

Meet the startups fighting Silicon Valley's soaring housing costs

Local entrepreneurs seek to make renting, buying a home more affordable

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An emerging group of local entrepreneurs is taking up arms against the sky-high cost of living in the Bay Area, hoping to end once and for all the housing crisis crippling the region.

These founders, intent on disrupting the housing market and bringing down costs, are stepping in as government officials and nonprofits struggle with the enormity of the problem. Some are launching startups focused on creating new housing units, while others are working to help people buy or rent.

It's a potentially lucrative business opportunity, targeting a sector where experts agree change is sorely needed. In some places in the Bay Area, only one-quarter of potential first-time buyers can afford a median-priced home, according to Joint Venture Silicon Valley, which studies the area's economy. It's no better for renters: The median cost for an apartment is more than twice as high in San Francisco as in the rest of the country.

"It's really exciting to see the marketplace responding to the need," said Rufus Jeffris, vice president of communications for the Bay Area Council.

It's exciting for investors, too, who are touting real estate tech as Silicon Valley's next hot trend. The past few years have seen an increase in housing-related startups, as founders rush to take advantage of a prime opportunity, said Tom Cole, managing partner of Palo Alto-based Hone Capital, which has funded at least five real estate tech startups since 2015.

"Real estate is an example of the type of thing that Hone Capital loves to find," he said, "which is a huge, huge, huge industry that is rife with inefficiencies."

San Francisco-based startup Landed, founded by two Stanford Business School alumni, is raising money to help teachers afford down payments on homes in their school districts. Starcity is creating new housing by buying and renovating abandoned buildings and converting them into long-term rental units. HomeSlice, founded by recent UC Berkeley grads, is building a platform where groups of people can purchase a home together — making the goal of home ownership more attainable. Oakland-based Roofstock, via an online marketplace, helps landlords buy and sell occupied buildings without displacing tenants. And Haven Connect is trying to get more people into low-income, affordable housing by streamlining the onerous application process.

"There is a lot of will out there to try to figure this out," said Landed co-founder Alex Lofton. "I think people should feel there's reason to be hopeful as much as there is reason to continue to be alarmed about the issue."

Fewer than 1 percent of homes for sale in San Francisco are affordable for someone making a typical teacher's salary of \$72,000, according to a report by real estate website Trulia. That's a major problem to Lofton, who says his company's ultimate goal is to keep local teachers from fleeing the area in search of cheaper housing.

“If they’re all pushed out,” he said, “there’s a question of who’s going to teach our kids, and what kind of communities we’re going to live in.”

Landed splits the down payment on a home with its teacher clients — the teacher typically pays 10 percent of the home’s value, and Landed puts in another 10 percent. That money comes from investors — mostly private individuals with connections to the local school districts, who receive equity in the house in exchange for their contribution. When the teacher later sells the house, Landed’s investors get back the 10 percent they put in, plus 25 percent of any appreciation in the home’s value. So far the company, which received \$5 million from the Chan Zuckerberg Initiative over the summer, has completed 16 home purchases in the Bay Area.

Landed helped get Maria Robinson, who teaches Spanish at Carlmont High School in Belmont, and her husband, Troy, an engineer, and their two kids out of a crowded, two-bedroom apartment and into a house. The couple makes close to \$250,000 a year, enough to pay a mortgage, but they didn’t have the needed \$200,000 cash on hand for a down payment on a typical home in the area.

“We wanted our own place,” Maria Robinson said. “We wanted to settle. We wanted to grow roots.”

They found a \$1.1 million home in San Carlos, and with Landed contributing about \$120,000 to the down payment, were able to move in Oct. 7. The 1,570 square-foot home, which has two bedrooms and a loft, wasn’t a bad deal for San Mateo County, where the median home price was \$1.2 million in September, according to CoreLogic.

When they talk about their new house, the couple can’t help but get excited. It has a view of the entire Silicon Valley, Troy Robinson gushed. And it’s within walking distance of his wife’s school.

Meanwhile, Oakland-based Affordable Equity is re-imagining the landlord-tenant relationship. The six-month-old startup plans to offer its renters equity in the buildings it will buy. When Affordable Equity makes a windfall by selling property, the tenants can cash out too.

“There’s lots of wealth being created through gentrification, but if you’re a low-income renter, that’s extremely scary,” said founder Steven Taylor. “So this is a way to potentially build a boat so they can get in and have the rising tide lift their boat as well.”

Starcity is tackling the crisis from a different angle. The San Francisco-based startup buys defunct hotels, vacant commercial buildings and other unused properties, renovates them, obtains the proper city permits, and turns them into community housing, where residents have their own rooms but share common spaces. So far, the company has moved renters into two buildings in San Francisco and has another six under construction, including one expected to open in Oakland early next year.

There’s plenty of demand. The company has been in business for a year, and already has 1,800 potential renters on its waiting list.

UC Berkeley alum Anna Roumiantseva, 28, founded HomeSlice with two co-founders after the trio realized they had collectively spent about half a million dollars on rent over the past decade — and still couldn’t afford to own a home.

“We have a good education, we have good jobs, and we still can’t afford to buy,” she said. “So what does that mean for the majority of the population?”

Starting in mid-November, HomeSlice will help groups of potential homeowners navigate the hurdles and complications of collectively buying a home. HomeSlice’s website helps home buyers agree on details such as how the property will be maintained, how shares will

be divided, and how decisions will be made, and then turns that information into a co-ownership agreement that can be made legally binding.

The company also helps connect clients with real estate agents and lenders, and plans to eventually roll out an online marketplace where users can buy and sell slices of homes.

“I think the notion of homeownership is going to change over the next couple years,” Roumiantseva said. “People are just fundamentally rethinking how they’re using assets, how they’re buying assets — getting more comfortable sharing.”

Startups taking on the affordable housing crisis

HomeSlice: This Berkeley-based startup makes it easier for groups of people to buy a home together. HomeSlice helps potential buyers draft a co-ownership agreement, and connects them with real estate agents and lenders. The company plans to launch a beta test of the platform in mid-November. To learn more visit home-slice.io.

Landed: Launched in 2015 by two recent Stanford Business School grads, Landed helps Bay Area teachers afford a home in their school district. The startup connects a teacher with investors who contribute to their down payment and in return receive equity in the home. To learn more visit landed.com.

Roofstock: Oakland-based Roofstock runs an online platform where landlords can buy and sell properties in which tenants are already living. The unique business model prevents renters from getting displaced when a building changes hands. So far the startup has sold about 50 buildings in the Bay Area, and is operating in more than a dozen other markets around the country. To learn more visit roofstock.com.

Starcity: Starcity is tackling the Bay Area’s housing shortage by creating new rental units. The startup, launched about a year ago, buys vacant hotels, commercial buildings and other unused spaces, renovates them and converts them into communal housing. Renters have their own bedrooms, but share kitchens and other common areas. Starcity runs two buildings in San Francisco, and is developing another six. To learn more visit joinstarcity.com.

Haven Connect: This Berkeley-based startup, which launched its first pilot program in June 2016, streamlines the process of applying for affordable housing. People can apply online, quickly filling out paperwork for multiple properties at once. To learn more visit havenconnect.com.

Affordable Equity: Oakland-based Affordable Equity is pioneering a new type of landlord-tenant relationship. The startup, which is gearing up to buy single-family or small multi-unit, low-income buildings, will offer its renters equity in its properties. To learn more, or donate to help fund the project, visit chuffed.org/project/affordable-equity.

Marisa Kendall is a technology reporter for the Bay Area News Group, where she covers venture capital and startups. She has previously written about Silicon Valley court cases for The Recorder, and served as a crime reporter for The News-Press in Southwest Florida. Follow Marisa Kendall @MarisaKendall