CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST
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Policy Analysis Report

To: **Supervisor Campos**

From: **Budget and Legislative Analyst's Office**

Re: **Displacement in the Mission District**

Date: **October 27, 2015**

Summary of Requested Action

Your office requested the Budget and Legislative Analyst produce a report on demographic and housing price trends in San Francisco's Mission District. Specifically, you requested:

(1) Two-year, five-year, and ten-year projections of the Mission District's economic and racial diversity if current demographic trends continue, including a specific focus on the Mission District's Hispanic/Latino population, families, and low-and-middle income households;

(2) The number of new housing units needed to lower housing prices in San Francisco; and

(3) Two-year, five-year, and ten-year projections of the price of one- and two-bedroom units in the Mission District if current price housing trends continue.

For further information about this report, contact Fred Brousseau at the Budget and Legislative Analyst's Office.

Executive Summary

Changes in Mission District Demographics

- The City's total population grew from 776,733 in 2000 to 817,501 in the five year 2009-2013 period, an increase of five percent.[1] On the contrary, the population of the Mission District decreased between 2000 and the 2009-2013 period from 42,266 to 38,287, a reduction of 3,979, or nine percent. [2]

[1] The five year period between 2009 and 2013 is compared to 2000 as it was taken from the American Community Survey five year average as reported by the U.S. Census Bureau. It was the most recent data available at the Census tract level for the characteristics reported. The 2000 data is from the 2000 decennial Census.

[2] The Mission District is defined for purposes of this report as the area bounded roughly by Market Street, Valencia Street, Cesar Chavez Street, U.S. 101, 23rd Street, Hampshire Street, 17th Street, Vermont Street, Division Street, and 11th Street. These boundaries correspond to Census tracts 177, 201, 208, 209, 228.01, 228.03, 228.09, 229.02, and 229.03.

- An even greater population reduction occurred in the Mission District's Hispanic/Latino population, which decreased from 25,180 in 2000 to 18,372 in the 2009-2013 period, a 27 percent reduction. Exhibit A presents this and other information about changes in the neighborhood.
- The 27 percent decrease in the Mission District's Hispanic/Latino population diverged from the City as a whole, where the Hispanic/Latino population increased between 2000 and 2009-2013 from 109,504 to 124,167, an increase of 13 percent, and grew slightly from 14 to 15 percent of the City's total population. In the Mission District, the Hispanic/Latino population decreased from 60 percent of the neighborhood's total population to 48 percent during the same time period.

Exhibit A: Population and Demographic Changes, City and Mission District

	City			Mission		
	2000	2009-2013	% Change	2000	2009-2013	% Change
Total Population	776,733	817,501	5%	42,266	38,287	-9%
Hispanic/Latino	109,504	124,167	13%	25,180	18,372	-27%
Hispanic/Latino % Total	14%	15%	-	60%	48%	-
# Households	329,700	345,344	5%	13,071	14,454	11%
Average Household Size	2.30	2.31	0.4%	3.2	2.6	-19%
Households w/ Children	63,867	64,694	1%	4,088	3,041	-26%
% Total	19%	19%	-	31%	21%	-
# Households: Related Individuals	145,186	156,742	8%	6,655	6,263	-6%
% Total	44%	45%	-	51%	43%	-
# Households: Unrelated Individuals	184,514	188,602	2%	6,416	8,191	28%
% Total	56%	55%	-	49%	57%	-
Owner-occupied Units	115,391	126,394	10%	2,482	3,655	48%
% Total	35%	37%	-	19	25	-
Renter-occupied Units	214,309	218,950	2%	10,589	10,789	2%
% Total	65%	63%	-	81%	75%	-

Sources: Census 2000, American Community Survey 2013 (5-Year Estimate), Social Explorer.

- The number of households in the Mission District increased between 2000 and 2009-2013, but households with children decreased by 26 percent during that period, from 4,088 households, or 31 percent of all households, to 3,041, or 21 percent of all households. Contrary to this decline in the Mission District, households with children Citywide remained constant during the review period, at 19 percent of all households.
- Changes in Income distribution in the Mission District followed Citywide patterns, but experienced more extreme reductions in middle income households and larger increases in upper income households than the City as a whole. Exhibit B presents

these changes. The largest change in the Mission District was in households with annual incomes of $150,000 or more, which grew by 65 percent between 2000 and 2009-2013, substantially higher than the 10 percent growth rate for the City as a whole.

Exhibit B: Changes in Household Income, City and Mission District

Annual Household Income	City			Mission		
	2000	2009-2013	% Change	2000	2009-2013	% Change
Less than $35,000	76,797	95,258	24%	3,682	4,592	25%
$35,000 - 99,999	123,669	114,154	-8%	5,798	5,060	-13%
$100,000 - 149,999	55,903	55,168	-1%	1,972	2,100	6%
More than $150,000	73,481	80,764	10%	1,633	2,702	65%
Total	329,850	345,344	5%	13,085	14,454	10%

Sources: Census 2000, American Community Survey 2013 (5-Year Estimate), Social Explorer.
*Total households reported by the U.S. Census Bureau for household income in 2000 are 150 households higher for the City and 14 households higher for the Mission District than total households reported for population and demographic purposes.

- Lower income households earning less than $35,000 per year increased Citywide by 24 percent between 2000 and 2009-2013; the Mission District followed suit with such households increasing by 25 percent during that time period. Middle income households earning between $35,000 and $99,999 decreased Citywide by eight percent; in the Mission District, the rate of decrease was higher, at 13 percent.
- Other changes in the Mission District between 2000 and 2009-2013, as shown in Exhibit A, include:
  - An increase in total households, but a decrease in average household size. Average household size Citywide remained largely unchanged.
  - A six percent decrease in households populated with related individuals and a 28 percent increase in households populated with unrelated individuals or singles, significantly more than the Citywide increase of two percent for such households.[3]
  - A 48 percent increase in owner-occupied households, significantly more than the Citywide rate of increase of ten percent.

[3] The Census Bureau uses the term Family Households for households composed of related individuals living together. Family households include households composed of unrelated individuals living with related individuals. Households composed of single occupants or unrelated individuals living together are called Non-family Households by the Census Bureau.

Projected Changes through 2025

- The Budget and Legislative Analyst projects that, if trends since 2000 continue over the next ten years through 2025, the Hispanic/Latino population will continue to decline as a proportion of the Mission District's total population, from 48 percent of the population in the 2009-2013 five year period to 31 percent by 2025. The number of households with children would decrease from 21 to 11 percent of all households by 2025, assuming continuation of present trends.
- The Budget and Legislative Analyst also prepared Income distribution projections in the Mission District, assuming a continuation of trends from 2000 through 2009-2013. Modest changes are projected in the number of households earning less than $35,000 and between $100,000 and $149,999. A significant decline is projected, however, for households earning between $35,000 and $99,999 and a significant increase is projected for households earning more than $150,000.

Impact of Changes in Housing Supply on Potentially Lowering Housing Prices

- Between 1980 and 2010, the median value of owner-occupied housing units in San Francisco increased by 175 percent, significantly more than the 75 percent rate of increase for California as a whole and the 52 percent rate of increase for the U.S.
- For California to have achieved lower housing prices and a rate of housing price appreciation at parity with the U.S., the California Legislative Analyst's Office estimated that over the 30 years between 1980 and 2010, the state needed significantly more housing units added annually to its housing stock. Of the additional statewide housing need estimated by the California Legislative Analyst's Office, San Francisco would have needed an average of 15,300 housing units per year added to its housing stock, or 13,289 more units than the actual average of 2,011 units added per year.
- If all the additional housing units estimated by the Legislative Analyst's Office had been added, San Francisco would have built a total of 459,000 units between 1980 and 2010 instead of the actual total of 60,334 units, an increase of 561 percent over the amount built. Under this scenario, by 2010 there would have been a total of 775,608 housing units in San Francisco, or over twice as many as the actual 376,942 housing units estimated by the U.S. Census in 2010.
- Had an average of 15,300 housing units been added each year over the 30 year period instead of 2,011, the median 2010 housing value in San Francisco would have been approximately $525,000 (in 2015 inflation-adjusted dollars) instead of the actual median of $839,357, according to the Legislative Analyst's Office. However, even this lower median price would have represented an increase in housing prices in San Francisco over the 30 year period, though the rate of price appreciation would have been lower than the actual rate experienced.
- Any short-term price decreases that occurred during the 30 year period, such as those caused by the economic recession that began in 2008 or those due to one-time larger than average increases in supply, could not be sustained without annual average

increases of at least 15,300 housing units over the 30 year period, as estimated by the Legislative Analyst's Office's analysis.

- Had an average of 15,300 housing units been added annually in San Francisco between 1980 and 2010 to slow the rate of housing price appreciation, the City's population in 2010 would have been 1.7 million instead of the actual 805,195 and housing density would have been 35-40 units per acre instead of the actual 18 units per acre.
- The analysis by the Legislative Analyst's Office did not incorporate the desirability of this level of additional construction or the feasibility of adding so much housing relative to local land use and zoning controls, land availability, or community density preferences. To the extent the LAO's estimated housing needed to have achieved lower prices in San Francisco was infeasible between 1980 and 2010, and continues to be so for the future, the analysis does not present alternative methods of providing more affordable housing, particularly for low and moderate income households.
- For the future, assuming trends over the 30 years between 1980 and 2010 continue for the next 30 years, a supply-induced short-term reduction in housing prices in San Francisco would require an increase in housing units added to the City's housing stock every year greatly in excess of the average of the 2,011 added each year between 1980 and 2010. Further, average prices would still increase over the 30 years unless significantly more than 15,300 housing units per year are added, or at least 13,289 more per year than the actual 2,011 added between 1980 and 2010. These estimates do not consider the feasibility or desirability of such an increase in housing, population and density in San Francisco relative to factors such as local land use and zoning controls.

Impact of Changes in Housing Demand on Potentially Lowering Housing Prices

- San Francisco housing cost increases have been fueled by increases in demand due to an increase in the City's population and growth in upper income households. Between 1980 and 2013, Citywide inflation-adjusted median household income grew by 62 percent whereas growth in income for households in the 90th percentile grew by 116 percent.[4]
- Citywide rent paid between 1980 and 2013 grew faster at upper levels than at median or lower levels, with a 69 percent increase in median rent paid compared to a 91 percent increase at the 90th percentile of rent paid. However, income growth has been greater for upper income households than the rate of increase in upper level rents, resulting in a higher degree of housing affordability for high-income households and lower affordability for median or low income households.

[4] The median represents the point at which 50 percent of all City households have higher incomes and 50 percent have lower. The 90th percentile is the income point at which 90 percent of all City households have incomes lower than this amount.

- Exhibit C shows that the changes between 1980 and 2013 in household income for upper income households grew faster than rent paid for higher income households compared to those at the median and below. While the distribution of household income and rent paid do not align for all households, the changes captured in Exhibit C show that housing is less affordable for households with median or lower incomes and that higher rents are relatively more affordable for upper income households.

Exhibit C: Changes in Citywide Rent Paid and Household Income 1980 - 2013

	Change in Rent Paid	Change in Household Income
10th percentile	+17%	-4%
50th percentile (median)	+69%	+62%
90th percentile	+91%	+116%
95th percentile	+97%	+127%
99th percentile	+93%	+140%

Sources: Budget and Legislative Analyst estimates from 1980 Decennial Census PUMS files, and 2013 1-Year American Community Survey PUMS files. Dataset obtained from IPUMS-USA, University of Minnesota, www.ipums.org.

- In 2013, median rent paid in San Francisco for all housing types was approximately $1,655 per month whereas the median market rate for a one-bedroom unit was $2,800 per month, or 69 percent higher. In 2015, the median market rate had increased to $3,620 for a one bedroom apartment. The large gap between median market rent and median rent paid appears to represent a scarcity of housing and a willingness and ability on the part of some residents to pay higher rental rates, resulting in a likely continuation of increases in market rate rents, if present trends continue.
- The Budget and Legislative Analyst concludes that the Citywide trends above regarding housing demand are applicable to the Mission District and will persist if present trends continue. Specifically, the decreasing number of households in the Mission District with incomes between $35,000 and $99,999 and the increasing number of households with incomes over $100,000 will mean that more neighborhood residents will be able to pay higher rents, making housing less accessible and affordable to those with relatively lower incomes. Decreases in housing prices in the Mission District do not seem likely from the trends in demand for housing and changes in household income.

Projected changes in Mission District housing prices if present trends continue

- The Budget and Legislative Analyst prepared projections of Mission District housing prices for two, five and ten years out from 2015 based on historical price trends. Three projection scenarios were prepared using two, five and nine years' worth of historical Mission District housing price data. The projection results show that the further back the historical data used as the basis of the projections, the lower the rate of projected housing price increase since greater variation in economic cycles is incorporated.

- Using nine years' worth of historical Mission District housing data, which incorporates the effects of the economic recession that started in 2008, housing prices in the Mission District would experience a downturn during the ten year projection period, but would ultimately still increase through 2025. Exhibit D presents the results of the projections. If historical data from five and two years prior to 2015 is used, prices are projected to continually increase over the next ten years.

Exhibit D: Projected Changes to Median Price for All Types of Mission District Housing* through 2025 Based on Continuation of Historical Trends (July 2015 Dollars)

Projection Basis: # Years	2015 Base Year	2017 Projected	2020 Projected	2025 Projected	% Change
9 Years Historical	$1,210,400	$1,085,654	$1,173,257	$1,319,262	9.0%
5 Years Historical	$1,210,400	$1,371,296	$1,689,465	$2,219,747	83.4%
2 Years Historical	$1,210,400	$1,538,987	$2,008,485	$2,790,982	130.6%

Sources: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst.
*All homes include single-family homes, condominium, and co-operative homes.

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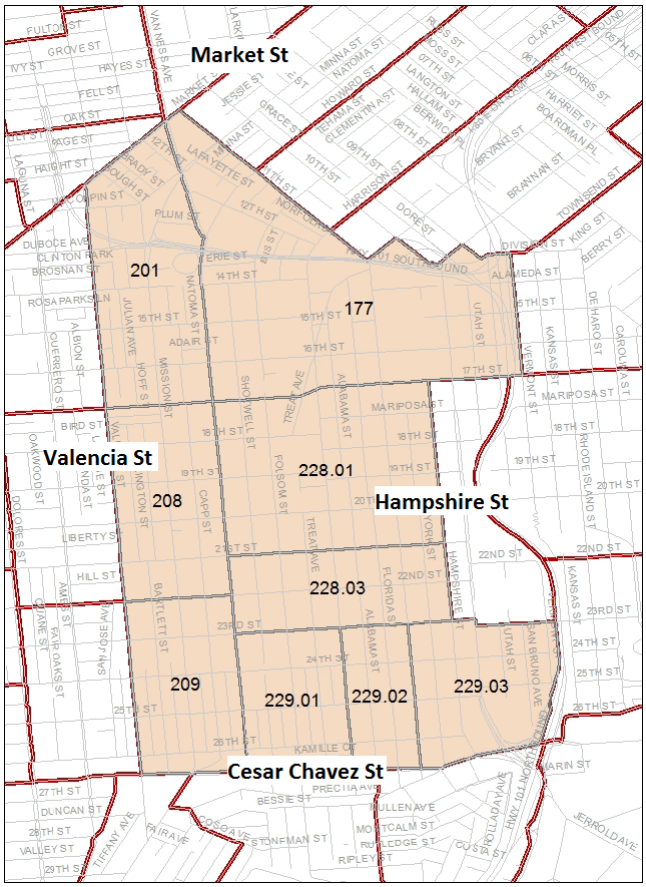
TABLE OF CONTENTS

1. Demographic Trends in San Francisco's Mission District

This report section presents changes in the Mission District's Hispanic/Latino population, household/family population, and household income.

In order to analyze changes in the Mission District, Census tract level data was used that roughly corresponds to the City Planning Department's definition of the Mission District, as seen in Exhibit 1 below. The nine Census tracts used for this analysis are: 177, 201, 208, 209, 228.01, 228.03, 228.09, 229.02, and 229.03.

Exhibit 1: Census Tracts in the Mission District



Source: Office of Economic Analysis, San Francisco Controller's Office, 2015

Census tract level data is available in the decennial U.S. Census released every ten years and the 5-Year American Community Survey (ACS), which provides five year averages of annual samples taken each year since 2005. Comparisons between the 2000 decennial census and the most recently available 5-Year ACS (2009-2013) formed the basis of this analysis and the two, five, and ten year projections presented below.

Although changes between 2000 and the 2009-2013 average are sufficient to describe the basic magnitude and direction of recent demographic trends, use of

this information has limitations. More recent comparison data would be desirable in order to understand whether and how demographic trends accelerated, moderated, or stayed the same over time, and to inform more robust statistical projections. However, despite the fact that ACS data is available going back to 2005, the California State Census Data Center, among others, strongly advise against comparing overlapping sample periods, particularly at small geographic scales such as a neighborhood or district. For this analysis, all sampling periods between 2005 and 2013 overlapped, so only the most recent results from the 2009-2013 5-Year ACS were used.

The 2009-2013 data set averages results from the economic recession that began in 2008, the immediate post-recessionary environment and the more recent period of economic recovery in San Francisco, but does not include data from 2014 or 2015. For this reason, we believe the estimates presented below are conservative and may understate the scale of recent demographic changes.

Finally, all ACS data are sample data based on surveys, and do not represent actual, comprehensive population counts of persons or households. The figures should therefore be understood as estimates within a range of probable values.

The Mission District's Hispanic/Latino Population

Since 2000 there has been a significant decline, in both numeric and percentage terms, of the Mission District's Hispanic/Latino population. As seen in Exhibit 2 below, in 2000, the Hispanic/Latino population, at 25,180, comprised nearly 60 percent of the Mission District's total population of 42,266. By the 2009-2013 period, the Hispanic/Latino population decreased by 6,808 individuals, or 27 percent, to 18,732 and comprised approximately 48 percent of the Mission District's population of 38,287.

The Non-Hispanic/Latino population, by contrast, increased by 17 percent, or 2,829 individuals from 17,086 to 19,915 over the same period, and increased in population share from 40 to 52 percent. The Mission District's total population decreased by 3,979, or nine percent, from 42,266 to 38,287. By contrast, the City's total population increased by approximately 41,000, or five percent, over the same period, from 776,733 to 817,501.

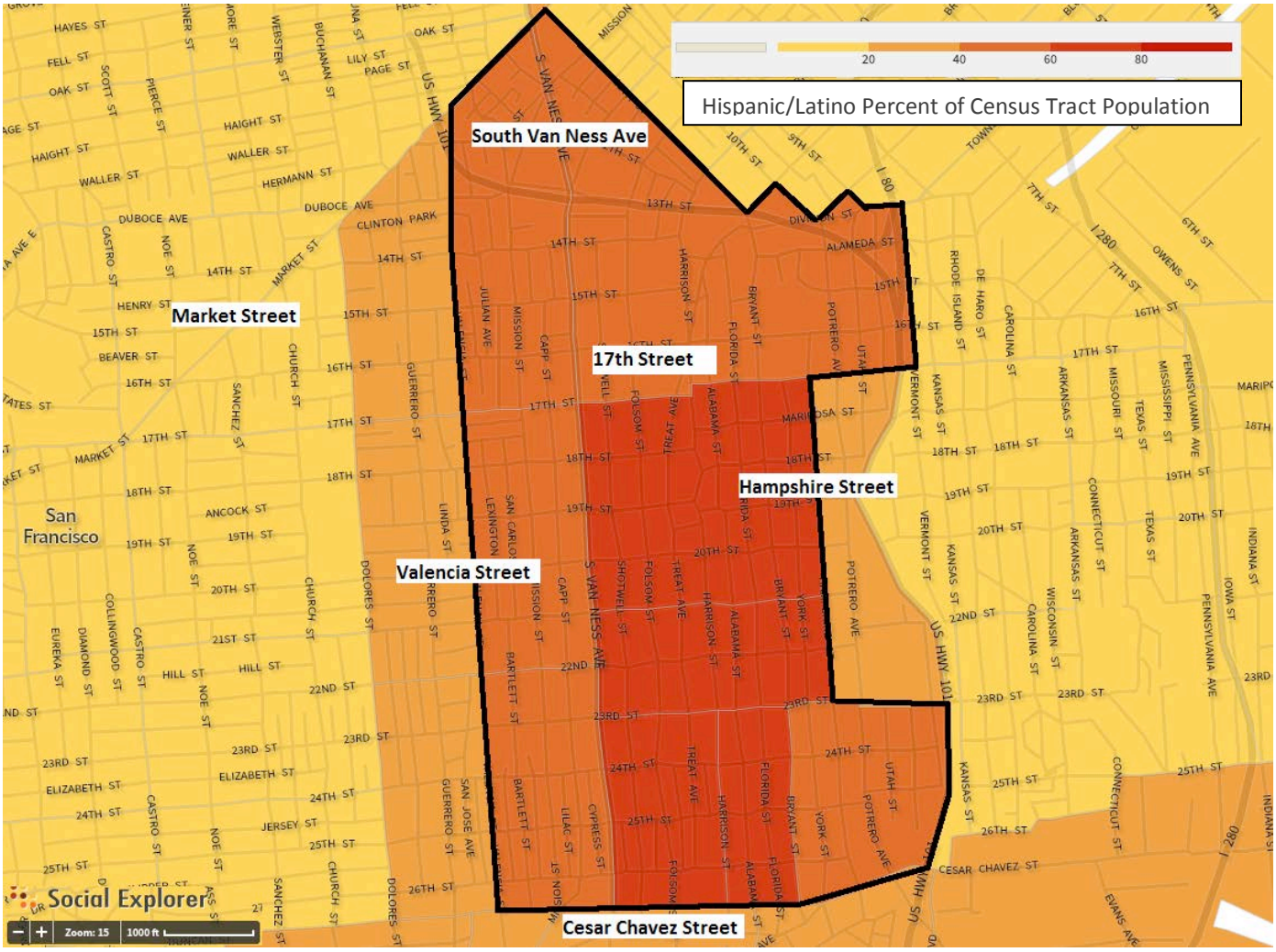
Exhibit 2: Mission District Hispanic/Latino Population, 2000 and 2009-2013

	2000	% Total	2009-2013	% Total	Change	% Change
Hispanic/Latino	25,180	60%	18,372	48%	(6,808)	-27%
Non-Hispanic Latino Population	17,086	40%	19,915	52%	2,829	17%
Total Mission District Population	42,266	-	38,287	-	(3,979)	-9%
Total City Population	776,733	-	817,501	-	40,768	5%

Source: Census 2000 and American Community Survey 2013 (5-Year Estimate)

The Hispanic/Latino population declined across all nine Mission District Census tracts that formed the basis of this analysis. As can be seen in the maps in Exhibits 3 and 4 below, however, there was significant variation in different tracts, with large changes in some tracts and others relatively stable.

Exhibit 3: Mission District Hispanic/Latino Share of Population, 2000



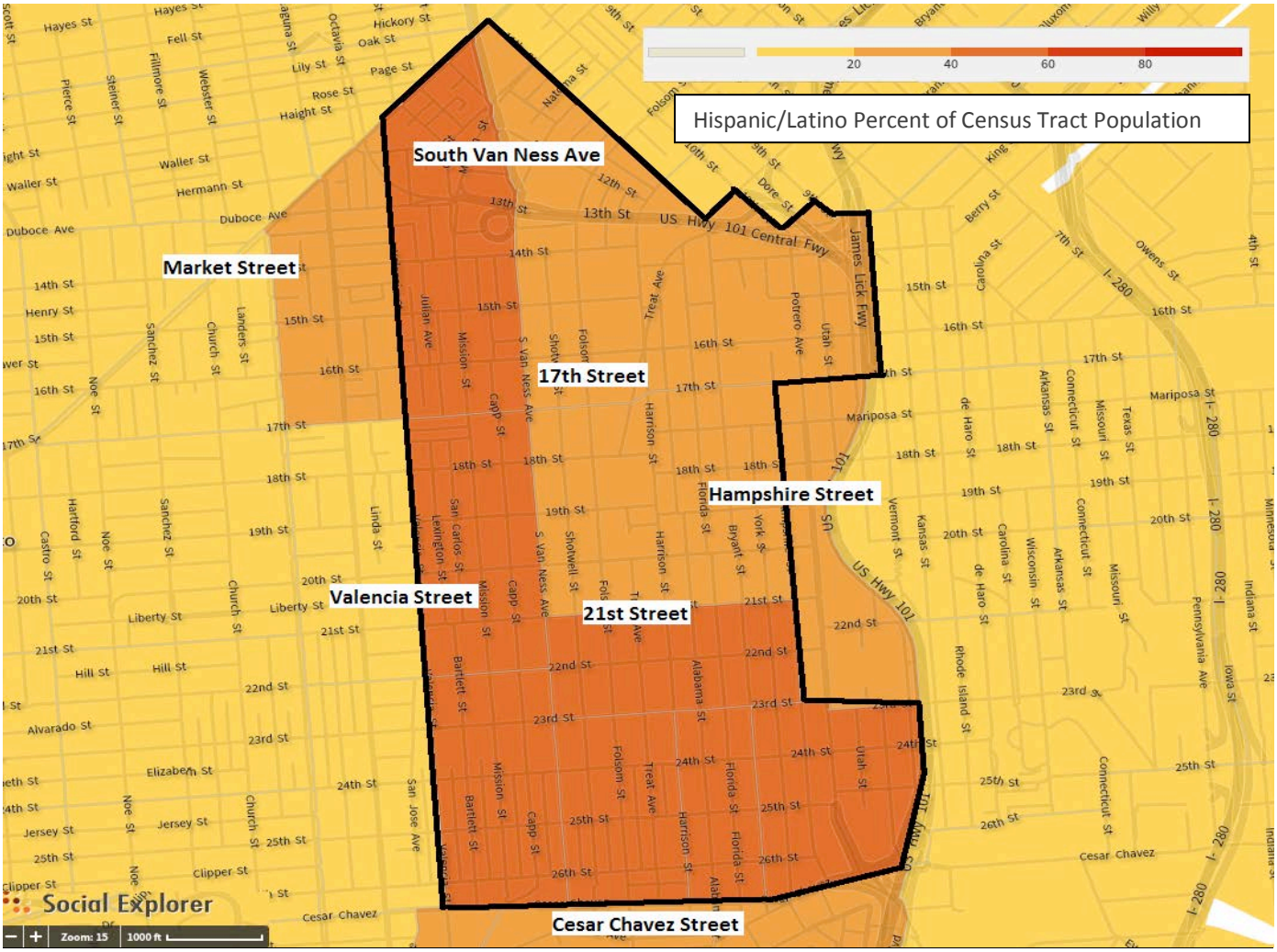
Source: Census 2000, Social Explorer

As of the 2000 Census, there were four Census tracts[5] (comprised primarily of the area south of 17th Street, east of S. Van Ness Avenue, west of Hampshire and Bryant Streets, and north of Cesar Chavez Street) where the Hispanic/Latino population comprised over 60 percent of the population. By 2009-2013, as seen

[5] 228.01, 228.03, 229.01, 229.02

in the map in Exhibit 4 below, there were no Census tracts with Hispanic/Latino populations over 60 percent.

Exhibit 4: Mission District Hispanic/Latino Share of Population, 2009-2013



Source: American Community Survey 2013 (5-Year Estimate), Social Explorer

Change in One Census Tract in the Mission District

To illustrate further, Census tract 228.01, one of the four Mission District tracts that had a Hispanic/Latino population of 60 percent or more in 2000, is located at the center of the maps above and is comprised of the area bounded by 17th Street (N), Hampshire Street (E), 21st Street (S), and S Van Ness Ave (W). This area had the largest population change in numeric and percentage terms, both for the decline of the Hispanic/Latino population and the increase in the Non-Hispanic/Latino population. In this Census tract, total population changed only slightly, but the distribution of the population changed significantly.

There was a 47 percent decline in the Hispanic/Latino population in Census tract 228.01 between 2000 and 2009-2013 from 2,839 to 1,504. The Non-Hispanic/Latino population, by contrast, increased by 77 percent, from 1,837 to 3,256. The total population for the Census tract increased by 84, or a change of 1.4 percent.

Estimates of the Mission District's Future Hispanic/Latino Population

If current trends continue and the relative changes seen between 2000 and the 2009-2013 period are annualized going forward, the Budget and Legislative Analyst projects continued significant declines in the Mission District's Hispanic/Latino population, as seen in Exhibit 5 below[6]. We estimate the Mission District's Hispanic/Latino population will decline from 48 percent of the total Mission District population to 42 percent by 2017 and to 31 percent by 2025.[7]

Exhibit 5: Hispanic/Latino Share of the Mission District's Estimated Future Population

	Hispanic/Latino		Non-Hispanic Latino	
Year	Number	Percent	Number	Percent
2009-2013	18,372	48%	19,915	52%
2017	15,116	42%	21,268	58%
2020	13,340	38%	22,006	62%
2025	10,380	31%	23,236	69%

Source: Budget and Legislative Analyst, based on Census 2000 and American Community Survey 2013 (5-Year Estimate)

San Francisco's Hispanic/Latino Population

Although the Mission District's Hispanic/Latino population share declined significantly, the Hispanic/Latino population increased Citywide from 2000 to 2009-2013. As Exhibit 6 below indicates, the Hispanic/Latino population in San Francisco grew by 14,663, or 13 percent, and increased from 14 percent of the City's population to 15 percent of the City's population over the time period. The non-Hispanic/Latino population grew by 26,105, but declined in share from 86 to 85 percent of the total Citywide population.

[6] To calculate annual change, the Budget and Legislative Analyst assumed the 5-Year ACS average could be established at the mid-point of the 2009-2013 period. Changes from the 2000 Census were therefore assumed to have occurred over 11.5 years.

[7] If current trends continue, the Mission District's overall population will decline to 33,616 by 2025, as gains in the Non-Hispanic/Latino population are offset by losses in the Hispanic/Latino population. The total number of households is projected to increase, however, as fewer individuals and smaller families occupy the available housing units. Overall trends in household and family size are discussed further in a below section.

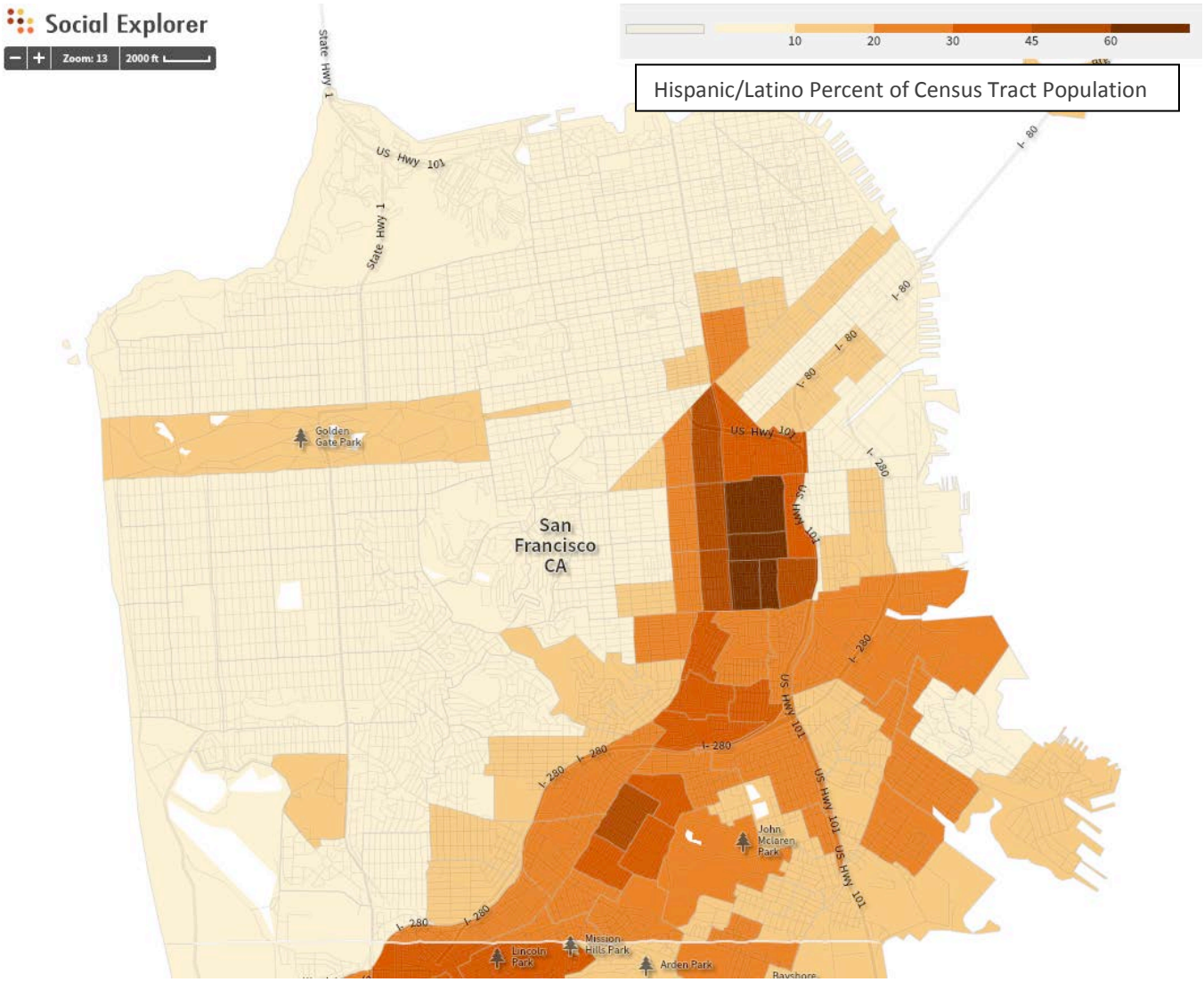
Exhibit 6: San Francisco's Citywide Hispanic/Latino Population 2000 to 2009-2013					
	Hispanic/ Latino	% Total	Non-Hispanic/ Latino	% Total	Total Population
2000	109,504	14%	667,229	86%	776,733
2009-2013	124,167	15%	693,334	85%	817,501
Change	14,663		26,105		40,768

Source: Census 2000 and American Community Survey 2013 (5-Year Estimate)

The maps in Exhibits 7 and 8 below place changes in the share of the Mission District's Hispanic/Latino population in the context of overall changes for this group across the City.

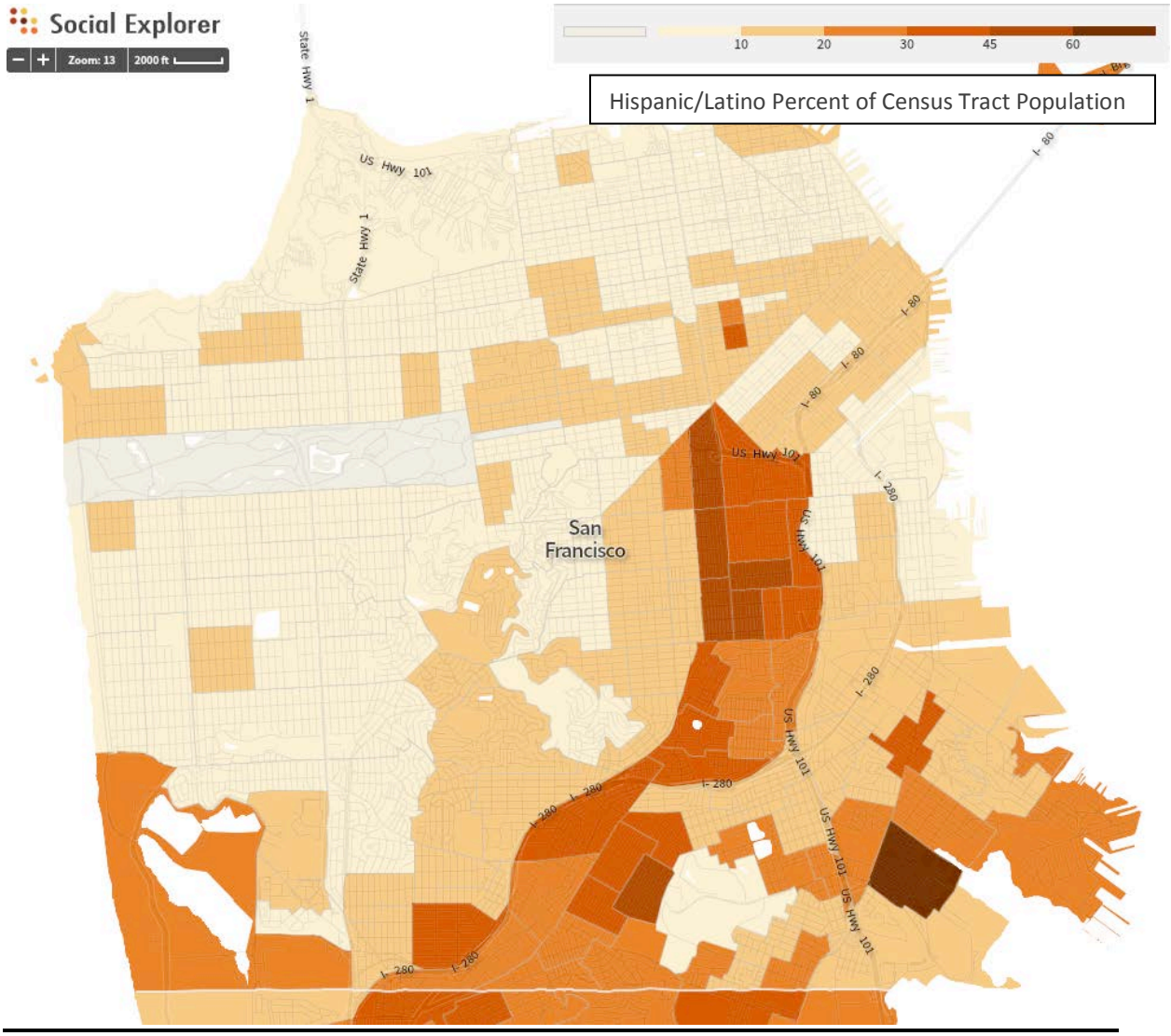
As can be seen, the most noticeable differences between 2000 and 2009-2013 are the relative declines in the Hispanic/Latino population in the Mission District and surrounding areas, and the relative increases in the Hispanic/Latino population in certain southern areas of the City including Bayview, Mission Terrace, the Excelsior, and Lakeshore, as well as smaller increases in a handful or northern and western neighborhoods.

Exhibit 7: San Francisco Citywide Hispanic/Latino Share of Population, 2000



Source: US Census 2000, Social Explorer

Exhibit 8: San Francisco Hispanic/Latino Share of Population, 2009-2013



Source: American Community Survey 2013 (5-Year Estimate), Social Explorer

With the data analyzed for this report, it is not possible to draw a conclusion as to whether residents leaving the Mission District are resettling in other City neighborhoods or leaving the City entirely and being replaced with Hispanic/Latino residents new to the City. To make such a determination, one would have to investigate cross-tabulated migration data, tasks that were not within the scope of this analysis.

Households and Families in the Mission

Although the total population of the Mission District Census tracts declined between 2000 and 2009-2013 from 42,266 to 38,287, the number of households increased by 11 percent, from 13,071 to 14,454, as shown in Exhibit 9 below. This divergence is at least partially explained by a reduction in average household size in the Mission District from 3.2 in 2000 to 2.6 in the 2009-2013 five year period. Average family size in the Mission District also decreased from an average of 3.9 individuals per family in 2000 to 3.4 in 2009-2013.

Exhibit 9: Households and Families in the Mission, 2000 through 2009-2013

	2000		2009-2013		Change	
	Total	% Total	Total	% Total	Total	% Total
Total Population	42,266	--	38,287	--	(3,979)	-9%
Total Households in the Mission	13,071	--	14,454	--	1,383	11%
Average Household Size	3.2	--	2.6	--	--	--
Average Family Size	3.9	--	3.4	--	--	--
Households with children	4,088	31%	3,041	21%	(1,047)	-26%
Households with seniors	2,426	19%	2,441	17%	15	1%
Households: Related Individuals	6,655	51%	6,263	43%	(392)	-6%
Households: Unrelated Individuals	6,416	49%	8,191	57%	1,775	28%
Owner-occupied units	2,482	19%	3,665	25%	1,183	48%
Renter-occupied units	10,589	81%	10,789	75%	200	2%
Total Housing units	13,539	100%	15,745	100%	2,206	16%

Source: Census 2000 and American Community Survey 2013 (5-Year Estimate)

Other key points about changes in the makeup of households in the Mission District presented in Exhibit 9 include:

- Whereas households composed of single or unrelated individuals living together and households composed of related people living together were nearly evenly split in 2000, by 2009-2013 the number of households with related people living together had decreased slightly but households with singles and unrelated individuals living together had increased significantly, by 28 percent, and were a clear majority;[8]
- The number of households with children decreased by 1,047, from 4,088 in 2000 to 3,041 in 2009-2013, a decline of 26 percent;

[8] The Census Bureau defines households composed of related individuals living together as Family Households. Family households also include households composed of unrelated individuals living with related individuals. Households composed of single occupants or unrelated individuals living together are classified as Non-family Households by the Census Bureau.

- In 2000 the Mission District's housing stock was approximately 20 percent owner-occupied and 80 percent renter-occupied; by 2009-2013 this changed to 25 percent owner-occupied and 75 percent renter-occupied;
- While the number of renter-occupied units increased by 200 units, or two percent, the number of owner-occupied units increased by 1,183 units, or nearly 50 percent;
- The number of total housing units increased by 2,206, or 16 percent, although a lower proportion of these are occupied compared to 2000, likely due to unfinished construction.

The above data indicates the loss of households with children has been offset by a mixture of households without children, such as married couples and, especially, households with unrelated individuals sharing a unit or singles occupying an entire housing unit.

Given the significant decline in the number of households with children, as well as the decline in both household and family size, it appears the loss of families and households with children contributed to a significant portion of the Mission District's overall population decline of 3,979 individuals over the 2000 to 2009-2013 period.

Households and Families in San Francisco

As seen in Exhibit 10 below, total population grew in San Francisco between 2000 and 2009-2013. The number of households and families Citywide can be characterized as generally stable between 2000 and 2009-2013, with small to moderate growth or increases. This is in contrast to the Mission District where, as shown in Exhibit 9 above, total population decreased while the number of households increased, with family households and households with children both decreasing.

Exhibit 10: Households and Families in San Francisco, 2000 through 2009-2013

	2000		2009-2013		Change	
	Total	% Total	Total	% Total	Total	% Total
Total Population	776,733	--	817,501	--	40,768	5%
Total Households in San Francisco	329,700	--	345,344	--	15,644	5%
Average Household Size	2.3	--	2.31	--	--	--
Average Family Size	3.22	--	3.17	--	--	--
Households with children	63,867	19%	64,694	19%	827	1%
Households with seniors	78,716	24%	82,467	24%	3,751	5%
Households: Related Individuals	145,186	44%	156,742	45%	11,556	8%
Households: Unrelated Individuals	184,514	56%	188,602	55%	4,088	2%
Owner-occupied units	115,391	35%	126,394	37%	11,003	10%
Renter-occupied units	214,309	65%	218,950	63%	4,641	2%
Total Housing units	346,527	100%	378,186	100%	31,659	9%

Source: Census 2000 and American Community Survey 2013 (5-Year Estimate)

Key points about changes in the makeup of households in San Francisco presented in Exhibit 10 include:

- Citywide, increases in population and households tracked each other closely, with both growing at approximately five percent from 2000 to 2009-2013. The Mission District, meanwhile, had a divergence between population and households, with a nine percent decrease in population coupled with an 11 percent increase in the number of households.
- Average household size and average family size Citywide were also relatively stable from 2000 to 2009-2013. Both decreased in the Mission District.
- Households composed of related individuals increased by eight percent Citywide in contrast to a six percent decrease in the Mission District, and households composed of unrelated individuals increased by two percent Citywide, in contrast to a 28 percent increase in the Mission District.[9]
- Citywide there was a one percent increase in the number of households with children. In contrast, the Mission saw a 26 percent decrease in the number of households with children. In addition, whereas the Mission District had a significantly higher percentage of households with children in 2000 (31 percent versus 19 percent Citywide), by 2009-2013 the proportion of households with

[9] The Census Bureau defines households composed of related individuals living together as Family Households. Family households also include households composed of unrelated individuals living with related individuals. Households composed of single occupants or unrelated individuals living together are classified as Non-family Households by the Census Bureau.

children in the Mission District was roughly similar to the Citywide rate (21 percent to 19 percent).

- The Mission District had a lower percentage of households with seniors compared with the City in both 2000 and 2009-2013.
- While the number of owner-occupied units increased by approximately ten percent in San Francisco between 2000 and 2009-2013, the number of owner-occupied units increased by 48 percent in the Mission District. The number of renter-occupied units increased by the same amount in both the Mission District and San Francisco from 2000 to 2009-2013, approximately two percent.

As with the City's Hispanic/Latino population, it would require further analysis to determine whether households leaving the Mission District are resettling in other City neighborhoods, or leaving the City entirely and being replaced by households or families new to the City.

Estimates of the Mission District's Future Population of Households with Children

If current trends continue and the relative changes seen between 2000 and the 2009-2013 period are annualized going forward, the Budget and Legislative Analyst projects continued declines in the Mission District's projected share of Households with Children, as seen in Exhibit 11 below.[10] As shown, the Mission District's projected share of households with children would decline from 21 percent of the District's total number of households to 17 percent in 2017 and 11 percent in 2025.

Exhibit 11: Projected Share of Households with Children in the Mission District

	Households with Children		Total Households
Year	Number	Percent of Total	Number
2009-2013	3,041	21%	14,454
2017	2,540	17%	15,115
2020	2,267	15%	15,476
2025	1,812	11%	16,078

Source: Budget and Legislative Analyst, based on Census 2000 and American Community Survey 2013 (5-Year Estimate)

[10]This projection is based solely on the assumption of current trends continuing. Although there will likely be continued decreases amongst the current population of households with children, these households may be replaced by at least some number of new families with children. It is therefore also possible that the population of households with children will stabilize at some level higher than the 11 percent figure in 2025 provided above.

Low-and-Middle Income Households in the Mission

Household Income in the Mission District

As seen in Exhibit 12 below, over the 2000 to 2009-2013 period there has been growth in the share of households in the Mission District with annual incomes of less than $35,000. Meanwhile, households earning between $35,000 to $49,999 in annual income have remained relatively stable, increasing by 85 from 1,503 to 1,587.

Households with annual incomes between $50,000 to $99,999 declined in both numeric and percentage terms, falling from 4,295 households in 2000 to 3,473 in the five year 2009-2013 period, a decrease of 19 percent. This is the only income group to have experienced a numeric decline in the Mission District during the years reviewed. By contrast, households with between $100,000 to $149,999 annual income maintained a relatively stable share of all households in the Mission District.

There was significant growth in the number of households earning between $150,000 to $199,999 annual household income. Finally, households earning $200,000 and above in annual household income increased from 720 households in 2000 to 1,474 households in 2009-2013, an increase of 105 percent. This was the largest increase of the income groups in both numeric and percentage terms.

Exhibit 12: Changes in Mission District Household Income, 2000 to 2009-2013

	2000		2009-2013			
Income	Households	% Total	Households	% Total	Change	%
Less than $15,000	1,508	12%	1,900	13%	392	26%
$15,000 - $34,999	2,174	17%	2,692	19%	518	24%
Subtotal	*3,682*	28%	*4,592*	32%	*910*	*25%*
$35,000 -$49,999	1,503	11%	1,587	11%	84	6%
$50,000 - $99,000	4,295	33%	3,473	24%	(822)	-19%
Subtotal	*5,798*	44%	*5,060*	35%	(738)	-13%
$100,000 - $149,999	1,972	15%	2,100	15%	128	6%
$150,000 -$199,999	913	7%	1,228	8%	315	35%
More than $200,000	720	6%	1,474	10%	754	105%
Subtotal	*1,633*	12%	*2,702*	19%	1,069	65%
Total	13,085	100%	14,454	100%	1,369	10%

Source: Census 2000 (in 2013$) and American Community Survey 2013 (5-Year Estimate), Social Explorer

Note: Total households reported by U.S. Census Bureau for Mission District household income in 2000 are 14 households higher than total households reported for population and demographic purposes.

Between 2000 and 2009-2013, the approximate range of households earning between $35,000 and $99,999 went from 44 percent of the Mission District's population to 35 percent, a decrease of 13 percent. By contrast, all households earning above $150,000, or twice the 2009-2013 Citywide median household income of $75,604, went from 12 percent of the Mission District's population to 19 percent, an increase of 65 percent.

As with the previous topics covered in this report, the 5-Year 2009-2013 ACS is the most recent period available for Census tract level data. With this data, it is not possible to measure whether the income trends identified above for the Mission District accelerated, moderated or remained the same between 2009-2013 and 2015. However, the Citywide median household income increased to $85,070 as of 2014 from $77,485 in 2013 in the ACS 1-Year Estimates, and the Mission District has likely followed this Citywide trend.

Finally, it is not possible to determine with the available data used for this report whether the households in the income categories presented have remained in the Mission District over time and/or whether there has been upward or downward mobility for any individual household.

Estimates of the Mission District's Future Household Income

If current trends continue and the changes seen over the 2000 to 2009-2013 period are annualized going forward, the Budget and Legislative Analyst projects continued relative and actual declines in the number of households with annual incomes between $35,000 and $99,999 in the Mission District, as seen in Exhibit 13 below.

Exhibit 13: Projected Share of Total Households in the Mission District by Income

Annual Housheold Income	2000	2009-2013		2017		2020		2025	
		Households	Percent	Households	Percent	Households	Percent	Households	Percent
Less than $35,000	28%	4,592	32%	5,027	33%	5,265	34%	5,660	35%
$35,000 - 99,999	44%	5,060	35%	4,707	31%	4,515	29%	4,194	26%
$100,000 - 149,999	15%	2,100	15%	2,161	14%	2,195	14%	2,250	14%
More than $150,000	12%	2,702	19%	3,213	21%	3,492	23%	3,957	25%
Total		14,454		15,109		15,466		16,061	

Source: Budget and Legislative Analyst, based on Census 2000 (in 2013$) and American Community Survey 2013 (5-Year Estimate)

As can be seen in Exhibit 13, households making less than $35,000 a year will continue slowly expanding their share of total households in the Mission District if present trends continue. Households at this income level are projected to reach 35 percent of all households by 2025, up from 28 percent of all households in 2000.

Households earning between $35,000 and $99,999 annually will continue seeing year-over-year declines if present trends continue, eventually constituting 26 percent of all Mission District households by 2025. This is a significant projected decrease from 44 percent of all households in 2000.

Households earning between $100,000 and $149,999 a year will remain a relatively stable proportion of the population at 14 percent in 2025 if present trends continue. Finally, households earning $150,000 and above annually will continue to expand their share of the neighborhood's overall population. Households at this income level are projected to reach 25 percent of all households by 2025, a significant projected increase from 12 percent of all households in 2000.

Household Income in San Francisco

Citywide, changes in household income from 2000 to 2009-2013 were roughly similar to the Mission District, as seen below in Exhibit 14. There was an increase in households earning less than $35,000 annually, a decrease in households earning between $35,000 to $99,999, little change in households earning between $100,000 to $149,999, and an increase in households earning over $150,000 annually.

The magnitude of the changes within those broad categories varied between the Mission District and the City. For instance, the number of households earning less than $35,000 annually increased by almost the same amount in both the Mission District and San Francisco overall from 2000 to 2009-2013, at approximately 25 percent.

Citywide, there were numeric and relative decreases in the number of households at several levels of household income between 2000 and 2009-2013, including all three income brackets ranging from $35,000 to $149,999, as shown in Exhibit 14. In the Mission District, however, decreases were concentrated only among households at the $50,000 to $99,999 level of annual household income, which, at 19 percent, was of a larger magnitude than the nine percent decrease in the same income category Citywide.

Finally, although the number of households earning over $200,000 annually increased in both the Mission District and Citywide between 2000 and 2009-2013, in percentage terms the increase in the Mission District was approximately seven times greater than the City as a whole, at 105 percent versus 15 percent, respectively.

Exhibit 14: Changes in San Francisco Household Income, 2000 to 2009-2013						
	2000		2009-2013			
Income	Households	% Total	Households	% Total	Difference	% Change
Less than $15,000	34,556	10%	44,478	13%	9,922	29%
$15,000 - $34,999	42,241	13%	50,780	15%	8,539	20%
Subtotal	*76,797*	*23%*	*95,258*	*28%*	*18,461*	24%
$35,000 -$49,999	31,830	10%	30,402	9%	(1,428)	-4%
$50,000 - $99,999	91,839	28%	83,752	24%	(8,087)	-9%
Subtotal	*123,669*	*37%*	*114,154*	*33%*	*(9,515)*	*-8%*
$100,000 - $149,999	55,903	17%	55,168	16%	(735)	-1%
$150,000 -$199,999	31,071	9%	32,197	9%	1,126	4%
More than $200,000	42,410	13%	48,567	14%	6,157	15%
Subtotal	*73,481*	*22%*	*80,764*	*23%*	*7,283*	10%
Total	329,850	*100%*	345,344	*100%*	15,494	5%

Source: Census 2000 (in 2013$) and American Community Survey 2013 (5-Year Estimate), Social Explorer.

Note: Total households reported by U.S. Census Bureau for Citywide household income in 2000 is 150 households higher than total households reported for population and demographic purposes.

2. Impact of Changes in Housing Supply on Potentially Lowering Housing Prices

In this and the subsequent Section 3 of this report, the Budget and Legislative addresses the question of how many units of housing would need to be constructed to lower prices by separately analyzing supply and demand factors that have contributed to rising housing prices in the Mission District and San Francisco overall. Although it is not possible to provide an estimate on the exact number of housing units needed to lower current median housing values without constructing a complex forecasting model, this report section provides perspective on the number of housing units that could moderate future increases in median housing values.

Increasing Housing Supply to Reduce Housing Price Growth

A 2015 report by the California Legislative Analyst's Office (LAO), the State's nonpartisan fiscal and policy advisor, estimated the amount of additional housing that would have been needed to prevent California's housing costs from growing faster than the rest of the country in recent decades.[11] The LAO's estimates provide perspective on the amount of additional housing demand and housing construction that would have resulted in San Francisco had there been parity between U.S. and California median housing price growth between 1980 and 2010.

The LAO's report notes that during the 30-year period from 1940 through 1970, the state's home prices were generally between 20 to 30 percent higher than the national average. Prices accelerated during the 1970s, and by 1980, home prices in California were 80 percent above U.S. levels. By 2015, prices in California were approximately two-and-a-half times the national average.

For the 30 year period between 1980 and 2010, the LAO prepared an estimate of how many additional households would have lived in California if housing prices had risen "only as fast as the rest of the country", as opposed to significantly faster.[12]

Over this period California built an average of 120,000 new housing units annually. The LAO's analysis estimates that between a total of 190,000 and 230,000 units would have been built under conditions of equivalent housing cost growth between California and the rest of the country, or between 70,000 and 110,000 additional units per year over the actual annual average. Under this scenario

[11] "California's High Housing Costs: Causes and Consequences". California Legislative Analyst's Office. March 17, 2015.

[12] The LAO's analysis primarily focused on the relationship on housing demand and home prices. They report that they performed a similar analysis on rents and received similar results.

California would have built between an additional 2.1 and 3.3 million units of housing over the 30 year period and between 5.4 and 8.5 million additional people would have been living in the state.

Had this level of housing construction occurred, the LAO concludes that prices in California would have risen during the 30 year period consistent with the level of increase in housing prices nationwide, leading to median housing prices lower than their current actual levels. The LAO predicts these additional housing units would have been heavily concentrated in the state's major coastal metropolitan areas for a number of reasons, including 1) these areas have the strongest demand for housing; 2) these areas contain two-thirds of the state's population; 3) these areas saw the largest price increases for housing over the period in question; and 4) these areas had the comparatively slowest pace of new housing construction over the period in question.[13]

The LAO's estimates should be understood as providing a sense of the scale of annual housing construction needed over a 30-year period to moderate the growth of median housing prices in California. The estimates should not be interpreted as a static estimate of current housing need or a prediction of the number of housing units needed to lower prices from their current levels.

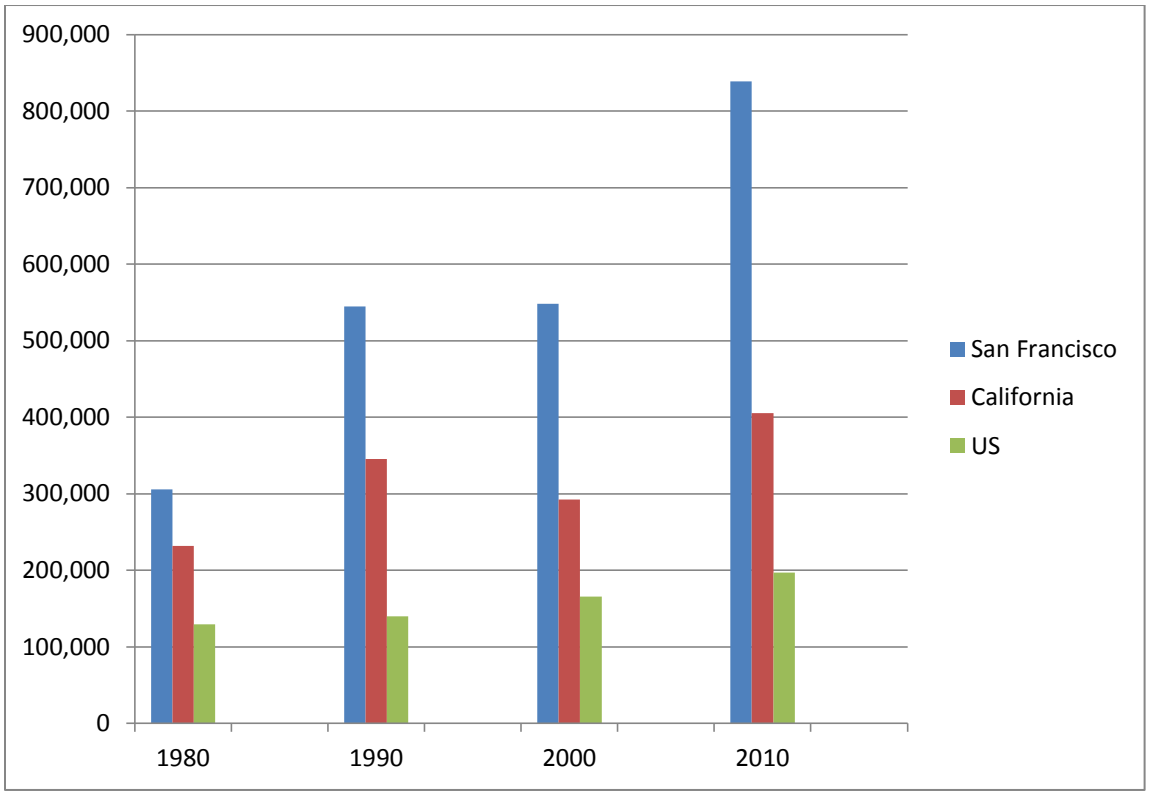
California Legislative Analyst's Office Housing Estimates for San Francisco

The LAO's 2015 report included estimates of the housing needed in the City and County of San Francisco for median price growth in California to have risen at the same level as the U.S. from 1980 to 2010.

As seen in Exhibit 15 below, the median value of owner-occupied housing units in San Francisco significantly outpaced the national average over the 1980-2010 period. Whereas the nationwide median value rose by approximately 52 percent over the 30-year period, San Francisco's median value rose by over three times that amount, or approximately 175 percent. In 1980 the $305,522 median value of an owner-occupied housing unit in San Francisco was over twice the national median of $129,261, but by 2010 the San Francisco median of $839,357 was over four times the $196,615 national median.

[13] The LAO's report also suggests that lower prices and increased supply in the state's coastal urban areas would have reduced the demand for new housing in the state's inland areas, which would have seen comparatively less building under this scenario. The LAO believes much of the growth in inland California over the 1980-2010 period resulted from spillover demand from individuals and families priced out of the too-expensive coastal areas. This spillover demand raised prices in the interior as well.

Exhibit 15: Median Value of Owner-Occupied Housing Units in San Francisco, 1980-2010



Median Value of Owner-Occupied Housing in San Francisco, 1980-2015 (in 2015$)

	1980	1990	2000	2010	2015
San Francisco	$305,522	$545,008	$548,597	$839,357	$982,000
California	$231,534	$345,710	$292,705	$405,361	$436,600
US	$129,261	$139,917	$165,520	$196,615	$178,500

% Change in Median Value of Owner-Occupied Housing in San Francisco 1980-2015

	1980-1990	1990-2000	2000-2010	2010-2015	1980-2010	1980-2015
San Francisco	78%	1%	53%	13%	175%	221%
California	49%	-15%	38%	8%	75%	89%
US	8%	18%	19%	-9%	52%	38%

Sources: 1980-2000 data from U.S. Census, "USA Counties" and "Historical Census of Housing Tables – Home Values" data sets. 2010 data from U.S. Census Bureau's American Community Survey (ACS). 2015 data from Zillow as of January 2015, via California State Legislative Analyst's Office, "California's High Housing Costs: Causes and Consequences", March 2015.

The LAO estimates that San Francisco would have had significantly more housing production over the 1980-2010 period if California's median home prices had appreciated in line with the approximately 52 percent rate of increase seen during that period for the U.S. as a whole.[14]

As seen in Exhibit 16 below, Census data shows that from 1980 to 2010 there was an average of approximately 2,011 housing units added annually in San Francisco, for a total of 60,334 housing units. The LAO's model estimates that 15,300 average annual units, or 13,289 more than actually added, would have been needed to be built in San Francisco on average each year and, when combined with additional housing in other California counties, would have enabled home prices to appreciate at the same rate as the rest of the country. This would have resulted in a total of approximately 459,000 new units in San Francisco during the 30-year period from 1980 to 2010, indicating a housing shortfall over the period of approximately 398,666 units compared to the 60,344 actually added on average each year over the 30 years. The LAO's estimated level of San Francisco's housing need represents a 561 percent increase over the actual level of housing production during that period. Under this scenario, by 2010 there would have been a total of 775,608 housing units in San Francisco, or over twice as many as the actual 376,942 housing units estimated by the U.S. Census in 2010. Even with that level of additional housing, the LAO analysis holds that San Francisco prices would have still increased over the 30-year period, though at a lower rate than actually occurred.

Exhibit 16: San Francisco's Actual Housing Unit Production and Estimated Housing Production Needed for California Housing Cost Growth to Equal the U.S. Median, 1980-2010

	Actual Housing Added	Estimated Housing Needed to Equal Growth in U.S. Median Prices	Estimated Housing Shortfall	Estimate vs Actual % Increase
Total Units	60,334	459,000	398,666	561%
Average Annual Units	2,011	15,300	13,289	

Source: Actual housing data from U.S. Census, "USA Counties" Censtats Housing database. Estimated housing data from "California's High Housing Costs: Causes and Consequences", California State Legislative Analyst's Office. March 2015. Shortfall estimated by Budget and Legislative Analyst.

Had all these additional units been built, the LAO estimates that the 2010 median home price in San Francisco would have been approximately $525,000 (in 2015

[14] The LAO's analysis does not consider constraints on new housing construction due to zoning and land use regulations.

inflation-adjusted dollars),[15] or $314,357 less than the actual 2010 median home price in San Francisco of $839,357. This amount is also slightly less than actual inflation-adjusted median home prices in 1990 and 2000, as shown above in Exhibit 15.

It follows that, over the 30 year period, some range of total construction above the actual 60,334 housing units added in San Francisco, but below the LAO's estimated need of 459,000 units, would also have led to relatively lower median housing prices in San Francisco as of 2010. This suggests that it would have taken some level of housing production beyond 459,000 total units during the 1980-2010 period for inflation-adjusted median prices in San Francisco to have declined from their 1980 level of $305,522.

Under this "growth" scenario estimated by the Legislative Analyst's Office, San Francisco's population would have been twice as large by 2010, or 1.7 million people instead of 805,195 as reported by the U.S. Census Bureau for 2010, with significantly greater housing densities.

Exhibit 17: Actual and Potential Population and Density in San Francisco

	Actual (2010)	LAO Growth Scenario
Population	805,195	1,700,000
Population Density (people per sq mi)	17,246	36,410
Housing Density (units per acre)	18 units per acre	35 to 40 units per acre

Sources: "California's High Housing Costs: Causes and Consequences", California State Legislative Analyst's Office. Budget and Legislative Analyst.

Policy Implications and Limitations

The figures presented by the LAO are backwards-looking and point to a past housing deficit rather than a forward projection of need. It cannot be stated that building 398,666 additional housing units *right now* would bring San Francisco's median housing price down to where it would have been had price growth not outpaced the rest of the country from 1980-2010. Rather, the LAO states the figures should provide a sense of the scale and pace of housing construction needed to prevent housing price appreciation far in excess of the national average, as California and San Francisco experienced over the 30-year period from 1980-2010.

The LAO's estimates do not address the issue of whether it would be possible or desirable to build significantly more housing units in San Francisco given current policy constraints such as land use and zoning controls and possible community

[15] The estimated 2010 San Francisco median housing value was provided by the State Legislative Analyst's Office in correspondence with the Budget and Legislative Analyst's Office.

resistance to such extensive growth. To the extent the LAO's estimated housing needed to have achieved lower prices in San Francisco was infeasible during the review period and remains so for the future, the analysis does not present alternative methods of providing more affordable housing, particularly for low and moderate income households.

Moving forward, the LAO believes that California will continue to see strong demand for housing in 2015 and beyond, and that "the state probably would have to build as many as 100,000 additional units annually – almost exclusively in its coastal communities – to seriously mitigate the state's problems with housing affordability". If trends from the last 30 years as reported by the LAO were to continue in San Francisco, construction of something above the City's 1980-2010 average annual production of 2,011 housing units, sustained over multiple years, would be needed to moderate projected price increases in the future. Further, a level of construction above the City's 1980-2010 average annual housing need of 15,300 average units estimated by the LAO, sustained over multiple years, would be needed to actually maintain a lower San Francisco's inflation-adjusted median housing price from its current value of approximately $1 million on an ongoing basis.

The LAO analysis does not imply that prices in San Francisco will never go down. As discussed further in Section 4, events such as recessions can and have lowered prices for several years at a time in San Francisco. However, over longer-run periods of 10, 20, or 30 years, median housing prices in both San Francisco and California have been on a consistently upward trajectory.

Finally, the LAO repeatedly stresses that readers should focus less on the specific estimates provided above and more on the general fact that "demand for housing in California substantially exceeds supply", and that the state needs to build significantly more housing in its coastal urban areas to moderate future housing price growth. [16]

The Budget and Legislative Analyst did not evaluate the City's housing development pipeline, development potential, zoning and land use regulations, or other laws and policies in order to assess the feasibility or desirability of reaching the LAO's estimated average annual housing construction levels, as these were outside the scope of this report.

[16] Under the terms of the LAO's model, no metro area or county can be considered in isolation from another. It is assumed that any potential moderation or reduction in San Francisco housing prices would take place under conditions where other coastal cities in California are also adding supply.

3. Impact of changes in housing demand on potentially lowering housing prices

Determinants of Housing Demand

The market rate for a certain quantity of housing is determined by the intersection of supply and demand. On the supply side, and as discussed in Section 2, the California Legislative Analyst's Office estimates that substantially more housing needed to have been produced in San Francisco to moderate housing price growth between 1980 and 2010. This section addresses trends related to the Citywide demand for housing in San Francisco since 1980.

Relevant household data for this analysis is available from the U.S. Census Bureau Public Use Microdata Sample (PUMS) files at the Citywide level, but not at the neighborhood or Census tract level. As a result, this section presents a Citywide analysis of income and rental price trends, though the patterns appear to mirror data that is available for the Mission District presented earlier in this report.

Demand for housing is derived from what households are willing and able to pay, which is linked to household income. As housing prices increase, fewer households are willing or able to pay market rates unless their incomes increase at the same rate, and as prices decrease, more households are able to pay the market rate as long as their incomes do not decrease.

We can estimate household willingness/ability to pay for rental housing by comparing income to rental prices. If the ratio of rent paid to income stayed constant over time, then willingness/ability to pay and the demand for housing would not change over time.

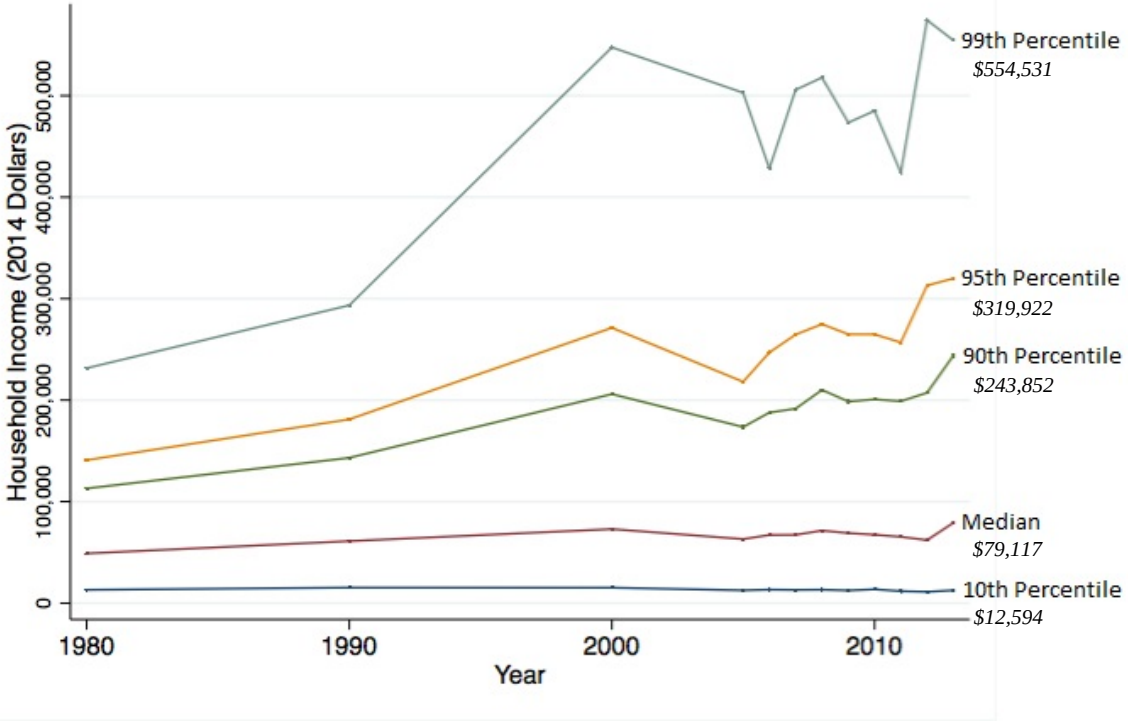
Household Income and Rent Trends in San Francisco

Citywide, rent-to-income ratios have been inconsistent over time across households with different income levels.[17] As shown in Exhibits 18 and 19, in inflation-adjusted dollars, high-income (90th, 95th, and 99th percentile[18]) households have experienced greater rates of income growth than low- (10th percentile) and median-income households.

[17] Estimates derived from: IPUMS-USA, University of Minnesota, www.ipums.org.

[18] In this case, the percentile indicates the household income below which a given percentage of households in San Francisco fall. For example, 90 percent of San Francisco households make less than the 90th percentile of household income and 10 percent make more. The median household income is also known as the 50th percentile because half of all households make more than the median income level and half make less. In the case of rent paid, half of all rental units rent for less than the 50th percentile (median) and half of all units rent for more.

Exhibit 18: Household Income of San Francisco Renters over Time (in 2014 Dollars)

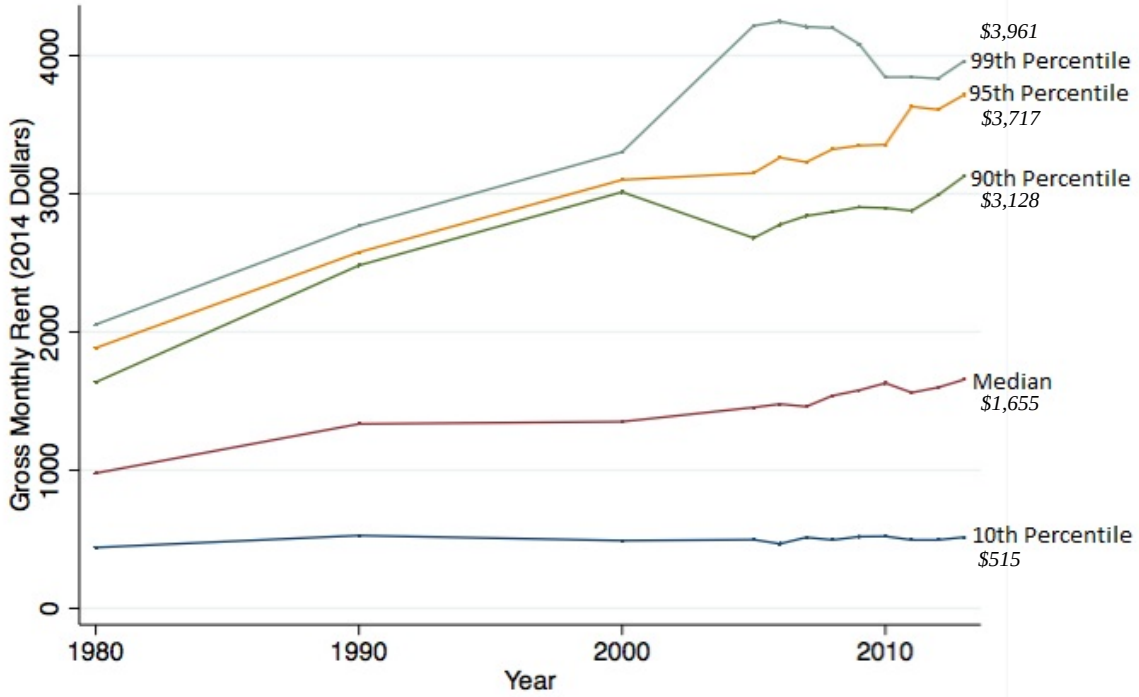


Income Percentile	1980	1990	2000	2010	2013	% Change 1980-2013	# Households above Percentile*
10th	$13,056	$15,324	$15,199	$13,565	$12,594	-4%	319,186
50th (Median)	48,932	61,091	72,940	67,393	79,117	62%	177,325
90th	112,981	143,182	205,966	200,767	243,852	116%	88,663
95th	140,927	181,096	271,307	264,795	319,922	127%	35,465
99th	231,489	293,456	547,585	485,097	554,531	140%	17,733

Source: 1980, 1990, 2000, and 2010 Decennial Census PUMS files, and 2005 through 2013 1-Year American Community Survey PUMS files. Dataset obtained from IPUMS-USA, University of Minnesota, www.ipums.org.
*Note: American Community Survey 2013 1 Year Estimate reports 354,651 households for San Francisco.

As shown in Exhibit 19, actual Citywide rent paid for higher cost units has increased at a greater rate than rent paid for lower cost units.

Exhibit 19: Citywide Rent Paid over Time, All Housing Types (in 2014 Dollars)



Price Percentile	1980	1990	2000	2010	2013	% Change 1980-2013
10th	$440	$527	$490	$521	$515	17%
50th (Median)	978	1,334	1,351	1,630	1,655	69%
90th	1,636	2,482	3,013	2,898	3,128	91%
95th	1,884	2,577	3,101	3,356	3,717	97%
99th	2,054	2,768	3,302	3,844	3,961	93%

Source: 1980, 1990, 2000, and 2010 Decennial Census PUMS files, and 2005 through 2013 1-Year American Community Survey PUMS files. Dataset obtained from IPUMS-USA, University of Minnesota, www.ipums.org.

Since 1980, rent paid for low- and mid-level units increased at a higher rate than income for low- and median-income households, resulting in a lower overall level of housing affordability. The above comparison of rent and income levels does not capture the distribution of rent and income at the household unit because a household with income at the 50th percentile, or median, does not necessarily pay rent at the 50th percentile. Some households pay more than they can afford and some pay less.

While those in the various income percentiles do not necessarily pay rents in the corresponding rent percentiles, Exhibit 20 shows that increases in rent paid between 1980 and 2013 for low- and mid-priced units exceeded income growth for median- and low-income households, making housing less affordable. On the contrary, income growth for higher income households exceeded increases in rent

paid for high-end units during that period, making housing relatively more affordable for high income households.

Exhibit 20: Changes in Citywide Rent Paid and Household Income 1980 - 2013

	Change in Rent Paid	Change in Household Income
10th percentile	+17%	-4%
50th percentile (median)	+69%	+62%
90th percentile	+91%	+116%
95th percentile	+97%	+127%
99th percentile	+93%	+140%

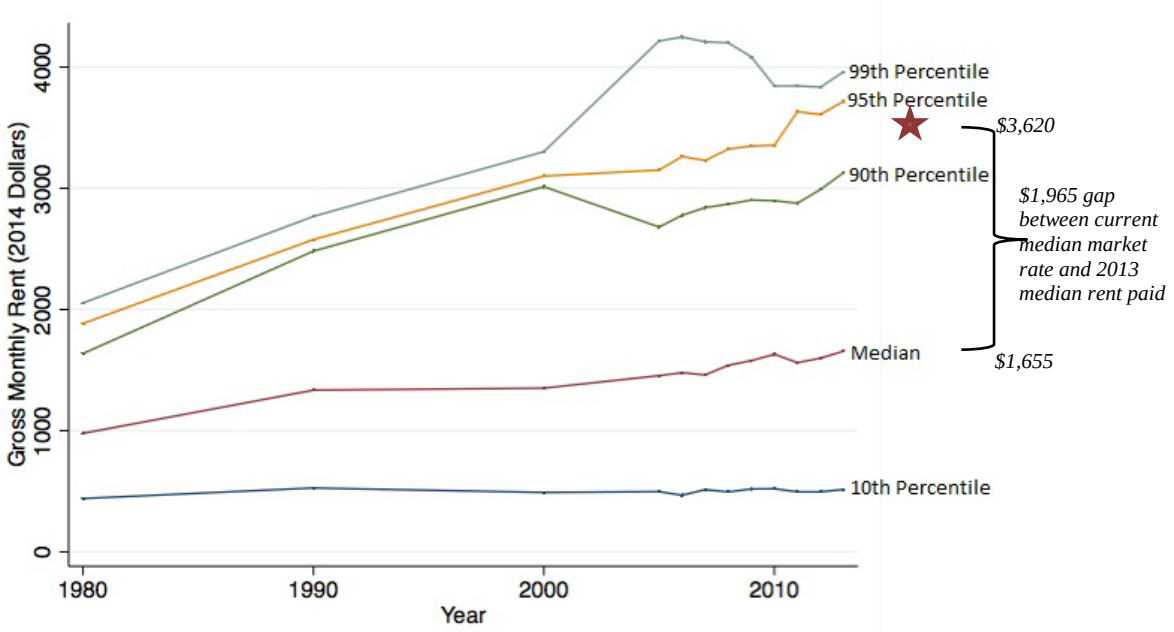
Source: 1980 Decennial Census PUMS files, and 2013 1-Year American Community Survey PUMS files. Dataset obtained from IPUMS-USA, University of Minnesota, www.ipums.org.

Price Gap between Rent Paid and Market Rate

Exhibit 21 presents trends in rent paid in San Francisco between 1980 and 2013. As can be seen, a significant gap exists between the median and higher percentile rent paid.

In 2013, median rent paid in San Francisco for all housing types was approximately $1,655 per month but the median market rate for a one-bedroom unit was $2,800, or 69 percent higher. In 2015, the median market rate had increased to $3,620 for a one bedroom apartment. Assuming that the increase in median rent paid has continued to grow only modestly between 2013 and 2015, the gap between rent paid and market rate rent is assumed to have remained significantly divergent or grown. The large gap between median market rent and median rent paid likely indicates a scarcity of housing and willingness on the part of some residents to pay more for housing, resulting in increasing market rental rates.

Exhibit 21: Actual Citywide Rent Paid over Time



★ Median market rate of $3,620 for a 1-bedroom apartment in San Francisco as of October 2015.

Source: 1980, 1990, 2000, and 2010 Decennial Census Public Use Microdata Sample (PUMS) files, and 2005 through 2013 1-Year American Community Survey PUMS files. Dataset obtained from IPUMS-USA, University of Minnesota, www.ipums.org.

Low Supply and High Demand

Housing prices increase when the willingness to pay (demand) exceeds the equilibrium (market rate) for the quantity of housing available (supply). The growing gap between rent paid and market rate can likely be attributed to a scarcity of housing supply (as indicated in the LAO report discussed in the previous section) combined with higher willingness and ability to pay for housing by high-income households (as indicated above in Exhibit 21).

When the median market rate for housing exceeds the affordable[19] threshold for median-income households, a reduction in price would not necessarily reduce competition for housing, assuming other factors such as employment and the number of available units stayed the same. The number of households that want to reside in San Francisco could be expected to increase as prices fall into a range that more households are willing/able to pay.

[19] "Affordable" is defined as a household spending less than 30 percent of gross income on rent.

Growing disparities in rent-to-income ratios that favor high-income households imply that there are increasing numbers of households within the City and the region that are willing and able to pay increasingly higher market rate rents. Growth in the number of such higher income residents in the Mission District was reported in Section 1 of this report. The current Citywide median market rate rent of $3,620 per month is affordable for a household with annual gross income of approximately $145,000 or more, or only approximately 25 percent of the households in San Francisco.[20] As discussed in Section 1, 19 percent of Mission District households earned $150,000 or more during the five year 2009-2013 period. That means that for most of the remaining 81 percent of Mission District households, the Citywide median market rental rate of $3,620 would not be affordable.

As long as the current trend of growing income inequality persists, low- and median-income households will have difficulty competing with high-income households for market-rate units in San Francisco and, in most cases, would need to spend more than 30 percent of their household income on housing.

Implications for the Mission District

The information above is presented for the City as a whole in this section of the report due to limited available household income and rent paid data at the neighborhood or Census tract level. However, based on data available and compiled for the Mission District and presented in Section 1 of this report, the Budget and Legislative Analyst concludes that the Citywide trends presented above are applicable to the Mission District and will persist if present conditions continue. Specifically, the decreasing number of households in the Mission District with incomes between $35,000 and $99,999 and the increasing number of households with incomes over $100,000 will mean that more neighborhood residents will be able to pay higher rents, making housing less accessible and affordable to those with relatively lower incomes. Decreases in housing prices in the Mission District do not seem likely from the trends in demand for housing and changes in household income.

[20] Based on 2013 ACS 1-year PUMS data, $145,000 approximately represents the 75th percentile of household income in San Francisco (in 2014 dollars), meaning that approximately 25 percent of households earned more than $145,000 in 2013.

4. Projected changes in Mission District housing prices if present trends continue

To project housing prices for the Mission District for two, five and ten years out, the Budget and Legislative Analyst obtained historical data on actual home sales prices for the neighborhood from Zillow.com, an online real estate data and media company. Zillow.com's monthly reports of median home prices for the Mission District are available from April 1996 through July 2015.[21] Three scenarios of median estimated home values for two, five and ten years out through 2025 were prepared by the Budget and Legislative Analyst using two years, five years, and nine years (the oldest available) of historical Mission District housing value data for all types of homes, all homes with 1 bedroom, and all homes with 2 bedrooms.

As can be seen in Exhibit 22, the further back the historical data used to project future housing prices, the lower the rate of projected increase in median prices as greater variation in economic cycles is incorporated. However, even using nine years' worth of historical data, which includes the downturn in prices that occurred during the recession starting in 2008, median housing prices are still projected to increase by nine percent by 2025 in the Mission District. A downturn in prices would occur in the first five years of this scenario between 2015 and 2020, assuming recurring economic trends from the last nine years, including a major recession. Inflation-adjusted prices are then projected to increase after 2020 and, by 2025, be higher than the 2015 median price.

The projections based on nine years of historical data compares to a projected increase of 130.6 percent in median prices by 2025 if trends from just the last two years continue for the ten years through 2025 or an 83.4 percent increase in median housing prices if trends from the last five years are assumed to repeat. In other words, the recent high rate of increase in housing prices in the Mission District could subside over time, if longer-term historical trends are repeated. However, even if longer-term historical trends repeat, prices are still projected to increase above their current levels based on the Budget and Legislative Analyst's line of best fit projections.[22]

[21] Data from Zillow was used as it was the only source identified that provided data at the neighborhood level. Zillow has stated that the Mission neighborhood is defined based on "a number of online sources, including other Real Estate sites, Wikipedia and local city, government websites."

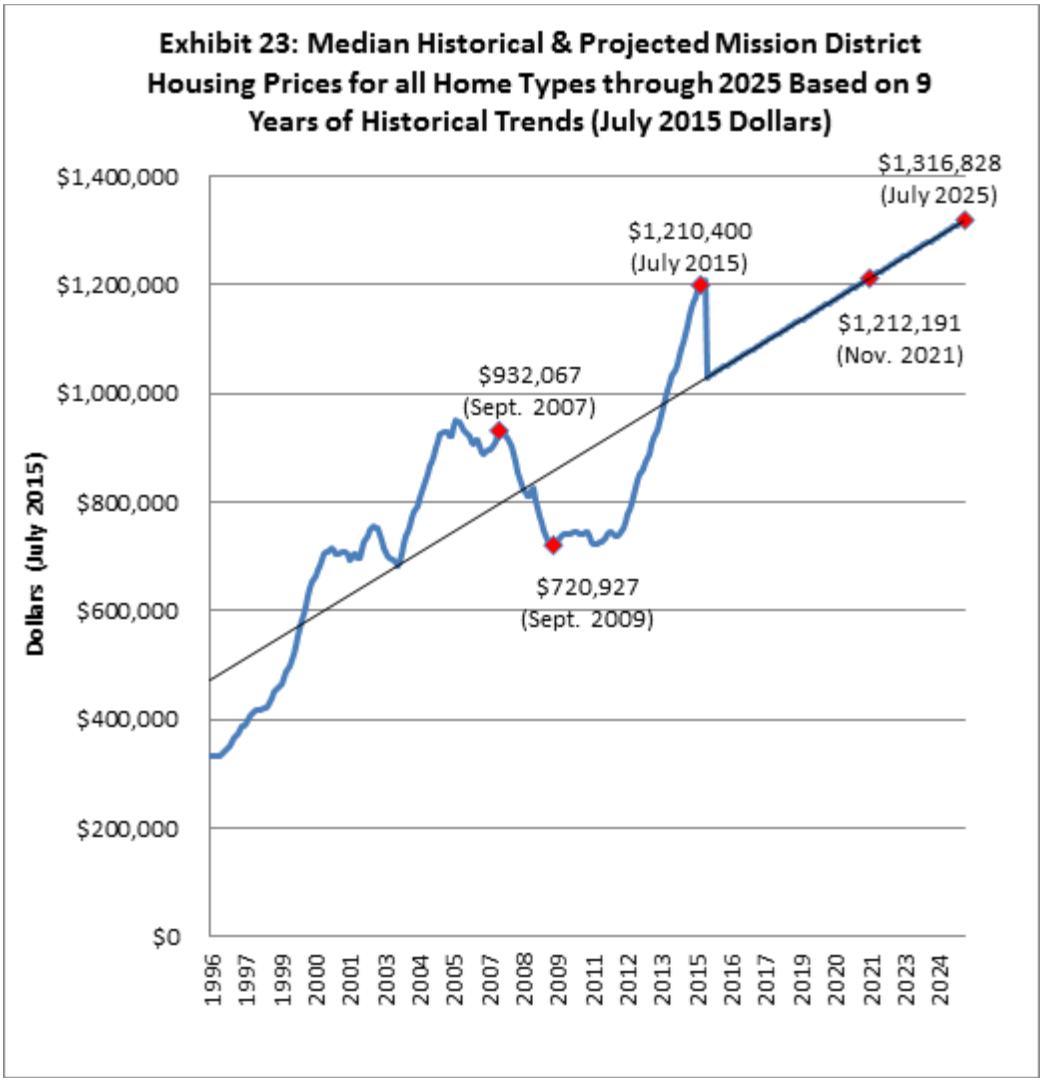
[22] The line of best fit forecast predicts a future value by using existing values, and the line of best fit shows the general direction that a group of data points, home prices in the Mission District in this case, are heading.

Exhibit 22: Projected Changes to Median Price for All Types of Mission District Housing[23] through 2025 Based on Continuation of Historical Trends (July 2015 Dollars)					
Basis of Projections: # Years of Historical Trends	**2015 Base Year**	**2017 Projected**	**2020 Projected**	**2025 Projected**	**% Change 2015 to 2025**
9 Years Historical	$1,210,400	$1,085,654	$1,173,257	$1,319,262	9.0%
5 Years Historical	$1,210,400	$1,371,296	$1,689,465	$2,219,747	83.4%
2 Years Historical	$1,210,400	$1,538,987	$2,008,485	$2,790,982	130.6%

Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst.

Exhibit 23 below shows historical and projected median prices from 1996 through 2025 based on nine years' worth of historical data for median prices for all types of housing in the Mission District. The Budget and Legislative Analyst prepared a line of best fit projection of prices from 2015 to 2025.[24] As can be seen in Exhibit 23, prices are expected to drop slightly over the next few years, but reach current price levels around 2021 and climb nine percent over current prices by 2025.

[23] All homes include single-family homes, condominium, and co-operative homes.
[24] The line of best fit forecast predicts a future value by using existing values, and the line of best fit shows the general direction that a group of data points, home prices in the Mission District in this case, are heading.



Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst

Details on the three Mission District housing price projection scenarios prepared by the Budget and Legislative Analyst using different historical data bases and including separate projections for one and two-bedroom housing units, are presented below.

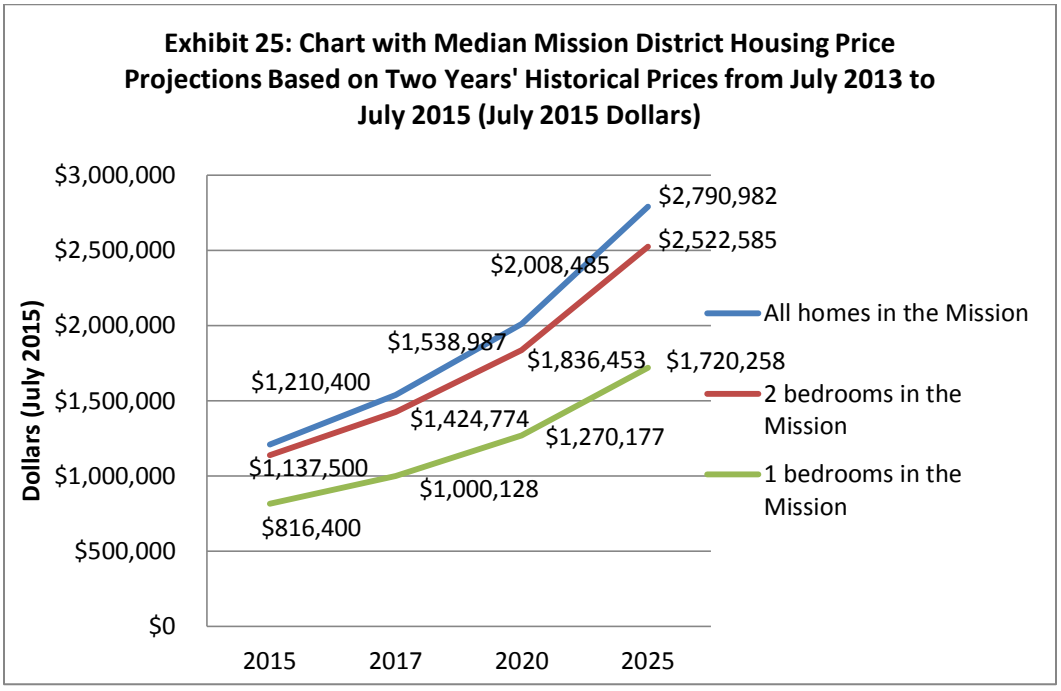
Scenario 1: Projections using Two Years' Historical Data

The first scenario uses data from July 2013 to July 2015 to project median housing prices in the Mission District for two, five and ten years out, by type of housing. Exhibits 24 and 25 below show the projected housing prices by housing type.

Exhibit 24: Median Mission District Housing Price Projections Based on Two Years' Historical Housing Prices from July 2013 to July 2015 (July 2015 Dollars)

Type of Housing	2015 Base Year	2017 Projected	2020 Projected	2025 Projected	% Change 2015 to 2025
All homes in the Mission	$1,210,400	$1,538,987	$2,008,485	$2,790,982	130.6%
2 bedrooms in the Mission	$1,137,500	$1,424,774	$1,836,453	$2,522,585	121.8%
1 bedrooms in the Mission	$816,400	$1,000,128	$1,270,177	$1,720,258	110.7%

Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst



Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst

Scenario 2: Projections using Five Years' Historical Data

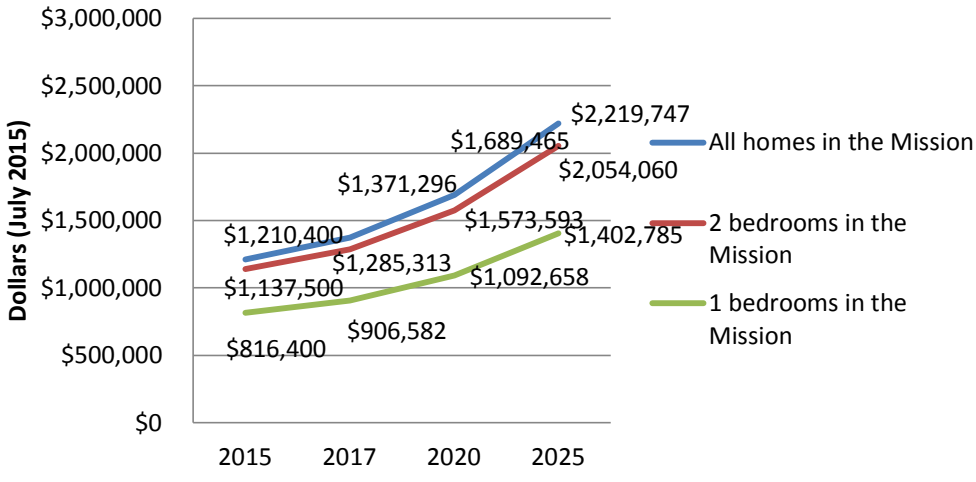
The second scenario used five years' worth of data from July 2010 to July 2015 to project prices two, five and ten years out. Exhibits 26 and 27 below show projected housing prices by housing type.

Exhibit 26: Median Mission District Housing Price Projections Based on Five Years' Historical Housing Prices from July 2010 to July 2015 (July 2015 Dollars)

Type of Housing	2015 Base Year	2017 Projected	2020 Projected	2025 Projected	% Change 2015 to 2025
All homes in the Mission	$1,210,400	$1,371,296	$1,689,465	$2,219,747	83.4%
2 bedrooms in the Mission	$1,137,500	$1,285,313	$1,573,593	$2,054,060	80.6%
1 bedrooms in the Mission	$816,400	$906,582	$1,092,658	$1,402,785	71.8%

Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst

Exhibit 27: Chart with Median Mission District Housing Price Projections Based on Five Years' Historical Prices from July 2010 - July 2015 (July 2015 Dollars)



Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst

Scenario 3: Projections using Nine Years' Historical Data

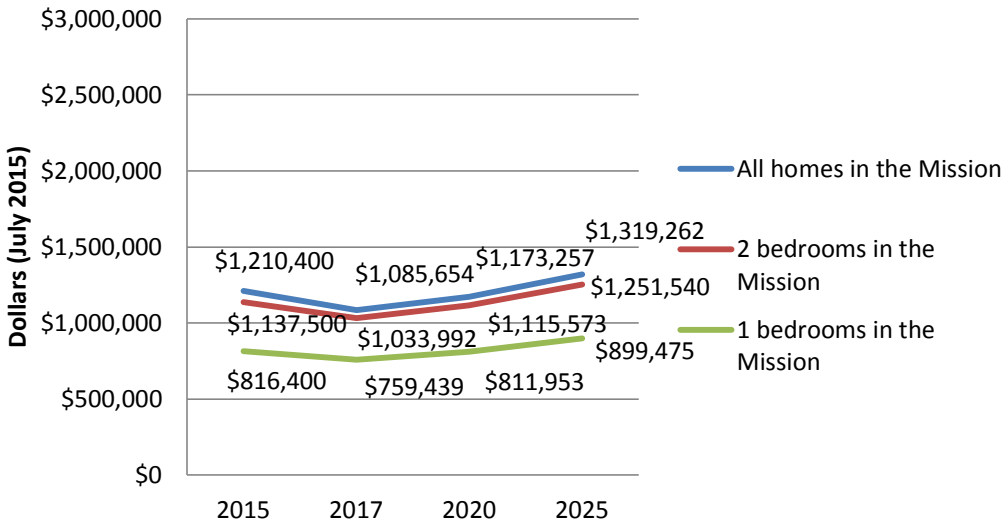
The third scenario used nine years' worth of data from July 1996 to July 2015 to project prices two, five and ten years out. Exhibits 28 and 29 below show the projected housing prices by housing type. Only in this scenario do housing prices decline in the first two years, at which point they begin increasing and maintain that trend through 2025. This appears to be because this scenario incorporates the impact of the recession that began in 2008 and assumes a repeat of an economic disruption of that magnitude.

Exhibit 28: Median Mission District Housing Price Projections Based on Nine Years' Historical Housing Prices from July 1996 to July 2015 (July 2015 Dollars)

Type of Housing	2015 Base Year	2017 Projected	2020 Projected	2025 Projected	% Change 2015 to 2025
All homes in the Mission	$1,210,400	$1,085,654	$1,173,257	$1,319,262	9.0%
2 bedrooms in the Mission	$1,137,500	$1,033,992	$1,115,573	$1,251,540	10.0%
1 bedrooms in the Mission	$816,400	$759,439	$811,953	$899,475	10.2%

Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst

Exhibit 29: Chart with Median Mission District Housing Price Projections Based on Nine Years' Historical Prices from July 1996 - July 2015 (July 2015 Dollars)

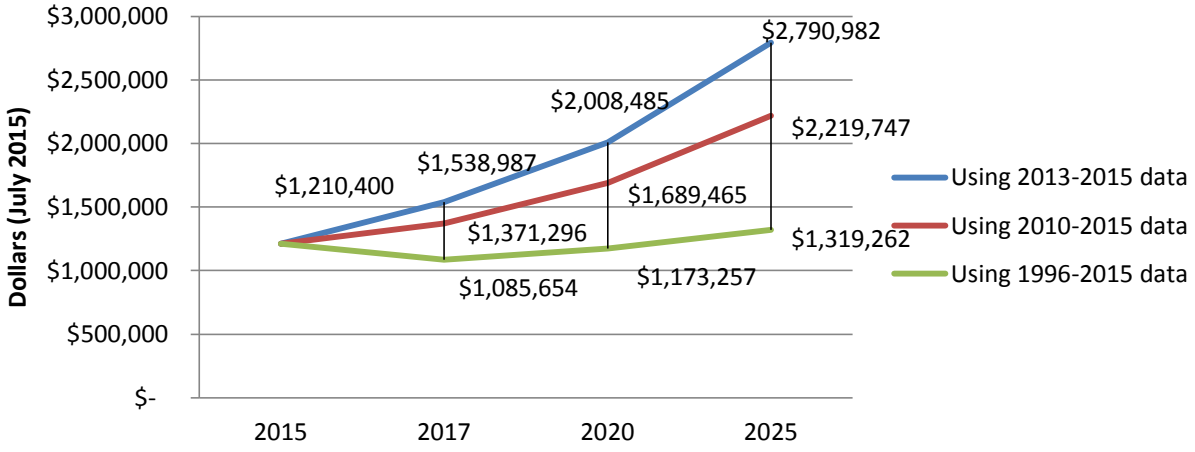


Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst

Appendix

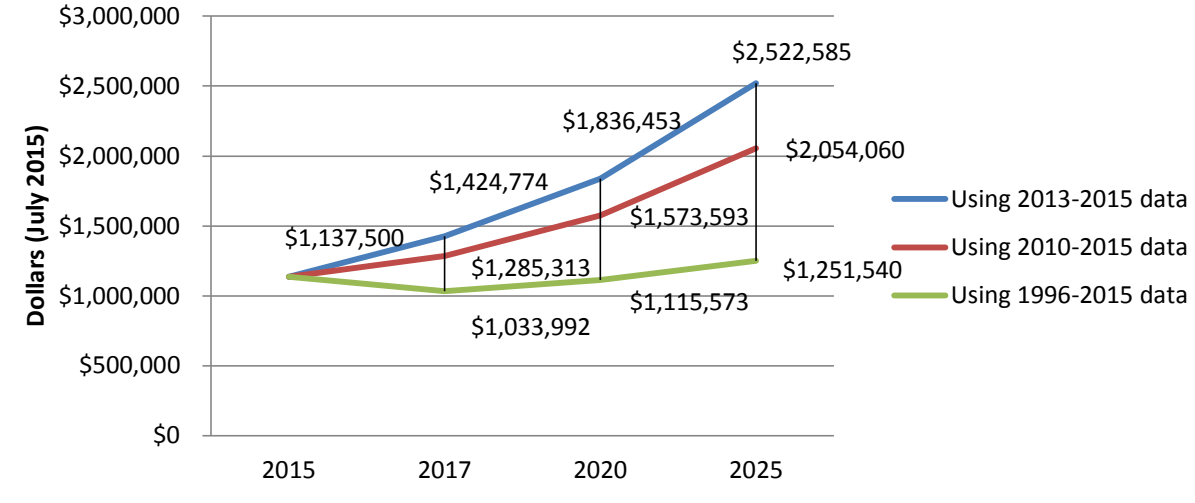
Below are the three Mission District housing price projection scenarios, arranged by home type. Appendix Table A shows price projections for all home types, Appendix Table B shows price projections for 2 bedroom homes, and Appendix Table C shows price projections for 1 bedroom homes.

Appendix Table A: Housing Price Projections (July 2015 Dollars) for All Home Types in the Mission

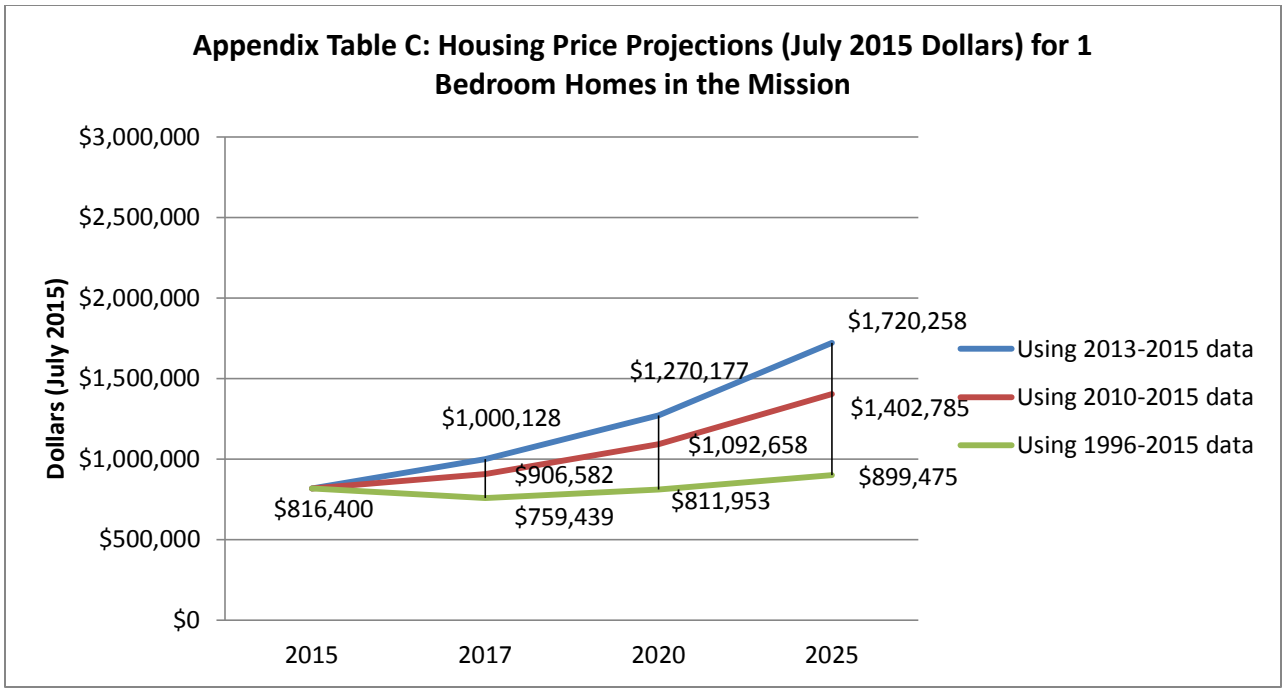


Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst

Appendix Table B: Housing Price Projections (July 2015 Dollars) for 2 Bedroom Homes in the Mission



Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst



Source: Zillow.com Home Value Index. Projections by Budget and Legislative Analyst