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Report: Basic cost of living soars in Bay Area

Carolyn Said, Chronicle Staff Writer
Wednesday, October 5, 2011

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Noah Berger / Special to The Chronicle

Raju Kumar folds tablecloths in preparation for his family's new Simmi Boutique's grand opening in the Mission District, which received a boost from a San Francisco agency that aids low-income entrepreneurs.

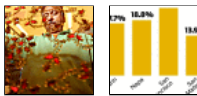
Raju and Simmi Kumar were busy Tuesday afternoon arranging multihued shawls, skirts, handbags and tablecloths imported from their native India in their new Mission District store, Simmi Boutique.

216



"We want to help the poor people back in India who work for us to make these beautiful things," Raju Kumar said.

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Here in the United States, their family of five - they have three children, ages 13, 14 and 19 - struggles to make ends meet also.

"It's very tight, let me tell you," he said. "We never, ever go out, we always cook all three meals at home. But expenses are going all the way up."

A report released Tuesday underscored how the Kumar family reflects the realities of the working poor. According to a formula called the Self-Sufficiency Standard, a family of four (with two adults, one preschooler and one school-age child) in the nine-county Bay Area now needs \$74,341 a year to get by, compared with \$62,517 three years ago.

At the state level, the cost of basic needs for a family of four rose 15.9 percent, to \$63,579 from \$54,853, between 2008 and 2011.

The report analyzed the cost of basic needs in the Bay Area - rent, food, health care, child care, transportation and taxes, which soared 18.9 percent in three years. The study, conducted by the Insight Center for Community Economic Development in Oakland, found that unemployment rose and wages were stagnant over the period.

Money gap grows

"The income and expense gap families experience is becoming even more exacerbated and pushing more families into a place of economic insecurity," said Jenny Chung Mejia,

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a program manager and attorney at the Insight Center. "Families need to bring in an extra \$10,000 to \$15,000 each year just to cover a basic basket of goods."

The most dramatic increases were for health care, child care and taxes. In the region, health care costs rose 35 percent in three years; child care rose 21 percent.

The study's thresholds are more than double the federal poverty level, a yardstick used to determine eligibility for many forms of public assistance. That formula, developed almost half a century ago, takes into account only the cost of food and annual inflation.

The federal poverty level for a family of four is \$22,350. That same amount applies everywhere in the country, whether it's high-cost San Francisco or Jackson, Miss.

"Families fall in a gap where they have too much income to qualify for benefits but clearly don't have enough income to cover all their basic needs on their own," said Chung Mejia.

The Self-Sufficiency Standard was developed in 1996 by University of Washington social scientist Diana Pearce to calculate the actual cost of people's needs in different areas. Many advocacy groups and academics are pushing for it to supplant the federal poverty level as a way to measure and understand poverty.

"This is a more realistic measure of economic need," Chung Mejia said. "If we recognize what it truly costs to make ends meet, we can do a better job in planning for the needs of low-income individuals."

Increasing income

At Mission Economic Development Agency/Plaza Adelante in San Francisco, special projects coordinator Eric Brewer Cuentas said the Self-Sufficiency Standard is key to judging the effectiveness of programs to help low-income clients increase their income through entrepreneurship. The agency is one of several United Way-backed Bay Area SparkPoint Centers for financial education and asset building.

"We help people to start their own businesses so eventually they can achieve the level of income identified through the Self-Sufficiency Standard," he said. "We want to make sure we can measure the impact our services have on our clients' lives."

MEDA is helping the Kumars with their store, which is located in a 159-square-foot storefront in the agency's building at Mission and 19th streets. Raju's salary as a church janitor and Simmi's as a part-time nanny have not kept pace with rising costs. Now they're pinning hopes on their new shop, but they will continue to work at their existing jobs, too.

In a tacit recognition of the current federal yardstick's shortcomings, this month the Census Department will release a new index, the Supplemental Poverty Measure, which factors in expenses like taxes, transportation and health care and allows for geographic variations. Balancing those extra expenses, it also will consider noncash sources of support such as food and housing subsidies in calculating income.

E-mail Carolyn Said at csaid@sfgchronicle.com.

This article appeared on page A - 1 of the San Francisco Chronicle

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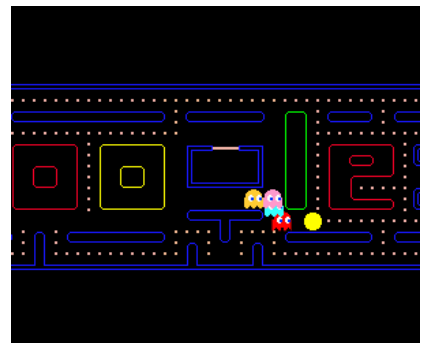
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BigSquash 4:05 AM on October 5, 2011

I wish the Kumars and others who are starting businesses much success.

However the City of San Francisco makes it very difficult with all its regulations, permits, and taxes. From the fictitious name statement to the payroll taxes to the inventory taxes to the burglar alarm tax and on and on, it's not easy, and the penalties for filing even a day late can be enormous.

And if their store is tagged with graffiti, there is a penalty for not cleaning it up fast enough as well as the cost of cleaning it up.

If they sell enough to cover their costs of the merchandise, any loans, permits, their rent, etc., then there are still more taxes on the profit. Plus the cost of replenishing the inventory with new stock.

Don't forget insurance on the store windows and liability insurance for the shoppers.

And the cost of stealing by shop lifters, the owners have to pay for that merchandise, too.

It's not just arranging the shawls, skirts, and handbags.

REPLY (185) (17) POPULARITY: 168

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14 replies



EZnSF 6:08 AM on October 5, 2011

Radical idea. How about the city ease up on the taxes and regulations and fines imposed, and bend over backwards to clear the way for small business, rather than see them as cash spigots.

REPLY (150) (9) POPULARITY: 141

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6 replies



Truth-be-Told 6:28 AM on October 5, 2011

Time to cut back on the SFUSD so more kids and their families will suffer. Lets give more money to the homeless (DRUG ADDICTS) and the poverty pimps!

REPLY (102) (31) POPULARITY: 71

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