

Senate Bill 1079

Homes for Homeowners Not Corporations

Senator Nancy Skinner (D-Berkeley)

THIS BILL

With the wave of foreclosures during the last recession, large corporate owners purchased single family homes at rock bottom prices. As a result, owner occupied home ownership dropped, many homes were left vacant and a new corporate asset class was created of 'single family home rentals' with leases that contained onerous fees and many new, and largely unfair, provisions.

SB 1079 is aimed at preventing a repeat of this scenario during the current pandemic induced downturn. SB 1079 helps limit corporate buyout of foreclosed homes by prohibiting bulk sale at auction and giving tenants living in the foreclosed property, followed by cities and non-profits a window of opportunity to purchase foreclosed homes. Additionally, SB 1079 is aimed at preventing corporate owners of single-family homes from leaving homes vacant by giving local governments additional enforcement tools.

ISSUE

During the last financial crisis, large corporations and private investment firms purchased thousands of foreclosed homes throughout California. Many homes were flipped for profit, others were kept vacant, and some were held and rented at rents above the prevailing neighborhood market. Such practices reduced owner occupied home ownership in California and amplified our state's affordability crisis. Additionally, in the time since the great recession a racial disparity in homeownership has grown. For example, in 2004 nearly half of black families in the U.S. owned homes, ten years later that number fell to 41% and has continued to drop.

Some corporations intentionally seek out areas that restrict new housing development because the limited housing supply drives up housing prices, ultimately increasing profits for the companies. Sacramento, Los Angeles, San Diego, Bakersfield and Oakland are among the cities impacted by corporate purchase of single-family homes. One publicly traded Wall Street firm, Blackstone, purchased 13,000 homes in California during the last recession and at one point was the largest single-family property owner in the nation.

Providing tenants, local governments, and nonprofit providers of affordable housing the right to purchase homes that have been kept vacant or are under foreclosure can help ensure these residential units are

more available for owner occupants and not used merely for investment purposes.

California has employed this model before and currently gives local governments and nonprofits the right of first refusal to buy state vacant property and deed-restricted affordable housing.

Furthermore the federal 'First Look' program allows families and individuals who plan to live in the residence a first right to put an offer on a home that has been subject to a federal foreclosure, leapfrogging corporations and investors.

SOLUTION

SB 1079 will limit the advantage large investors have in foreclosure auctions by establishing a process for local governments, affordable housing organizations and tenants to purchase foreclosed homes. SB 1079 also increases the penalties a local government can levy to help ensure large corporations don't leave homes vacant. Specifically, the bill:

- Eliminates bulk sale of foreclosed properties
- Creates a 45-day window after an initial auction to allow prospective owner-occupants, public entities, affordable housing and other non-profits to submit a higher bid, and thus purchase the property
- During initial foreclosure auction, if the highest bidder is a prospective owner occupant the sale is finalized
- Within 45-day window, tenants given priority to purchase property by matching the auction bid price
- The provisions described above sunset in 5 years

SUPPORT

Asian, Inc.
Bend the Arc California
California Reinvestment Coalition
California Coalition for Rural Housing
California Community Economic Development Association (CCEDA)
California Rural Legal Assistance Foundation
City of Oakland
Community HousingWorks
Consumer Advocates Against Reverse Mortgage Abuse (CAARMA)
East Bay for Everyone
East Bay Housing Organizations

East Los Angeles Community Corporation
Esperanza Community Housing Corporation
Fair Housing Council of San Fernando Valley
Faith and Community Empowerment
Greenlining Institute
Haven Neighborhood Services
Home Preservation and Prevention Inc
Homeownership San Francisco
Housing California
Inclusive Action for the City
Institute on Aging
Jakara Movement
LA Forward
Mission Economic Development Agency (MEDA)
Neighborhood Partnership Housing Services, Inc.
(NPHS)
Non-Profit Housing Association of Northern California
Oakland City Council
Opportunity Fund
Public Law Center
Renaissance Entrepreneurship Center
Richmond Community Foundation
Richmond Land
Simi Valley Democratic Club (SVDC)
Sustainable Economies Law Center
TechEquity Collaborative
Tenants Together
The Two Hundred
Urban Possibilities
Urban Strategies Council
Western Center on Law & Poverty

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