

Real Estate Speculation by Tech Companies and Investors in Los Angeles

C.F. 21-1244

Housing Committee Meeting
October 26, 2022

Motion (Martinez - Raman, C.F. 21-1244)

Issues that are exacerbated by real estate speculation:

- Housing Affordability
- Displacement of long-term residents
- Consolidation of corporate and investor ownership of housing

The Motion instructs the CLA and City Attorney to report on strategies the City can use to prevent tech companies, such as iBuyers, and private equity firms from engaging in real estate speculation, especially involving single family homes.

Background

- Consolidation of housing ownership by corporate entities and investment vehicles
 - 67% of rental properties in LA owned by investment vehicles
 - Investors purchased 10% of homes in LA County in 2021
- Prospective owner-occupants and “mom and pop” landlords are crowded out of the market
- Corporate ownership of residential properties is associated with higher rates of eviction and foreclosure, rent increases, excessive fees, unethical management practices, and the removal of units from the market.
- iBuyers facilitate home flipping and have sold homes in bulk to other large investors

Housing Affordability - Recommendations

Homeownership education and counseling and home loan assistance and tax incentive programs have been effective in helping prospective home buyers to purchase homes, and avoid delinquency and foreclosure.

- Instruct LAHD to report on the feasibility of developing homeownership education and counseling programs for prospective homebuyers and current home owners in the City
- Instruct LAHD to report on the feasibility of applying for CalHome grants to fund first-time homebuyer and housing rehabilitation assistance, homebuyer counseling, and technical assistance activities to support home ownership, especially for low- and very-low-income individuals and households

Displacement of Residents - Recommendations

New York, San Francisco, and Washington, D.C. have established **purchase opportunity** and **community preference policies** to address the displacement of long-term residents in areas that experience gentrification, redevelopment, or a housing shortage

- Instruct the CLA, with the assistance of LAHD, to report on how opportunity to purchase policies impact property sale timelines and property values, and their overall effectiveness in preventing the displacement of residents
- Adopt the Resolution to support SB 649 to authorize local governments to allow a local tenant preference in affordable housing that is funded with State or local funds or tax programs

Corporate Ownership - Recommendations

In 2012, private equity groups, hedge funds, and investors purchased 200,000 homes at below market prices to bail out the housing market.

- Instruct LAHD, in consultation with LADBS, to report on the implementation of SB 1079 to prohibit real estate trustees from bundling foreclosed properties for sale
- Instruct LAHD to review LA County Assessor property rolls and report on an estimated number of single family homes owned by real estate investment trusts (REITs), partnerships, corporations, and limited liability entities in the City; and possible policy responses to limit the amount of properties that is permissible for a single entity to own

Corporate Ownership - Recommendations

- Adopt the Resolution to support Assembly Bill (AB) 1771 for an additional 25 percent tax on the portion of capital gain from the sale or exchange of residential properties in California within three years of the purchase of the property.

Questions?