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ATTACHMENT

For Item

#17

Tuesday,
July 16,
2024

PUBLIC COMMUNICATION RECEIVED BY THE CLERK OF THE BOARD

Southern California
Rental Housing Association

July 15, 2024

San Diego County Board of Supervisors
1600 Pacific Highway
San Diego, CA 92101

Sent via Electronic Transmission

RE: Opposition - Item 17: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS

Dear Chair Vargas and Supervisors:

On Behalf of the Southern California Rental Housing Association (SCRHA) and our members who include independent rental owners, small and large management companies, and small businesses that provide services to rental housing providers, we are writing to express our opposition to Item 17: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS.

As the leading organization representing rental housing providers of various types of properties, with varying sized properties and numbers of units, we are disappointed that our organization was not contacted about this proposal and not identified as a potential stakeholder. SCRHA has a long history of supporting balanced regulation that benefits renters while also ensuring that owners and managers can still provide much-needed rental housing. There is a great deal of misinformation circulating which can lead to proposals with unintended consequences. SCRHA takes great pride in being a community partner and collaborating with and providing insight and education to elected officials and others on existing laws and best practices. More importantly, SCRHA advocacy is key to identifying unintended consequences as our members have a unique understanding of the nuances of owning and managing rental housing.

The following outlines the concerns of our organization thus far, as there has been limited time to fully digest and research all the impacts of the proposal:

1. Direct the CAO to conduct an analysis of estimated commercial ownership of single-family detached residential properties across San Diego County, utilizing data from property tax rolls to estimate the share of single-family detached homes owned by owner-occupants versus commercial entities. The CAO should report back with this analysis within 90 days and include: a. An analysis of single-family detached residential properties sold in San Diego County over each of the past 5 years, estimating the percentage purchased by owner-occupants versus commercial interest. Especially looking at single-family residences sold under $1,000,000 to focus on the first-time homebuyer market segment. b. A geographic analysis (utilizing zip codes or other similar method) to show neighborhoods with concentrations of owner-occupants vs commercial interests.

The language above seems to indicate that simply because a home is not owner-occupied that it is a commercial entity, which is incorrect and triggers a negative connotation. Many individuals and families own single-family homes and choose to rent them out once they upsize or downsize, or individuals purchase homes as an investment opportunity. These homes help supplement small owners' income, may be a sole source of income, or serve as their retirement plan. In other cases, these properties are intended to build generational wealth. Furthermore, individuals, families, couples/domestic partners, and others structure their properties in LLCs, partnerships, and family trusts for tax and inheritance purposes. Some families allow adult children to reside in the home without payment of rent to aid children and grandchildren. To assume that because title to property is in an LLC or partnership that a so-called "Wallstreet Landlord" owns it is not only inaccurate, but unfair. A March 2024 CalMatters article investigated corporate ownership and found that "California is not a destination of choice for the nation's largest investors." It cites the following: "Less than 2% of single-family homes are owned by investors with 10 properties or more, statewide, according to the California Research Bureau." San Diego is not listed as a county with a high share of single-family homes owned by investors. (https://calmatters.org/housing/2024/03/institutional-investors-corporate-landlords/). Simply looking to see how many homes are non-owner-occupied will not provide an unbiased and accurate understanding of the local rental market and the numerous local independent owners and small family investors who provide rental housing. SCRHA does not oppose data collection and analysis, but it should be done in a way that does not skew results and includes input from all industry stakeholders to ensure fair and accurate results. The proposed analysis does not do this and in fact only seeks an estimate of owner-occupants versus commercial entities.

2. Direct County Counsel, in consultation with the CAO, to explore options for initiating, pursuing, and/or joining litigation against corporate landlords and property firms to address allegations of anti-competitive, unfair, anti-tenant and anti-small home buyer allegations and activities, including but not limited to: tenant harassment, evictions, price gouging, price-fixing, collusion, etc. across the San Diego County real estate market, and regularly report back to the Board in an appropriate manner with recommendations regarding litigation options to address these types of allegations until litigation is filed and then as required. As part of this exploration, collaborate with community-based organizations and tenant advocacy organizations, including but not limited to, Alliance of Californians for Community Empowerment (ACCE), and Legal Aid Society of San Diego.

The Federal and State Governments are already taking steps to prevent price-fixing and address competition issues. The County does not need to take on a duplicative role here. Furthermore, individuals and groups of people may pursue civil litigation for all the aforementioned issues. As the staff report cites, cases have been settled and others filed that will impact best practices moving forward. Unfortunately, expanding the ability for a housing provider to be sued impacts owners and managers of all sizes. In fact, small operators are exiting the market because increasingly the only entities able to afford to operate in Southern California are those with more resources and corporate backing, largely due to the complicated and one-sided regulatory and legal environment in California and San Diego region. Overregulation has forced and/or encouraged independent rental owners to sell their homes and rental properties, leaving that housing stock available for purchase by large investors. The County should not spend taxpayer dollars to pursue duplicative and often frivolous lawsuits that drive small and medium-sized housing providers out of the market and increase the cost of housing.

3. Direct the CAO to explore and report back within 180 days with options for County policies and ordinances that would bar anti-competitive behavior, price fixing and unlawful rent increases, and safeguard housing options for first-time homebuyers and working families. Including, but not limited to, exploring options barring the County from entering contracts with entities that use anti-competitive algorithmic devices to set rents or ensure occupancy levels in rental properties, either directly or through an agent, such as a property management firm.

Again, there are already laws and remedy options for these issues. State law already provides a framework that prevents unlawful rent increases and has recently been updated to include more enforcement remedies. Local ordinances will only serve to complicate matters and increase litigation that does nothing to improve housing opportunities for individuals and families. Management companies of varying sizes employ programs that use algorithms based on local comps to determine rental rates, but it is important to note that these programs serve to do more than help set rents. They also handle invoicing, provide rent payment portals, include maintenance request options, and help streamline a variety of processes that assist the company and provide a better resident experience. While one specific company has come under scrutiny recently, not all are bad, and many companies report cost savings for users which is also a cost savings for renters. The existing lawsuits should be allowed to play out to determine whether there is actual wrongdoing, provide a practical definition of "anti-competitive," and determine what changes will be made to such programs moving forward.

SCRHA respectfully requests you oppose all options included in Item 17. None of these options will increase the supply of housing, which is the first step in addressing the housing availability and affordability in the region. In fact, these measures could discourage investment and push it to different sectors, exacerbating the housing shortage. The staff report references one company that purchased one portfolio, not a trend in our local community. While this item may be well-intentioned, additional regulation on the industry will have an adverse impact. Regulation of this type aimed as "large corporations" has trickle down impacts. Small and medium sized owners and investors often find themselves subject to the same rules or fear that restrictions on large investors could lead to broader regulation. This becomes a self-fulfilling prophecy and pushes ownership of residential property to the very companies that the regulation seeks to address.

Southern California
Rental Housing Association

The County and the region are better served by incentivizing construction and investment in housing of all types and at all price points and continuing to fund and promote rental subsidy and homeownership programs. It is vital to strike a balance between allowing investment and ensuring that housing remains accessible and affordable without disturbing market forces that could lead to unintended consequences, such as reduced housing supply, decreased market efficiency, and higher prices in the future. Should the Board of Supervisors wish to create an advisory body or stakeholder group to address housing affordability in the region, SCRHA stands ready to assist.

Sincerely,

Alan Pentico

Alan Pentico, CAE
Executive Director

July 15, 2024

RE: Item 17 - Fighting Back Against Corporate Homebuyers and Wall Street Landlords

Chair Vargas and Supervisors,

On behalf of the members of the California Apartment Association (CAA), I am writing to inform you that we are opposed to Item 17. The California Apartment Association is the largest statewide rental housing trade association in the country, representing over 60,000 single family and multi-family apartment owners and property managers who are responsible for over 2 million affordable and market rental units throughout the State of California.

Today's item is a solution in search of a problem. Ownership of single-family homes by large business entities in California is extremely limited, estimated at 0.15 of 1 percent. Additionally, the percent of single-family homes owned by large property owners in San Diego is less than 1.7%. There are over 800,000 housing units in San Diego County and only 60,000 are owned by large owners, classified as owning over 100 units.

The recommendation before you today conflate several non-related issues. First, whether a unit is owner occupied or renter occupied, and whether the home owned by a business or a person. Ownership status by a corporation does not relate to a property being purchased or used for an investment. Placing property in a corporation is a common practice. Corporations are used regularly by individuals and families for tax and estate planning benefits.

Investigating ownership status and intent of every single-family home in the County would be a near impossible task for the Assessor Recorder's office. Moreover, data on ownership status and non-owner occupied entities does not tell the whole story. A narrow scope of research, as dictated in the item before you today, could result in additional misinformation.

There is no trend to suggest that single family home purchases by corporations have increased. In fact, the trend is going the opposite direction, in the last seven years, national institutional owners have sold 28% of homes owned in California. In the last 2 years, national institutional owners have purchased two single family homes in California.

There are already mechanisms in place to enforce against businesses engaged in price gouging. Both the Department of Justice and Attorney General have pursued such cases. Scarce county resources should be spent on rental assistance and housing subsidies, not tying the county up in expensive litigation efforts. Lawsuits don't help create more housing for San Diegans.

Please reach out to me at mwoods@caanet.org if you have any questions or would like to discuss further. Thank you for your consideration.

Sincerely,

Melanie Woods
Vice President of Local Public Affairs
California Apartment Association

Southern California Rental Housing Association

CAA

BIA San Diego County

NAIOP Commercial Real Estate Development Association San Diego Chapter

July 15, 2024

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RE: Opposition - Item 17: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS

Dear Chair Vargas and Supervisors:

On Behalf of the undersigned organizations, we are writing to express our opposition to Item 17: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS. Our organizations represent rental housing providers of diverse property types, single and multi-family home builders, commercial property owners and operators, and more.

Our coalition members have a long history of supporting balanced regulation that benefits residents while also ensuring that our members can still provide much-needed rental and for-sale housing. We are community partners who stand ready to partner with the County on solutions to mitigate our housing crisis. Our collective expertise is key to identifying unintended consequences as our members have a unique understanding of the many nuances of the housing market.

None of the recommendations will increase the supply of housing, which is the first step in addressing housing availability and affordability in the region. In fact, the proposed measures could discourage investment and push it to different sectors, exacerbating the housing shortage. Additional regulation on the housing market will have adverse impacts. Regulation of this type aimed as “large corporations” has trickle down impacts.

Data analysis and additional litigation are not the best use of county resources. The region is better served by incentivizing construction and investment in housing of all types and at all price points and continuing to focus on rental housing subsidies and homeownership programs. It is vital to strike a balance between allowing investment and ensuring that housing remains accessible and affordable. Disturbing market forces could lead to unintended consequences, such as reduced housing supply, decreased market efficiency, and higher housing costs in the long run.

Sincerely,

Molly Kirkland, Southern California Rental Housing Association
Melanie Woods, California Apartment Association
Lori Holt Pfeiler, Building Industry Association of San Diego
Craig Benedetto, NAIOP San Diego