

Assembly Bill 919

Stable Homes Act

Assemblymember Ash Kalra

SUMMARY

AB 919 would establish the Stable Homes Act to give tenants, local public agencies, and mission-driven nonprofits a first opportunity to purchase rental housing properties when owners choose to put those properties up for sale, as well as a right to match an offer on those properties made by a third party. This bill would help keep families in their homes and preserve at-risk rental housing on the private market as permanently affordable.

BACKGROUND

Housing affordability is a top concern for Californians. Unfortunately, the state is losing unsubsidized housing (housing on the private market) that is accessible to low-income households far faster than we can build new affordable units. An analysis of real estate transaction data by the California Housing Partnership¹ estimates there are at least 710,000 unsubsidized units in California that are currently affordable to lower-income households; however, this number is rapidly dwindling. From 2012 to 2017, the Bay Area lost 32,000 of its unsubsidized affordable homes annually.² San Diego lost an estimated 72 percent of its unsubsidized housing stock affordable to very low-income households between 2000 and 2020.³

The lack of deed-restricted affordable housing and the rising cost of real estate are major contributors to the displacement of low-income households with many at-risk of having their building sold. Increasing activity by real estate speculators and Wall Street landlords only further exacerbates this problem and has led to increased housing instability,

¹ Analysis conducted by the California Housing Partnership in 2021. Unsubsidized affordable homes are defined as properties with an average rent affordable to less than 80% AMI, for all unit sizes, without any state or federal subsidy.

² Yelen, James. "Preserving Affordability, Preventing Displacement: Acquisition-Rehabilitation of Unsubsidized Affordable Housing in the Bay Area." Enterprise Community Partners. 2020. <https://www.enterprisecommunity.org/sites/default/files/2021-07/preserving-affordability-preventing-displacement.pdf>.

³ San Diego Housing Commission. "Preserving Affordable Housing in the City of San Diego". May 2020 <https://www.sdhc.org/wp-content/uploads/2020/05/Affordable-Housing-Preservation-Study.pdf>

overcrowding, and housing-cost burdens that make it impossible for working families to afford other essentials like healthcare and education. Displacement also frustrates efforts to reduce driving-related pollution as low-wage workers are forced to move farther from job centers and become mega-commuters.

Unfortunately, local public agencies, tenants and mission-driven nonprofits that engage in the preservation of private-market rental housing struggle to compete for these properties on the market with outside investors. Tenants and nonprofits must generally secure multiple sources of funding, whereas investors, real estate companies, and private buyers often have cash on hand or other available financial resources. The result is that these properties are often sold before tenants or nonprofits even have the opportunity to make an offer to purchase them.

SOLUTION

AB 919 would help stabilize communities by preserving and increasing the supply of permanent affordable housing by creating a statewide policy to help keep working families in their rental homes and build intergenerational wealth.

Under this bill, when a rental property owner chooses to sell their property, the tenants and eligible community entities would be given the first opportunity to purchase the property by making an initial offer, with an appropriate time period to secure financing. If the owner chooses to accept that offer, the sale will be finalized and the process is done. If the owner does not accept that offer, the owner can accept a different offer from any third party on the private market. The tenants or eligible entities can then choose to exercise a right of first refusal to match the offer from the third party and acquire the property.

In no case would this bill require an owner to sell their property or restrict the price at which they can sell it. Properties acquired by tenants or eligible entities under this bill will be preserved as affordable with built-in protections for existing and future tenants.

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As demonstrated by successful local TOPA/COPA policies in California and around the country, preservation of existing rental housing on the private market keeps low-income households in their homes and increases the supply of deed-restricted affordable housing more swiftly and cost-effectively than new construction.⁴ This bill would facilitate housing preservation, which is a crucial part of addressing the state's affordable housing and homelessness crises.

SPONSORS

Housing California
Public Advocates
California Reinvestment Coalition

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⁴The Department of Housing and Community Development reports average acquisition-rehabilitation cost of \$129,000 per-unit for Project Homekey, versus a \$380,000–\$570,000 per-unit cost for the construction of new affordable housing.

https://homekey.hcd.ca.gov/sites/default/files/2021-08/hcd100_homekeyreport_v18-min.pdf