

WHY EXPENSES MATTER. (THE BAY AREA)

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HISTORY

In 2002, a 29-year-old Mike Ichiriu moved from his home in Los Angeles, hoping to find a higher paying job in the Bay Area. With little money, he took a chance by joining a new start-up company called Netlogic Microsystems, a semiconductor company located in Santa Clara. Immediately after moving north, he was appalled by the excessive prices that houses were on the market for and looked around for cheaper houses, but the only houses he could find were \$500,000 and up. And since then, Bay Area housing has only dramatically risen. But why is Bay Area housing so expensive? How does gentrification contribute to these sky-high prices? It can all be traced back to the start of the Gold Rush Era, which turned San Francisco from a popular coastal town to a prominent economic city that would eventually change United States economics and culture.

The San Francisco Bay Area grew primarily during the Gold Rush and transformed San Francisco as a recognizable major city in the United States. Located 2 hours south of Sutter's Mill, where the first pieces of gold were first found, San Francisco was a stop that travelers would make on their way to Sacramento. When gold mining didn't pan out, the 49ers, as they were called, often relocated to San Francisco to begin a new life. Before the Gold Rush, San Francisco had a population size of 1,000, but after the Gold Rush, in only three years, San Francisco more than tripled that number, with a population of 3,500. San Francisco businesses profited from travelers coming from around the world hoping to strike it rich in California. For example, Levi's, a San Francisco based jeans company, began when Levi Strauss, a German-born businessman developed denim jeans designed for durability. These jeans were sturdy and comfortable and because of this, Levi's flourished within the Gold Mining community, and their popularity ensued as they continue to be one of the leading brands in the denim jeans industry today. Companies like Levi's prospered from the newfound business and led to the development of San Francisco as a major city on the West Coast.

Nicknamed "Silicon Valley" because of the abundance of tech companies in the area and a computer's reliance on the element Silicon, the Bay Area amasses some of the leading technology-based companies. The rise of Silicon Valley began with an engineering professor at Stanford University, Frederick Terman. Through his engineering program, his graduate students would go on to start their own companies in the area. One of the first companies to grow in the Bay Area was Hewlett Packard, an electronics-based company. During 1939 in a Palo Alto garage, David Packard and Bill Hewlett began their quest in making Hewlett Packard one of the largest electronic companies around. As time went on, more and more companies sprouted around Stanford University. Another world-renowned company, Apple, began as Steve Jobs had the vision to create an affordable and accessible personal computer for all. With this vision, Jobs and Steve Wozniak developed the first Apple computers in Job's childhood garage in Los Altos that would soon revolutionize the world. Other companies realized the benefits they could gain from being closer to their consumers and moved to the Bay Area. Today the Bay Area is one of the leading areas of technology in the world, boasting companies such as Apple, Google, and Facebook.

These companies are the modern-day reason why living in the Bay Area is so expensive and why the culture of the Bay Area is changing so rapidly.

While there are no true boundaries determining the location of the Bay Area, it is often seen between San Jose to Napa. It consists of nine different counties: San Francisco, Marin, Alameda, Solano, Contra Costa, Napa, Santa Clara, and San Mateo counties. In total the Bay Area embodies over 7 million residents, making it one of the largest metropolitan areas in the country by population. Many key attractions in the Bay Area consist of the Golden Gate Bridge, Alcatraz Island, and the numerous wineries located in Napa Valley. The Bay Area borders the Pacific Ocean and beaches such as Santa Cruz are popular destinations for locals and visitors.



WHY IS THE BAY AREA SO EXPENSIVE?

The Bay Area is an appealing area to move to for many reasons, the weather, tech companies, and proximity to nature and the ocean. The average temperature of the Bay Area tends to stay around 70 degrees Fahrenheit and averages 300 sunny days per year. The Bay Area borders the Pacific Ocean and beaches such as Santa Cruz are popular destinations for locals. Some of the top colleges in the country, UC Berkeley and Stanford, are located in the Bay Area. The public school systems also rank as some of the top school systems in the country, making moving to the bay only more appealing to raise young children.

Another reason why the Bay Area is expensive is because of Silicon Valley. Silicon Valley is one of the leading areas in technology innovation, and a mixture of established and start-up companies are located in the area. These companies being in such close proximity to each other makes it easier for them to collaborate and sell products, an alluring trait of the Silicon Valley. In the article, *Why Is Silicon Valley A Startup Heaven?*, Shobith Seth details destination location, local opportunities, and insights and easy financing options as reasons why Silicon Valley has become a leading area in the tech industry. Location is an important part in considering where to begin a startup, and Silicon Valley includes all the traits a young business is looking for in their area.

San Francisco also lacks space and housing. San Francisco is one of the smaller US cities in terms of square mileage, as it is only 46.87 square miles. For reference, Los Angeles comprises 503 square miles of land. San Francisco has the second-highest population density in the United States of 18,581 people per square mile, only trailing New York City (28,211 persons/square mile). This lack of housing exacerbates the housing crisis within the city. Housing costs tell the story of why it is so difficult to live here compared to other populous American cities; for instance, the average price to rent an apartment is \$3,629 and the price of a home is \$1,299,000. In comparison, the average rent in Houston, Texas is \$1,019 and the price of a home is \$290,000. There is a \$2610 difference in rent and a \$1,009,000 dollar difference in buying a home between these two cities.



“Yes, people are generally paid more in the Bay Area than other places. Moving here, I saw that my salary increased by about 20% compared to LA, but it was a lot more expensive to live here. The first few years in the Bay Area were not easy.” That is what my father, Mike Ichiriu, told me about his experience of the first years in the Bay Area. He moved to the Bay Area in 2002, after growing up in Hawaii and going to college in Los Angeles. At first, the idea of buying a house was foreign and the prices that came along with it pushed the idea of purchasing a home even further away. As he says it, “When we first moved to the Bay Area we didn’t want to buy a house because we thought it was so overpriced compared to Los Angeles. Back in Los Angeles, you could buy a nice house for \$300,000, but here, houses in Los Altos cost \$600,000!”



MIKE ICHIRIU - BAY AREA RESIDENT

“The demand for housing is high because so many people are coming here, but there hasn’t been as much building in the past 20 years, so the supply has been low, leading to high prices - that is changing now.”

- Fumiko Shimada

Not only has the price of housing increased, but the lack of housing in the Bay Area has caused an increase in the homeless population. In 2017, the homeless population of the Bay Area was estimated to be 28,200, which is third behind two major U.S. cities, New York City and Los Angeles. New York City has a metro population of 21 million and Los Angeles has a metro population of 13 million, while the Bay Area consists of 7 million. San Francisco has gained a reputation as a city flooded with homeless and even with the number of homeless shelters set up around the city the amount of homeless is unbearable for workers to handle. Oakland and San Jose also deal with large numbers of homeless and the government often struggles with how to help them.

To complicate the situation, homeless in San Francisco often resort to drugs, and the streets of SF are often littered with drugs and feces. City Journal reports, “Drugs are destroying San Francisco’s most densely populated and desirable neighborhoods, as more and more addicts, many of them homeless, fill the streets” (“The City by the Bay”). Drugs have turned into a major part of San Francisco culture and residents of San Francisco have gotten used to being around intoxicated and addicts on the streets. Because of all of the drugs used by the homeless, San Francisco has become a city littered with their drugs and trash, and while many try to do what they can to help them, the homeless crisis in San Francisco has become out of control.

High demand along limited space equals high prices, and the Bay Area is a reflection of those factors. High prices have not only led to difficulty for those looking to move into the Bay Area but those trying to stay in the communities they were already a part of.

GENTRIFICATION

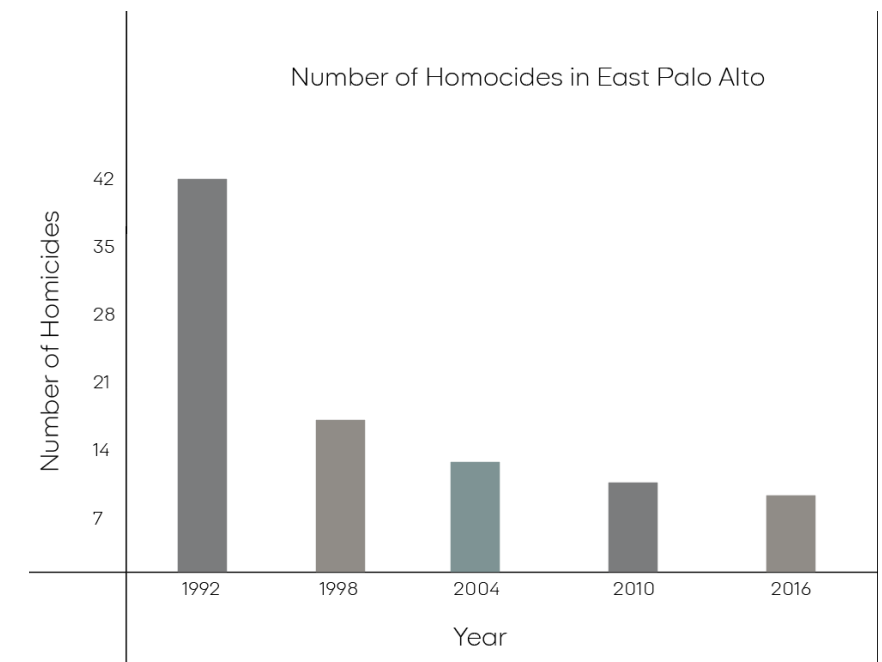
The Bay Area has been affected by gentrification, and while it may be beneficial to the development of the bay, gentrification loses the cultural values that a city may carry. Gentrification is the process of reconstructing older buildings in a poorer neighborhood with an aim towards the wealthy. The cultural aspect of the city is lost as the poor are outpriced and the rich move in. Gentrification is often caused by chain restaurants such as Starbucks or Chipotle over taking impoverished areas of cities. As property manager Marie Jasinsky said, “Stores and restaurants that have been run by families for generations that carry a local cultural vibe find it difficult to stay in business as the cost to rent commercial space in an area increases.” Gentrification is evident in the Bay Area, in cities such as Oakland, San Francisco, and East Palo Alto. Location makes these cities prone to gentrification: “In addition, they are centrally located with good access to freeways and public transportation and are close to employment centers which makes them appealing areas to developers” (Jasinsky). Because these cities are located in areas next to major roadways such as Interstate 101 and Interstate 880, they make for ideal locations for businesses to build and move into.



“Certain Neighborhoods in Oakland, San Francisco, and Berkley have been impacted by Gentrification as well as East Palo Alto. The area that have been impacted are underdeveloped or run down with land that’s relatively low in cost compared to other areas”

- Marie Jasinsky

Gentrification may not always be harmful. Take East Palo Alto for example. During the 1990s, East Palo Alto was seen by many as one of the most dangerous cities in the world and was nicknamed the “Murder Capital” because of the 42 murders they had in 1992 of their relatively small 24,000 person population. Since then, East Palo Alto has transformed itself into a safe and blossoming tech community. Amazon recently built its Bay Area offices in East Palo Alto. According to Zillow.com, the median home value in East Palo Alto is \$991,285. The increase in price shows the value of living in East Palo Alto has gone up, and with that, it has become a safer city to live in than before.



While East Palo may have benefitted from the effects of gentrification, a city like San Francisco struggles with the downsides that gentrification may bring. Haight-Ashbury, an area of land that saw itself bursting with Hippie culture in the 1960s has recently been revamped and renovated with new buildings and chain restaurants. These new renovations have removed the historical meaning behind the Haight-Ashbury hippie movement and have given it a new meaning focused on wealth. These days, instead of hippies, Haight-Ashbury is crowded with the homeless, wrecking the culture of the formerly-prosperous hippie area.

Gentrification affects all of us living in the Bay Area whether we know it or not. Menlo Park, San Jose, Sunnyvale, Mountain View, and Milpitas are all subject to gentrification. Many Bay Area residents are pushed out yearly because of gentrification. Migration trends have diminished, and recently, it was estimated that 13,000 more people left the Bay Area than moved in. Many cannot keep up with the high incomes that are required of people living in the Bay Area.

WORKS CITED

Gentrification may not only lead to a loss of culture in a community but at times, it may lead to homelessness. As the rich come in and the wealthy take over, the lower and middle class, who make up the majority, are pushed out for the rich and the wealthy. In *How Wealth Rules the World*, Ben G. Price brings attention to the power given to the government and the wealthy instead of the people: “We’re left institutionally powerless when the interests of the rich conflict with settling issues like these through community lawmaking: Homelessness, Police accountability, Sanctuary cities, immigrants’ rights...” He believes that homelessness is a cause of the government valuing the rich over the poor. In his book, Price argues that instead of the wealthy and the rich obtaining power, power should be given to the majority, which constitutes the middle and lower class.

“I believe prices will stay stable or gradually rise due to continued demand because the supply/demand imbalance will basically remain the same.” That is what Fumiko Shimada, a real estate agent who works in the South Bay told me. Bay Area housing prices are only predicted to rise in the future. While other competitors in the United States such as Austin, Texas; or Boulder, Colorado are becoming attractive places for tech companies, the majority of tech companies are still located in the Silicon Valley.

“Right now the government has blocked all evictions for nonpayment of rent until May 31, so the people are not going to be affected right away. But property owners still have to pay property tax and the mortgage, and unless the situation changes, so it will be painful for them.” - Mike Ichiriu

Although Bay Area prices are still predicted to increase, it is impossible to tell with the new Covid-19 pandemic shaking across the globe. With the shelter in place orders, people aren’t looking to purchase houses or move until the pandemic dissolves. This has an impact on not only people who were planning to buy houses during the pandemic but real estate agents as well. According to Shimada, houses are still being bought and sold, but tours and the process of selling is different than before. “There is still demand for housing but a little less activity and prices have softened a bit. We mostly use “virtual interaction” as much as possible these days in order to minimize contact” (Shimada). According to Microsoft News, Bay Area housing markets have dropped dramatically since the virus began. Patrick Carsilse, the Chief Market Analyst for Compass Real Estate, discusses the housing market in the Bay Area since the pandemic hit: “The number of properties that were pulled off the market jumped by 800% in one week” (qtd. in “Project Home: Bay Area Real Estate”). Time will tell if the Coronavirus pandemic will drop the sky-high Bay Area housing prices continuing into the future, but seemingly for the moment, it looks like Bay Area housing may be on a decline in the future.

Buying a house may not be something you need to do or something you want to do, but housing markets does affect much more than the price of land in your area. Housing prices create cultural changes, affect the homeless, and change the people in your community. Housing in the Bay Area has risen significantly over the past 30 years and shows no signs of stopping heading into the future.

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BIOGRAPHY



My name is Joshua Ichiriu. Currently, I am attending Los Altos High School and am in 11th grade. Some interests of mine include sports, design, and music. I played on the school's tennis team and run on the cross country team. In 6th grade, I obtained a second-degree black belt. Basketball is also an interest of mine, as I am a huge fan of the Golden State Warriors. I also have an interest in industrial design. Last summer I attended a program at Georgia Institute of Technology in Industrial Design and I had a lot of fun designing a hangar for people with one arm with friends I met from different states. Music has been an interest of mine for a long time. When I learned my first instrument, the piano, in 1st grade, I realized my interest and music and since then have learned the violin and trumpet. I have played in many orchestras and 7th grade I performed with an orchestra at Carnegie Hall. I hope to study Music Technology and Industrial Design in the future.