

# THE ENDLESS SUCKAGE OF FAILED SAN FRANCISCO IS DUE TO WOKE, CORRUPT, POLITICIANS

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# THE ENDLESS SUCKAGE OF FAILED SAN FRANCISCO IS DUE TO WOKE, CORRUPT, POLITICIANS

## Tech's Bust Delivers Bruising Blow to Hollowed-Out San Francisco

Job cuts and remote work are colliding to reshape the center of American innovation.

By

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San Francisco's Salesforce Tower opened almost five years ago as a monument to the region's tech-driven economy, piercing the skyline as the tallest office building on the US West Coast. It symbolized a boom for the city's downtown, alongside a new futuristic transit center and an elevated park spanning nearly four blocks.

On a recent afternoon, just a smattering of people walked the park's trail, some of them tech workers wearing badges and company-branded clothing. Nearby restaurants were open, but without the lines that once snaked out the door.

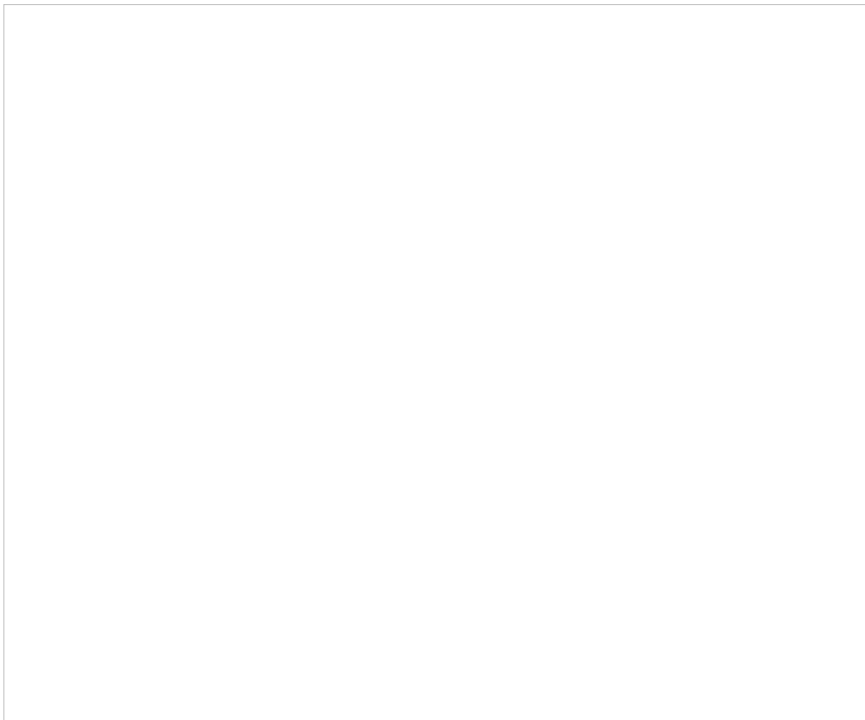
It's no wonder. These days, the signature 61-story tower is partially empty. Salesforce Inc., the main tenant and the city's largest private employer, is embracing flexible work — and, like many tech giants, cutting jobs. Nearby is a [skyscraper](#) leased by Meta Platforms Inc. Last month, the Facebook owner announced [plans to fire](#) 11,000 workers worldwide.



Salesforce Tower on Mission Street.

Photographer: David Paul Morris/Bloomberg

As mounting signs point to a global recession in 2023, perhaps nowhere in the US stands to struggle more than San Francisco, the center of the technology boom that's now fast unraveling. Nearly three years into the Covid era, persistent work-from-home habits, inordinately expensive real estate, homelessness and crime are colliding to threaten the city's growth and its spot among the world's top-tier metropolises.



Thousands of [tech layoffs](#), falling equity values and the crypto meltdown have only deepened the blow to an area long known for innovation and astonishing wealth. It's here where some of the world's biggest startup successes over the past decade and a half — Twitter, Uber, Airbnb — were born. Just to the south in Silicon Valley, giants such as Google and Apple Inc. flourished and supercharged the region's economy.

Now a city built on booms and busts, from the 19th-century gold rush to the dot-com collapse and global financial crisis, must pull off its biggest reinvention ever. Most pressing: a long-term shift to remote work that has hollowed out San Francisco's downtown core and battered the local economy. The financial district, awash with glittering, half-empty office towers, has limited other uses. Few people live there; few tourists visit.

Even Marc Benioff, the billionaire co-CEO of Salesforce and one of San Francisco's most prominent boosters, recognizes that the city urgently needs a revival.

"We need more diversity" in the business district, he said in an interview with Bloomberg, lamenting how San Francisco feels much less alive than places like New York. "We need more

residential downtown. We need more museums downtown. We need more clubs downtown. We need more universities downtown. Office space was maximized for the tech boom.”

While San Francisco is [far from alone](#) as cities around the world grapple with shifts in work norms, its dependence on so-called knowledge workers makes the recovery more difficult. About 72% of the economy is driven by office-based industries. The city’s [office-vacancy rate has soared](#) to more than 25%, hurting local businesses dependent on workers.

Last week, Mayor London Breed said that San Francisco faces a \$728 million [budget gap](#) over the next two fiscal years because of the slow recovery and tech cutbacks, warning that city departments should find ways to lower costs.



A homeless encampment near City Hall in August.

Photographer: Tayfun Coskun/Anadolu Agency/Getty Images

San Francisco needs a “new economic driver” to become a place where remote workers actually want to live, said [Jeff Bellisario](#), executive director of the Bay Area Council Economic Institute, which is working on a study to determine how to revamp downtown.

“The challenge in all of this is that we’re kind of rebuilding to something that doesn’t necessarily exist,” he said. “What does the new San Francisco look like? And I’m not sure we’ve totally figured that out yet.”

The lack of workers makes San Francisco’s broader problems more stark. If people can work from anywhere, they have less incentive to live in a city where they [need an income](#) of almost \$400,000 to buy a median-priced house. Homeless encampments are even more jarring amid deserted streets and shuttered shops. Viral smash-and-grab retail thefts have exacerbated negative perceptions about safety.

Against this backdrop, some executives say geography is no longer a competitive advantage. And if you work in tech, San Francisco is no longer a place you simply have to be.

“We’re getting deals without being in the Bay Area,” said Khawaja Shams, the founder of a software startup called Momento. He planned to move to San Francisco before the pandemic to be close to venture-capital firms, but decided in late 2020 to stay remote. The company is burning less cash since it’s not paying San Francisco rents and salaries, while the majority of meetings with investors are on Zoom.

“What we’re doing is working, so I don’t know why we would change it,” said Shams, based in the Portland, Oregon, area.

## Tech Tilt

From its days as the capital of the counterculture movement in the 1960s to successive rounds of technology booms in the 1980s, 1990s and beyond, San Francisco has attracted people in the arts, science and technology from around the world, giving the city global cachet and a diverse talent pool remarkable for its size. With about 815,000 people, it’s only California’s fourth-largest city by population.



San Francisco in 1980.

Photographer: T. Ingmann/ullstein bild/Getty Images

Geography favors the city not only with famous views, but also proximity to centers of creativity and innovation. San Francisco sits at the tip of a peninsula, connected by the Golden Gate Bridge to north, and the Bay Bridge to the East Bay, home to Oakland and the University of California, Berkeley. Less than an hour's drive to the south is Stanford University and the Silicon Valley companies that have powered the region's fame, from longtime tech bastions such as Intel Corp. and Cisco Systems Inc. to newer entrants like Meta and Netflix Inc.

San Francisco's defenders point to that access to talent and industry behemoths — along with the world's most renowned venture-capital firms — as reasons that the region will long remain a thriving tech center. "The Bay Area has really ridden that wave to massive prosperity," said Ted Egan, the city's chief economist. "I still don't see anything other than tech that's going to fuel growth."

Tech accounted for just 5% of San Francisco's private wages in 2006. Fifteen years later, it was over 30%. Jobs increased by a third in about 11 years, according to Egan, who called the statistic "bonkers." In recent years, the economy expanded more than that of China's.

## Tech Drives San Francisco's Growth

The industry's dominance in the city intensified with the latest boom



### We've detected unusual activity

Source: San Francisco Controller's office analysis of labor data

Covid changed all that, as many of the young workers who fueled the city's surging wealth decamped to cheaper places such as [Lake Tahoe](#) or [Austin, Texas](#), during lockdowns. From July 2020 to July 2021, San Francisco lost the most residents by share among major US cities. And even as vaccines brought some return to normalcy, tech companies, competing for in-demand workers, had little inclination to force reluctant employees back to offices.

Earlier this year, when [Karen Chapple](#) led a group of researchers examining major economic hubs, she was surprised to see that San Francisco was seemingly "frozen in time." Its downtown activity had [recovered the least](#) of 31 large US and Canadian cities.

"San Francisco really suffered from kind of doubling down on commercial office towers," said Chapple, a regional planning academic at UC Berkeley and the University of Toronto. "They made a big bet and it failed."

## San Francisco's Empty Desks

The share of workers back at offices is among the lowest in the US

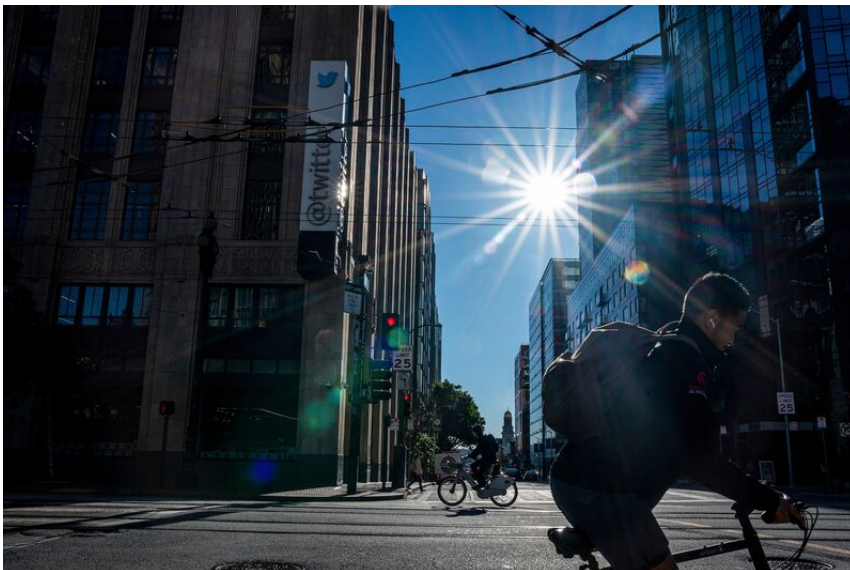


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Source: Kastle Systems

Note: Security company looks at swipe-card data from office buildings in 10 US metro areas compared with pre-pandemic trend

The glut of empty offices is particularly troublesome for what once was one of the world's [top destinations](#) for real estate investment. Salesforce, Airbnb Inc. and Lyft Inc. are among companies that have sought to give up some space. Twitter Inc. also put some of its offices up for sublease during the pandemic — though it's unclear how its plans may change under new owner Elon Musk, who has both slashed jobs and demanded workers return to the headquarters.



Twitter's headquarters in the city.

Photographer: David Paul Morris/Bloomberg

Falling office values can hurt property taxes, the city's biggest revenue source. So far, collections have held up because of a law called Proposition 13, which keeps valuations for property-tax purposes well below market prices. Businesses also are locked into long-term leases, so they have to keep paying rent.

Still, landlords are already seeking [massive reductions](#) in their tax bills, and if they're successful, San Francisco would have to pay millions of dollars in refunds. Egan, the economist, [modeled](#) as much as \$200 million in lost tax revenue in five years from lower property values as a worst-case scenario.

Even so, he's unconcerned about the tech industry's disproportionate impact, noting that the boom was so prodigious that the number of jobs the city has is greater than it was in the peak before the 2008 recession.

"I wouldn't trade it for anything else, frankly," he said. "Tech is the right thing to specialize in, given that it's a very broad and evolving industry."

## 'No Names'

One issue for the city is there are few business leaders rallying behind it, said Robert Shoffner, head of the MBA program at Golden Gate University, noting how New York bank executives like JPMorgan Chase & Co.'s Jamie Dimon have been staunch advocates for bringing employees to offices.

"What you have right now is no names. A lot of times you have business leaders, they take their time not to promote, but to criticize," Shoffner said. "You see a little bit less of those major voices that we need."



A long-term shift to remote work has battered the local economy.

Photographer: David Paul Morris/Bloomberg

Benioff, a San Francisco native who co-founded Salesforce 23 years ago and built it into a company valued at \$130 billion, is probably the city's most prominent tech-executive advocate, through his philanthropic efforts and support of measures such as a corporate tax for homelessness services. The company has started requiring some workers to be in offices part time, though Benioff said on a recent [earnings call](#) that "we're never going back to how it was."

"We're in a post-pandemic reality, which means all businesses are reshaping themselves," Benioff said in the Bloomberg interview, adding that Salesforce is committed to the city and trying to make it the best it can be.

"San Francisco remains one of the most attractive places to live and work in the world," he said. But, he added, "Downtown is going to have to get rearchitected."

One story you'll want to talk about.

How such a transformation plays out is murky. Breed told Bloomberg in October that the city needs to "[reinvent, recreate and reinvest](#)" its way into a future that is less dependent on tech, pointing to the [biotech industry](#) as one possible driver of office demand. Bellisario's group is working on a city-commissioned study looking at ways to attract business and repurpose commercial space into uses such as housing. Those recommendations are expected in 2023, but even if approved some could take years to implement.

Meanwhile, the layoffs keep mounting, with San Francisco-based companies including Lyft and DoorDash Inc. among those announcing job reductions. Salesforce said it's had job cuts numbering in the "hundreds," without being more specific.

After tech employers rapidly expanded during the pandemic, "what we're seeing right now is very much a correction to that as they think about their long-term business models," Bellisario said. "But I do think many of these companies are right-sizing as opposed to the tech economy really evaporating in our city."

Other factors stand to deepen the economic pain. Hotel revenue, hit hard by a dropoff in visitors from Asia, has trailed the recovery in other major US cities. Condo sales in the greater downtown and South of Market neighborhoods, urban areas adjacent to the financial district, have plunged because of empty offices and social issues like increased homelessness, Compass Inc. said in a report this month.

## Widening Gap

Other cities surpass San Francisco in recovering hotel revenue

**Bloomberg**

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Source: San Francisco controller's office analysis of STR data

Note: Data shows percentage change in hotel revenue from 2019

Brooke Jenkins, who took over as San Francisco's district attorney in July, said that supporting the economy and making the city seem safe to workers and tourists is a key part of her role.

She wants to send "a very strong message, not only to San Francisco, but the world, that we will make it safer," she said in an interview at Bloomberg's office this month. "We will make it a place that when you come here, you don't have to worry so much."

See also: [New San Francisco DA Vows to Fight 'Lawlessness' in the City](#)

There are reasons for optimism: More people are slowly returning, and as the talent wars cool, employers may feel emboldened to call workers back to offices. And given that San Francisco has been "notoriously expensive" for decades, the tempering of prices is good for its future sustainability, even if some businesses close in the short term, said Laura Ratz, an economist at Moody's Analytics.



The skyline in 2020.

Photographer: David Paul Morris/Bloomberg

"As people leave, as firms leave, that'll ease up some of these price pressures and that will in turn check some of this out-migration that we've been seeing," Ratz said, noting that the latest figures showed [inflation](#) less heated in San Francisco than elsewhere.

But a new paradigm for San Francisco will take years to take effect, if it does at all. And as time goes by, the problem may less be people moving out, but fewer moving in.

Liz Giorgi thought she had to move to San Francisco to launch Soona, a virtual photoshoot platform for brands. But she was able to raise about \$51 million while in Colorado, and it struck her: Nobody was telling her she needed to relocate. In fact, she said, investors begged her to organize board meetings in Vail, the Rocky Mountain resort town.

San Francisco "didn't seem as powerful or as attractive to me," Giorgi said.