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California
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Perpetual Home Affordability-Stewardship-Community Control



MOVE LA
A PROJECT OF COMMUNITY PARTNERS



NPHS Community Land Trust



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**PUBLIC INTEREST
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Beverly-Vermont Community Land Trust



CASA FAMILIAR
A COMMUNITY DEVELOPMENT AGENCY



SAINT JOSEPH
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El Sereno Community Land Trust
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May 26, 2020

Honorable Gavin Newsom
Governor, State of California
State Capitol Sacramento, CA 95814

Honorable Toni Atkins
President Pro Tempore, California State Senate
State Capitol, Room 205
Sacramento, CA 95814

Honorable Anthony Rendon
Speaker, California State Assembly
State Capitol, Room 219
Sacramento, CA 95814

Re: A Framework for COVID Recovery without Displacement

Dear Governor Newsom, President Pro Tempore Atkins, and Speaker Rendon:

COVID-19 has underscored the urgent need for a strong, community-focused response to ensure long-term housing stability in California. Our state leads the nation in recognizing that everyone's health depends on bold collective action in the face of this public health and economic crisis. Just as we've taken decisive action to preserve our collective health and safety, taking strong steps *now* to preserve our homes is essential to strengthen our communities and create a stable foundation for California's recovery. Together, we can prevent the widespread displacement, foreclosures, and the widening of the racial wealth gap that we saw as a result of the Great Recession.

As we move into an economic downturn with likely significant implications for our real estate industry, there is both a need and the opportunity to advance policy that takes housing out of the speculative market and creates affordable housing for the long-term. Without state intervention, the same exploitative private equity funds and Wall Street landlords that purchased so many of our homes a decade ago will be allowed once again to engage in speculative purchasing without any guardrails or protections for communities that are already struggling.

The following is a framework that we urge you to adopt to stabilize our communities, preserve homes, and expand our affordable housing stock by removing housing from the speculative market:

- **Funding.** California must prioritize \$500 million from existing or future federal resources to fund acquisition and preservation, building on the success of the Golden State Acquisition Fund (GSAF) and local subsidy programs. This funding, leveraged with private financing, will allow eligible entities to buy and renovate distressed rental

properties so that they can be maintained affordably in perpetuity. To acquire properties and pay for initial health and safety improvements, we need a revolving loan fund geared towards existing structures and nimble enough to quickly respond in a competitive market. This short-term bridge financing would allow nonprofits, tenants, and local public agencies to purchase properties while a long-term financing package is assembled. A small portion of this \$500 million investment can seed an acquisition financing program, while the bulk of the state's contribution can be used as permanent gap subsidy at around \$125,000 per unit on average and include a regulatory agreement to ensure rents remain affordable. This will expand the stock of permanently affordable housing at a much lower cost than new construction while protecting families today.

- **Statewide Right of First Offer Policy.** We must ensure tenants, mission-driven housing organizations, and community land trusts have a fair chance to purchase at-risk residential buildings before they are lost to private institutional investors. A statewide right of first offer policy will give these stakeholders an opportunity to act before a property hits the market, allowing renters to stay in their communities and providing stability for families and the housing market. It will also allow renters and landlords to work together to prevent displacement and homelessness.
- **Banking Regulations.** To prevent another wide-scale transfer of wealth from families to Wall Street and private equity firms and as an additional preservation mechanism for affordable housing more broadly, we need a statewide anti-displacement financing policy. The state must use its powers as regulator of financial companies and products, consumer and contractor of financial services, and depositor of public funds to ensure that banks and lenders in the state comply with this anti-displacement policy. The state should require that financial institutions restrict harmful lending practices, be transparent about displacement that occurs as a result of their lending, and restrict the sale of distressed and bank-owned properties to large corporate landlords in favor of community land trusts and other mission-driven nonprofits. Finally, the state should leverage banks' existing Community Reinvestment Act and fair housing obligations by directing them to build nonprofit capacity and fund nonprofit acquisition of properties in order to expand affordability in the state.
- **Financial Investment in Nonprofit Capacity Building.** California must increase community-based organizations' capacity to perform resident engagement and education, assess properties, oversee construction, manage operations, and steward properties in the long term. We'll need a skilled, diverse, and well-supported workforce to make it happen, and sufficient resources provided at each stage of the process, from acquisition through long-term stewardship, to ensure that we build enduring capacity within our communities.

Throughout the COVID-19 crisis, Californians have pulled together in support of the most vulnerable among us. We are acutely aware that this historic crisis has had disproportionate impacts on low-income communities and communities of color, the very same communities that have repeatedly suffered disproportionate impacts past crises. To avoid a repeat of this pattern in the long term, we must center racial equity in our COVID recovery strategies and focus on serving those most in need. We urge the legislature to consider this community-minded framework to protect our people, stabilize our communities, and preserve our affordable homes, which will ensure better health, better economic security, and a better future for generations to come.