Area.

In 1968, Walter Shorenstein's brokerage firm Milton Meyer and Company sent eviction notices to low-income tenants of the International Hotel, a downtown apartment building occupied by many elderly Filipino men, in order to use the site for a parking garage. "To my mind," explained Shorenstein, "I was getting rid of a slum."<sup>19</sup> A fierce battle with community activists ensued, forcing Shorenstein to unload the property.

But downtown redevelopment continued, and half a century later, the Shorensteins continue to generate massive profits on new projects, often through direct government support or by exploiting policy loopholes. Take the well-known 2011 case of Twitter, which threatened to move its headquarters out of San Francisco unless the city waived its payroll tax. Yielding once again to business elites, the politicians complied, costing San Francisco over \$30 million annually in lost payroll tax revenue.

The real winner in the deal was the Shorenstein family. Their company had bought the Twitter headquarters building for \$110 million just months before the tax break was formally approved.



They invested \$300 million in renovations, leased three floors to Twitter, and in 2015 sold the Market Street building to finance giant J.P. Morgan Chase for \$937 million—for a net profit of over \$550 million in just four years.<sup>20</sup>

But there is one final twist to the story. Shorenstein actually kept ownership of 2% of the building and sold two 49% stakes to two different affiliates of J.P. Morgan. Why this complex arrangement? Under a loophole in California law, if less than 50% of a property changes hands, it is not considered an "ownership change," which means that the city cannot collect real estate transfer taxes or property taxes based on the current value of the building.

With this clever move, Shorenstein and J.P. Morgan saved \$22.5 million in one-time transfer taxes and an ongoing \$8 million a year in property tax—all money that otherwise would have gone into the city budget for public services.<sup>21</sup>



<sup>20</sup> Jay C. Barmann, "[How the internet reshaped Market Street's Art Deco monolith](#)," Curbed San Francisco, 1/22/19; "[Barclay's lent \\$450M for Market Square's recap](#)," Real Estate Direct, 9/14/15

<sup>21</sup> Roland Li, "[By feasting on S.F. 'partial stakes,' big real estate investors are saving millions in taxes](#)," San Francisco Business Times, 10/26/17

<sup>19</sup> James Sobredo, "[The Battle for the International Hotel](#)," FoundSF.org

## The people fight back

Community opposition to the growth-for-the-rich agenda began to gather strength in the late 1960s, as low-income and working people fought for their own vision of the City of St. Francis.

Freeways were stopped or re-routed to minimize dislocation of residents and local institutions. Urban renewal plans were defeated (in the Mission) or modified to include housing for low-to-middle income people (in the later phase of the Western Addition redevelopment, and in Bayview-Hunters Point and South of Market). Community and housing development corporations built affordable housing or transformed former SROs into affordable and livable units, and preserved neighborhoods (in the Tenderloin, the Mission, Bayview-Hunters Point, and parts of the Western Addition).



Tenant organizing in both public and private housing, including rent strikes, stopped landlord gouging and won improved services, maintenance and respectful treatment of tenants.



At Shorenstein's International Hotel, community organizing stopped evictions for ten years and eventually forced the city to re-build affordable senior housing nearby. And although BART stations

opened in the Mission in the early 1970s, developers' plans for luxury high-rise apartment buildings at the two stations never materialized due to community opposition—a fight that continues today in the battle against the “Monster in the Mission” plan for luxury housing at the 16<sup>th</sup> Street BART plaza.



In 1979, rent control legislation was adopted by the Board of Supervisors, and in the 1990s four different renter protection measures were passed. By 2010 over half the City's housing units had significant renter protections. Legislation was adopted to protect residents of SRO hotels. Limits to conversion of low-income apartments to tourist hotels and other protections were won as well.

The common theme to all these victories was people organizing to oppose elites' plans. If we are to slow, halt and reverse current trends, more people are going to have to organize. And victories won "on paper" need vigilant protection. Unscrupulous landlords have developed a variety of tools to intimidate tenants into moving out of rent-controlled units. There is constant pressure by developers, financiers and their allies to weaken and defeat what has been won.

It is fair to say activists have not defeated the growth coalition. But they have slowed its relentless advance, in specific instances defeating it outright, and in others have won benefits to help everyday San Franciscans.



## The plan today

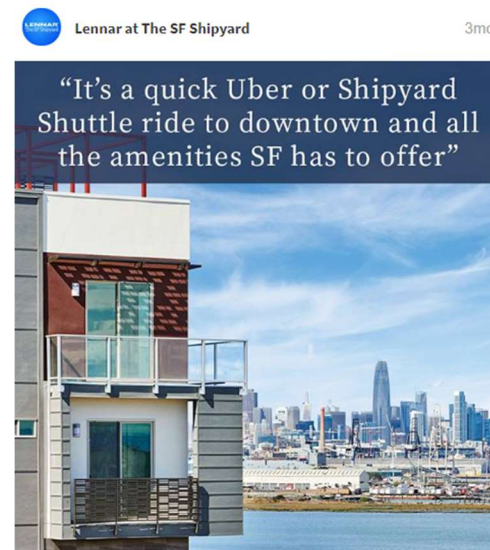
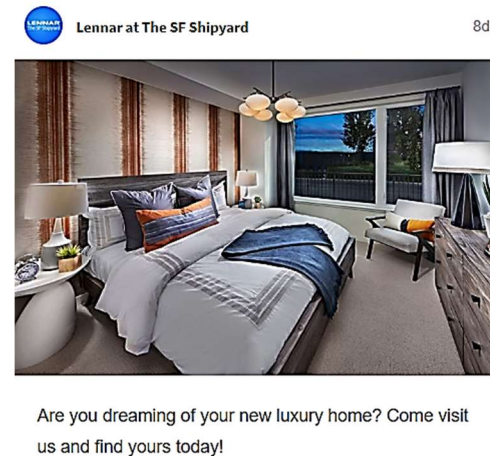
Despite community resistance, business leaders have not been deterred in pursuing their plan for San Francisco. They still organize themselves through the Bay Area Council and SPUR, and while the boards of these organizations now include members from a few tech companies and sports teams, they are still dominated by businesses which profit from increasing land values: real estate developers, investment bankers, engineering, construction, and architecture firms, consultants and attorneys.

Mayor Willie Brown, who served from 1996 to 2004, was an ally of these elites and used his political clout to make large-scale development deals (frequently including healthy profits for his own business ventures) for Treasure Island, the Embarcadero, Mission Bay, and Bayview-Hunters Point.<sup>22</sup> These deals are still reshaping today's city.

One of Brown's biggest deals was in the Bayview, where he turned over the site of the former Hunters Point Naval Shipyard and the Navy's nuclear warfare research lab to Miami-based developer Lennar to build 2,000 upscale homes, new shopping malls, and 3 million square feet of office space. Unions and community organizations—including SFOP, a forerunner of Faith in Action—were convinced to give their “stamp of approval” in return for promises of jobs and what turned out to be minimal amounts of affordable housing. When the project struggled to attract investors—perhaps because numerous reports suggest the land is still radioactive—Brown stepped in and started a new business venture helping wealthy Chinese investors back Lennar in exchange for U.S. green cards.<sup>23</sup>

Twenty years before, the Bayview had been home to industry, small businesses, and working-class homes—with the largest share of Black homeownership in the city. But to justify redevelopment, the City Planning Department described the neighborhood differently: “[Bayview-Hunters Point] has been the

location of the City's heaviest industries, some of its poorest residents, and its greatest concentration of public housing: characteristics that frequently placed it outside the mainstream of San Francisco life. But today the area is at a critical junction as urban growth is proceeding in a southeast direction...creating a situation whereby its problems can be translated into major opportunities for community, citywide, and regional progress.”<sup>24</sup>



Thanks to Brown's support, including \$800 million in city funds to build the new T-line MUNI, Bayview is full of these “opportunities for progress,” at least for the rich. Lennar's social media ads for the new housing at the Shipyard development ask, “Are you dreaming of your new luxury home?” and remind buyers that this “up and coming” area is convenient to downtown—although Lennar recommends using Uber or a private shuttle rather than the city MUNI line.

Business leaders from the 1940s would be proud that their vision for San Francisco as an “attractive new city” exclusively for the wealthy is still bearing fruit.

<sup>22</sup> Larry Bush, “[Inside the Willie L. Brown Money Machine](#),” *CitiReport* 4/3/12

<sup>23</sup> Matt Smith, “[Chairman Willie](#),” *SF Weekly*, 7/17/13

<sup>24</sup> SF Planning Department, [General Plan: Bayview Hunters Point](#), 2010

## Will we reclaim the soul of our city?

Most San Franciscans agree that current changes are destroying the soul of our city. Even a poll funded by the Committee on Jobs, a secretive big-business lobbying group, found that the percentage of residents who strongly agree that San Francisco is a good place to live has declined by over half, from 54% to 25%, in just the past five years.<sup>25</sup>

There is a sense of hopelessness about the changes happening to our city. We are led to believe that they are inevitable. But the truth is that gentrification and skyrocketing housing costs are not caused by mysterious forces: they are the result of a long-term plan carried out over 75 years by large landowners, developers, investors, and politicians.

These groups wanted to remove ordinary people from the city so they could push for rapid growth, increase land values, and make enormous profits—thus creating an “attractive, new city” which would serve as a center of Pacific Rim commerce and finance, an elegant home for the wealthy, and an enchanting destination for tourists from across the globe.

In their view—shared today by developers and investors and many politicians—the more expensive land becomes, the better. If land prices go up, large landowners, real-estate moguls, investors, and bankers make money. Lower-income neighborhoods are “blighted,” and don’t pay enough taxes, so their people should be removed to make way for a “standard white Anglo-Saxon Protestant” workforce and big profits.

This racist, classist, dystopian vision is becoming reality today in San Francisco. The working-class people who make the city run—many of whom are people of color and immigrants—no longer can afford to live here. Many have moved to the East Bay and

beyond, and commute for hours each day, while others join the increasing numbers of families living in cars, vans and RVs.

Those who remain live under the constant threat of displacement, knowing that a vacant apartment represents windfall profits for their landlord—who is frequently now a corporate investor. Elders who built this city—often people who came here to escape persecution and found sanctuary in the City of St. Francis—now are afraid that they may literally die in the street.

Meanwhile, we are told the myth that there just isn’t enough housing for everyone—when in fact 30,000 units sit vacant because people’s homes have been turned into investment commodities.

We are encouraged to believe that we can solve this crisis by building even more housing—when the reality is that 70% of current new housing is designed for the luxury market, fed by speculators, and actually makes the problem worse by continuing to drive up land values.

Even housing designated as “affordable” by the city is often priced for individuals making up to 160% of Area Median Income, or \$137,000 a year, leaving out seniors and low-income families and making a mockery of the word “affordable.”

But the good news is today’s destructive policies can be changed. The truth is that there is plenty of room for San Franciscans, if we use it for homes rather than to maximize profit.

San Franciscans have always fought back: time and time again we’ve halted the onslaught of greed, held our government accountable, and protected our communities from profit-crazed developers.

We can once again make the City of St. Francis a place that offers true sanctuary to all. We, the people of the City of San Francisco, can reclaim the soul of our city.

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<sup>25</sup> Committee on Jobs, [San Francisco Survey](#), change from 9/2013 to 9/2018