

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS
TUESDAY, JULY 16, 2024**

MINUTE ORDER NO. 17

SUBJECT: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS (DISTRICTS: ALL)

OVERVIEW

In recent years, an alarming trend has emerged where large corporations and Wall Street investors are increasingly buying up residential homes, driving up prices and exacerbating the housing affordability crisis. This practice not only puts homeownership out of reach for many aspiring buyers but also undermines the stability and diversity of communities. As corporations outbid individuals and small mom-and-pop landlords, the dream of owning a home becomes increasingly elusive, leading to higher rents and displacement of long-time residents.

The housing in our neighborhoods should be homes for people, not profit centers for Wall Street hedge funds. Yet, San Diego is ground zero for a growing trend of giant financial corporations buying up housing and driving up rent and home process.

This trend has sharply accelerated since the pandemic when low-interest rates fueled a [Wall Street frenzy](#), with private equity giants buying up homes and apartment buildings to squeeze for profit, leaving tenants and local communities left to pay the price. According to the Federal Trade Commission, rental prices are up nearly 20% since 2020, with the largest increases among low-to-middle tier apartments rented by lower-income residents. Rising shelter costs are responsible for two-thirds of the [inflation](#) pressure that is driving up the cost of living. This is due, in part, to the increasing use of algorithms by corporate landlords to unfairly set rental prices.

Corporations Limiting Homeownership Opportunities

Investor home sales hit an all-time high in the fourth quarter of 2023, with [35.2%](#) of California homes being sold directly to institutional investors, more than any other State in the Country. This alarming trend is projected to increase with institutional investors forecasting a [10-fold increase](#) in corporate home buying by the end of the decade (from 700,000 single-family homes in 2022 to 7.6 million homes by 2030). These institutional investors use their huge capital reserves to make all cash offers and scoop up available properties. This reduces the already-slim inventory in the marketplace and creates a more acute affordability crunch for first-time homebuyers.

Corporation Fueling Rental Housing Price Increases

The impacts of this corporate home buying spree are also being felt in the rental market. As institutional investors gobble up more and more homes, they are serving as landlords to an increasing share of our residents. Blackstone is the largest residential landlord in the U.S., with an estimated 300,000 rental units in their portfolio. A [recent report](#) by the Private Equity Stakeholder Project, explains that institutional investors like Blackstone aim to maximize shareholder profits, which translates to maximum allowable rent increases, evictions, the rise of hidden fees, reduced investment in maintenance, and even efforts to influence state and local housing policy with the objective of increasing opportunities for profit at the expense of residents and communities. One Blackstone executive even noted that increasing evictions could serve as a “[cash flow growth possibility](#)”. These impacts are hitting communities across San Diego County, especially in [lower-income neighborhoods and communities of color](#).

In 2021, Blackstone acquired a portfolio of 66 buildings in San Diego, totaling approximately 5,600 units. These units were mostly naturally occurring affordable housing (NOAH), making them highly vulnerable to market pressures and potential displacement of residents. This acquisition put San Diego at the center of scrutiny regarding Blackstone's real estate activities, as concerns grew about increased rents and tenant displacement. In response, tenants organized the Blackstone Tenants Union to advocate for fair treatment and the preservation of affordable housing. This situation highlighted the challenges of protecting vulnerable communities in an era of increasing corporate real estate takeover.

Allegations of Price Fixing, Collusion, Tenant Harassment, and Illegal Price Increases

The Federal Trade Commission and the Department of Justice (DOJ) have filed a [joint legal brief](#) explaining that price fixing through algorithms is still price fixing, and that landlords and property managers cannot collude to set rental prices, including through the use of algorithms. The DOJ has opened up a criminal probe into one such company, RealPage, and the FBI recently [raided the headquarters](#) of a large corporate landlord in connection to the investigation. Numerous [lawsuits](#) across 10 states allege that owners, operators and managers of large residential multifamily complexes have abandoned their independent pricing based on supply and demand, and instead used algorithm based software, such as RealPage, to keep rental prices above market rates and share non-public, commercially sensitive information as part of the conspiracy. The landlords agreed to follow RealPage's pricing recommendations, on the expectation that competing landlords would do the same. Price-fixing artificially inflates rental prices that burden tenants and distorts local housing markets.

California Attorney General Rob Bonta has also led on this issue, settling [a lawsuit](#) against corporate giant Invitation Homes, a spinoff corporation of Blackstone that owns over 80,000 homes, for price-gouging and unlawful rent increases.

Local governments have been slow to address these anti-competitive practices to protect residents and maintain fair housing markets. We need to act to hold corporate bad actors accountable, protect our communities from illegal business practices, and safeguard housing options for first-time homebuyers and working families.

Today's item recommends the County take action to fight back against the corporate takeover of our homes and neighborhoods and make housing more affordable and attainable for all San Diegans. It includes the following actions:

1. Analysis of Commercial Ownership of Single-Family Residential Properties in San Diego County. [A recent analysis](#) completed by the City of Fort Worth, Texas, found that 26% of all single-family detached homes were owned by commercial entities, including large corporations and institutional investors. The County should utilize data from property tax rolls to estimate the share of single-family detached homes owned by owner-occupants versus commercial entities like LLCs, banks, partnerships and look at single family detached property sales over the past 5 years to see trends in ownership.
2. Exploring affirmative litigation options against corporate bad actors and institutional investment firms to address allegations of price gouging, tenant harassment, and price-fixing across the San Diego County real estate market.

3. Explore opportunities for local ordinances and legislation that would address the increasing threats to renters, single-family homeowners, and mom and pop landlords posed by unfair and anti-competitive practices.

RECOMMENDATION(S)

VICE-CHAIR TERRA LAWSON-REMER

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.
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.
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.

EQUITY IMPACT STATEMENT

Rents and home prices continue to increase throughout San Diego County with incomes not keeping pace. A February 29, 2024, Zillow article noted that the annual household income needed to afford a mortgage for a typical home in the City of San Diego reached nearly \$275,000. Taking actions against corporate homebuyers and fighting back against allegations of price-fixing, collusion, and tenant harassment will increase housing security for low- and moderate-income tenants.

SUSTAINABILITY IMPACT STATEMENT

Today's proposed action supports the County of San Diego Sustainability Goal #2 to provide just and equitable access to services in support of sustainable communities. This will be accomplished by ensuring equitable access to affordable housing for low- and moderate-income households and by cultivating strong relationships with community partners.

FISCAL IMPACT

Funds for the actions requested in Recommendation 1 are included in the Fiscal Year 2024-25 Operational Plan based on existing staff time in the Assessor/Recorder/County Clerk funded by General Purpose Revenue. There will be no change in net General Fund cost and no additional staff years.

Funds for the actions requested in Recommendation 2 are included in the Fiscal Year 2024-25 Operational Plan based on existing staff time in County Counsel funded by General Purpose Revenue. There will be no change in net General Fund cost and no additional staff years. There may be fiscal impacts associated with future related recommendations which staff would return to the Board for consideration and approval.

There is no fiscal impact associated with Recommendations 3. There will be no change in net General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT

Today's action will promote sustainable economic development and regional economic competition by promoting affordable and attainable housing which supports local economic activity.

ACTION:

ON MOTION of Supervisor Lawson-Remer, seconded by Supervisor Montgomery Steppe, the Board of Supervisors took the following actions:

1. Directed the Chief Administrative Officer (CAO) to conduct an analysis of estimated commercial ownership of single-family detached, condominium, and townhome residential properties across San Diego County, utilizing data from property tax rolls to estimate the share of single-family detached homes, condominium, and townhomes owned by owner-occupants versus commercial entities with approximately 25 or more units. 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.
 - c. Directed the CAO to conduct the analysis in a sequence that ensure the research is done before returning to the Board with recommendations.
2. Directed 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.

3. Directed 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.

AYES: Lawson-Remer, Montgomery Steppe, Desmond

NOES: Anderson

ABSENT: Vargas

State of California)

County of San Diego) §

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER

Clerk of the Board of Supervisors



Signed

by Andrew Potter