

The San Francisco Chronicle, Oct 18, 2015.

Vote no on Prop. I: Mission moratorium is misguided

Enrico Moretti

The Mission Housing Moratorium on San Francisco's November ballot is perceived by many local progressives as an important step in the fight against skyrocketing rents. Unfortunately, all the best academic research on housing— including mine—indicates that the Moratorium is likely to exacerbate rent increases in the Mission and contiguous neighborhoods.

If approved, the Moratorium will stop construction of 200 permanently-affordable housing units and 1,100 market-rate units. This will have two effects on renters, neither of them good.

First, it will lower the number of affordable units available in the Mission District and probably induce 200 low-income families without access to affordable options to move out of the city.

Second, by stopping market-rate housing, the Moratorium will increase competition for existing housing, inevitably raising rents for current residents. Picture this: 1,100 families who would have found a new market-rate unit will instead be forced to look at the existing housing supply. It does not take a Ph.D. in economics to realize that the price of existing apartments will get bid up even more than now. This increase will not be limited to the Mission, of course, and will likely spill over to contiguous areas.

A common misconception is that new market-rate housing only helps high-income newcomers. People see new pricey condos on Valencia Street and think the only beneficiaries are well-paid, high-tech workers. But when 1,100 new condos or apartments are not built in the Mission, there are 1,100 more families competing with existing residents for fixed housing stock. Everyone suffers.

Economic research on this topic is unanimous. All existing academic studies—including work done at Harvard University, the Wharton School at the University of Pennsylvania and by me at the University of California, Berkeley—find that less housing supply results in higher rents and house prices, everything else constant.

If it passes, the Moratorium will be like a reverse Robin Hood. It will increase the value of existing units—benefitting wealthy homeowners—and increase the cost of rent—hurting renters.

I lived in the Mission for twelve years, and I understand residents' frustration. But a Moratorium is not the right policy. As a research economist who specializes in housing and labor markets, I am concerned that our city housing policy is driven more by anger and ideology than by informed discourse and solid, empirical evidence. As a long-time resident of San Francisco, I

worry that the legitimate concerns about high rent will lead to misguided policies that make things even worse, not better, for just about everyone.

Other progressive cities show the advantages of alternative approaches. Due to a tech boom similar to ours, job growth and housing demand growth in Seattle have been as strong as in San Francisco. Yet thanks to a more rational and less political planning process, Seattle has added thousands of new units in its urban core, mostly via smart infill developments near transit, resulting in more and cheaper housing.

San Francisco can follow the examples of other cities, and slow down rent increases by allowing more density, especially near public transit centers; developing new units primarily through urban infill that renovates existing buildings and develops empty lots, while avoiding sprawl and traffic congestion; and de-politicizing the planning process to make it more rational and fact-based. The main winners would be the city most vulnerable group, San Francisco renters.

Mr. Moretti is the Michael Peevey and Donald Vial Chair in Economics at the University of California, Berkeley, and the author of "The New Geography of Jobs".