

1 Case Study: San Francisco

San Francisco, California, is at the forefront of the modern wave of collaborative consumption with high-tech sharing companies, new sharing startups, and the development of new norms among Millennials. It is home to companies like Twitter (the online social networking and micro-blogging service), Dropbox (the cloud-based storage firm), Airbnb (the online community marketplace for booking accommodations), and Lyft (the ridesharing mobile app), to name but a few. The city's proximity to Silicon Valley's hub of technology innovation has helped power its emerging scene of sharing startup companies. In recent years new high-tech jobs growth in the urban core of San Francisco has outstripped that in the longtime corporate centers of surrounding suburban counties.¹ This shift reflects changing norms among Millennials, the generation providing both the workforce and consumer base of these startups.

San Francisco's urban center attracts young people who are adopting co-working and sharing lifestyles, eschewing car ownership, and reducing consumption. Companies who locate in the city connect better, both with their users and the qualified potential employees choosing to live there. It now appears somewhat unfashionable to start a company in the suburbs.²

Starting up in the city is easier with the prevalence of shared workspaces. In 2005, Brad Neuberg and three friends, all of whom were freelancers, rented some common space in San Francisco and set up the first of what soon became known as co-working spaces. Today such spaces can be found in many cities, all "combining the best elements of a coffee shop (social, energetic, creative) and the best elements of a workspace (productive, functional),"³ catering to a growing market. Freelancers make up somewhat over one-fifth of the US workforce, for example—around 40 million workers.⁴

San Francisco is a leading "smart city," following the advocacy of companies such as IBM and Siemens, and the city government is actively

encouraging San Francisco's status as the epicenter of emerging high-tech sharing. However, San Francisco's reliance on the private sector for funding its smart-city goals, although superficially efficient, has resulted in "limited service diversity in terms of social-welfare domains" in comparison with publicly funded efforts in Seoul, and a public-private partnership approach in Amsterdam.⁵

With a growing population—roughly 825,000 in 2012—and a constrained location, San Francisco is becoming a laboratory for how commercial, mediated sharing interacts with public urban challenges. Mayor Ed Lee has attributed the city's rise from the recession in large part to its newfound tech wealth.⁶ In 2012 the city launched the Sharing Economy Working Group to examine the economic benefits of emerging sharing enterprises and listen to companies' concerns about policies and regulation.⁷ The Working Group was recruited from a diverse array of stakeholders including city departments, community organizations, and sharing companies. The fact that it never formally convened, but operated through "informal discussions with officials"⁸ implies that the process was rather less participatory in practice than on paper.

Jay Nath was appointed as the city's first chief innovation officer in January 2012. The position is the first of its kind in the US. Nath's charge is "to introduce new ideas and approaches to make the City government more transparent, efficient, and constituent focused."⁹ He is also expected to engage the tech industry in boosting job creation and civic participation. Nath calls cities "the original sharing platform," and referring to the current wave of sharing startups, he claims that the city can be the first to "modernize the regulatory environment" in a way that supports the sharing economy.¹⁰

The scope of sharing innovation in San Francisco is wide. For example, BayShare member Airbnb created a new tool to allow fee-free accommodation listings in regions affected by a natural disaster in order to quickly deliver emergency housing assistance to displaced residents. Airbnb collaborated with San Francisco's Department of Emergency Management to standardize this tool and ensure that it could be activated in less than 30 minutes.¹¹ BayShare was subsequently invited to join the San Francisco Disaster Council, working alongside local authorities and emergency service providers on the city's disaster preparedness and resiliency plans.¹²

The Mayor's Office of Civic Innovation boasts another first-of-its-kind initiative, the Entrepreneurship-In-Residence program, which brings selected startup companies together with the city government for 16 weeks to explore ways to make government more efficient and responsive.¹³ This

collaboration supports startups tackling public challenges, such as energy, education, and delivery of other city services, by providing them with access to co-working space, mentorship from senior public officials, workshops, and training. Six startups made up the 2014 cohort, including Birdi, which makes a smart air device to track carbon monoxide levels and other air quality issues.

Another project of the Office of Civic Innovation is the Living Innovation Zone (LIZ) program, which improves and enlivens public spaces through creative projects and technologies. LIZ strives to build upon the success of San Francisco's "parklets" and other "pop-up" projects (see also "The Crucible of Democracy in chapter 3), which repurpose parts of the streetscape into spaces for people. In these zones, innovators, artists, and designers are provided with real-world opportunities to test the impact of new ideas and technologies. For example, parabolic acoustic amplifiers have been installed at Market Street and Yerba Buena Lane. These have been "adopted by street performers who quietly strum a banjo on one, while hundreds of pedestrians are strolling past on the other side."¹⁴

More broadly San Francisco provides opportunities at the interface of design and implementation, in which high-tech sharing companies can showcase their innovations. The community participation, enhanced social interaction, and sociocultural development that these projects create provide insight into the potential that high-tech sharing holds for urban spaces. For instance the SF POPOS app helps people discover the city's "privately owned public spaces," providing travel directions and a map that highlights POPOS ranked on various qualities and amenities.¹⁵ Drawing residents and visitors into the nooks and crannies of the city away from commercial tourist areas can also spread economic opportunity across more of the city's neighborhoods.

Skyrocketing San Francisco rents are encouraging some to extend their sharing philosophy into living arrangements. Young professionals in the city and greater Bay Area are taking over leases of grand estates and transforming them into communal living spaces.¹⁶ Jordan Aleja Grader, a co-resident in one 6,825-square-foot mansion, says, "We're seeing a shift in consciousness from hyper-individualistic to more cooperative spaces ... we have a vision to raise our families together."¹⁷ The Open Door Development Group is a real estate investment firm established to buy buildings and convert them into co-living spaces. Its founders argue that they are resisting market forces that threaten the city's diversity through gentrification. By creating curated communities rather than luxury housing, they believe they can build diversity into the plan.¹⁸

Despite some co-living proponents' desire to maintain and protect social diversity in San Francisco's culture-rich neighborhoods, affordable housing advocates challenge the claim that the sharing economy is alleviating wealth disparities. As landlords realize the exorbitant rent that they can charge this influx of high-tech entrepreneurs, the threat of gentrification for long-time and low-income residents is very real.

In 2014 the city attorney filed suit against two landlords, claiming they illegally converted residential housing to short-term rentals in order to advertise on services like Airbnb. The former residents were evicted using the Ellis Act, a controversial California law that allows landlords to reclaim properties for personal use.¹⁹ Affordable housing advocates are concerned about abuse of this law in the midst of a severe housing shortage. Others point to the predominance of "whole dwellings" and multiple listings on Airbnb as a sign that the platform is not only facilitating a shift of housing away from those in need, but also drifting away from its aim of bringing visitors into shared homes: of San Francisco's 5,000 Airbnb properties, two-thirds are whole dwellings, and around one-third of hosts control more than one listed property. Official analysis confirmed that in 2013 up to 1,960 properties had been removed from the rental market for letting on Airbnb.²⁰

In 2014 San Francisco adopted new rules for short-term rentals, broadly seen as enabling the Airbnb model, with some protections.²¹ The new law allows only permanent residents to offer short-term rentals, establishes a new city registry for hosts, mandates the collection of hotel tax, limits entire-home rentals to 90 days per year, requires each listing to carry \$500,000 in liability insurance, and establishes guidelines for enforcement by the Planning Department. Additional proposals to allow housing non-profits to collaborate in enforcing the new rules, and quickly sue violators, are under consideration at the time of writing, but these new provisions have yet to overcome concerns over gentrification.

It can also be problematic when startups desire the hip identity that comes with setting up shop in one of the diverse, poorer neighborhoods, and as a result the people who built that unique community and whose struggle has given it its appealing edge are threatened with displacement as living costs rise in response.²² Even when high-tech workers choose to live in San Francisco and commute to Silicon Valley via "Google buses"—a catchall for private shuttles operated by tech companies in the Bay Area—those shuttles have become their own symbol of economic stratification.²³

Sharing companies are economically disruptive, but in social terms they may exacerbate existing injustices. San Francisco's ridesharing companies challenge the city's taxi industry, which largely employs lower-income

immigrants and people of color. Concerns raised by the incumbent taxi industry have spurred discussions on regulations for car- and ridesharing companies. Taxi drivers argued that carsharing companies were engaged in unfair competition and should be regulated like other taxi drivers.²⁴ With similar concerns, the California Public Utilities Commission (CPUC) issued cease and desist letters to ride-sharing companies including Lyft, Sidecar, and Tickengo, and subsequently “issued \$20,000 fines against Lyft, Sidecar and Uber for ‘operating as passenger carriers without evidence of public liability and property damage insurance coverage’ and ‘engaging employee-drivers without evidence of workers’ compensation insurance’”²⁵

Later in 2013, after the carsharing industry turned the tables through an intense lobbying campaign, CPUC stamped its seal of approval on ridesharing services. Despite taxi companies’ claims of unfair competition, according to Verne Kopytoff of *Fortune* magazine, the sharing firms “convinced regulators to carve out a new category of transportation services for ride sharing.”²⁶ And although 28 basic insurance and safety requirements now apply to ride sharing, “The commission’s decision gives the industry a green light across the entire state.”

Kopytoff highlights how sharing economy enterprises initially responded to permitting and fee requirements with the attitude, “Your laws are outdated and don’t apply to innovative businesses like ours.”²⁷ But more recently these companies have begun to explore how regulation can fit in with their services. “Instead of fighting the system,” says Kopytoff, “the companies (with some major exceptions) are beginning to accept that it’s better to try to shape the system to their liking as far as possible.”²⁸ The New York University business professor Arun Sundararajan posits that authorities should “delegate more regulatory responsibility to the marketplaces and platforms while preserving some government oversight.”²⁹ Self-regulation, he suggests, is built into the business models and technology of commercial sharing economy businesses.

Others are less sanguine about the extent to which the sharing economy will automatically operate in the wider public interest. With the growth of sharing activities in the Bay Area and legal issues surrounding them, the Oakland-based attorney Janelle Orsi has emerged as a specialist in sharing law, offering legal services for things like shared housing and cooperatives. Orsi, along with the attorney Jenny Kassan, co-founded the Sustainable Economies Law Center to empower local economic exchanges and help people navigate legal barriers within the sharing economy.³⁰ Orsi sees great potential in the sharing economy to combat income inequality, so long as business structures can be created that return wealth to its users, such as

worker-owned cooperatives.³¹ Orsi is helping Loconomics, a San Francisco-based business management sharing company, which she describes as “like TaskRabbit if the rabbits owned the company.”³² Josh Danielson, the co-founder of Loconomics, agrees: “A platform helping with self-employment shouldn’t be owned by the 1 percent,” he says. “We’re at a crossroads where technology exists to help the common worker break free from traditional employment models. I felt it was important it be owned by the workers.”³³

San Francisco demonstrates some of the divergent logics of and for sharing—particularly in commercial flavors, but also illustrates an emerging backlash by incumbent companies who see threats to their hegemonic practices. As these regulatory and values-based discussions continue to play out through the sharing project, cities around the world are both following its lead and learning from its challenges.