



Leveling the Playing Field: How California Lawmakers Can Stand up to the Real Estate Industry to Protect Tenants

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Executive Summary

During the foreclosure crisis, hundreds of thousands of Californians were forced out of their homes, only to face skyrocketing rents. Housing costs are now catastrophically high, forcing many families to choose between paying rent and buying necessities like food and medicine, and pushing others into shelters or onto the street. Low income people of color are among the most vulnerable renters in this crisis. California legislators have introduced myriad bills to address the problem, but most of the enacted bills tackle housing production, while few offer relief for California's 17.5 million struggling renters.¹ Why have legislators implemented so few policies that would help the 17.5 million Californians who rent? One answer may lie in the vast amounts of money the real estate industry has poured into state politics in the last decade.

Since 2008, the largest real estate lobbying groups in California have spent a staggering \$110.3 million to elect candidates and decide the fate of legislation in line with their members' interests.

The California Building Industry Association (CBIA), the California Apartment Association (CAA), and the California Association of Realtors (CAR), were amongst the biggest political spenders year after year. These groups represent some of the largest real estate investors, developers, and property managers in the world, and consistently rank among the biggest political spenders in the state, along with heavy hitters like Chevron and the California Chamber of Commerce.

The deck is stacked against renters. Corporate landlords, real estate developers and investors, and the lobbying groups that do their bidding outspend tenant advocates by millions. No one on the pro-tenant side can come close to matching the scale of political spending the CAR, CAA and CBIA have sustained over the last decade. Simply put, protections for California renters aren't profitable for the real estate industry, and the groups with the financial resources to exert influence on state policy are dedicated to protecting the industry's profit margins.

- › Between 2008 and 2018, **the CAR, CBIA, and CAA spent \$10.7 million to elect state lawmakers friendly to their business interests.**
- › **Since 2008 the CAA, CAR, and CBIA spent over \$44.7 million to influence whether legislation lives or dies.**
- › During the 2017-2018 session alone these three entities spent \$7.6 million lobbying for or against legislation in their members' business interests.
- › In the 2018 Prop 10 fight, the CAR contributed \$8 million, and corporations with representation on the CAA's board contributed \$25.7 million to multiple PACs.

We can't allow lobbyists representing some of the world's largest real estate investors, developers and property managers to set the housing policy agenda for the state of California. For too long, they have used their money and influence to promote a profit-driven approach at the expense of less lucrative, but necessary tenant protections. Renters in California need legislators to stand up to the greed of the real estate industry and advance policies that protect the rights of the millions of Californians who rent.



California's housing crisis requires a comprehensive set of solutions that accounts for the fact that different aspects of our crisis require different solutions.

We recommend:

1. State level legislation allowing local governments to set reasonable rent protections. This is the single most important policy solution. Combined with proposed protections against rent gouging, such legislation could stabilize rents in California cities.
2. "Just-cause" eviction. California's no-cause evictions are contributing to homelessness and wreaking havoc on people's lives.
3. Emergency rental assistance to support tenants through rent increases or sudden unanticipated expenses, thus preventing the unnecessary trauma of displacement and homelessness.
4. Prohibition on source of income discrimination, preventing landlords from refusing to rent to people whose payment, in part comes from government-issued rental housing vouchers, such as Section 8.

California's housing situation has been dire for years, but there are tangible policy solutions legislators can advance to offer necessary relief to renters. Lawmakers need to decide whether or not they agree that all Californians deserve to live in safe and stable housing in the cities and communities they call home.



During the foreclosure crisis, hundreds of thousands of California families were forced out of their homes, only to face skyrocketing rents. Housing costs are now catastrophically high despite stagnant wages, forcing many families to choose between paying rent and buying necessities like food and medicine, and pushing others into shelters or onto the street. The federal government defines housing as affordable if it costs no more than 30% of a household's income. Over half of California's 17.5 million renters² are "rent burdened," meaning they pay more than 30% of their income on rent. Low income people of color are particularly at risk. 48% of white renters are considered "rent burdened," compared to 59% of Black renters and 57% of Latinx renters.³ California allows landlords to evict tenants without providing a reason, which has contributed to an eviction epidemic; nearly 500,000 households faced eviction between 2014-2016.⁴ Black renters are the most likely to face eviction nationally,⁵ particularly low income Black women.⁶

California legislators have introduced myriad bills to address the housing crisis. However, most of the bills enacted tackle housing production, which is just one of three policy arenas where action is needed.⁷ The other two arenas of policy, protection and preservation, are less financially lucrative for the real estate industry, but necessary to offer relief to struggling tenants now. Protection policies include measures like rent control, "just cause" eviction laws, and "fair chance" housing ordinances that ensure renters at risk of homelessness or discrimination have rights and support. Preservation policies speak to the need to maintain current affordable housing stock at risk of converting to market rate or luxury housing. The production of new housing does not address these immediate needs, and each year the number of units built (even with new funding) is paltry relative to the millions of families struggling under sky-high rents.

Why have legislators implemented so few policies that would help the 17.5 million Californians who rent? One answer may lie in the vast amounts of money the industry has poured into state politics in the last decade.⁸ This report examines campaign contribution and lobbying expense data from several publicly available sources to chart the industry's sustained spending over the last decade.⁹

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The California Building Industry Association (CBIA), the California Apartment Association (CAA), and the California Association of Realtors (CAR), were amongst the biggest political spenders year after year. These entities represent some of the largest real estate investors, developers and property managers in the world, and consistently rank among the biggest political spenders in the state, along with heavy hitters like Chevron and the California Chamber of Commerce.¹⁰ These groups wield influence by collecting huge sums of money from their members, and directing these millions to promote a housing agenda that prioritizes their members' financial returns at a moment of crisis for California residents.

The deck is stacked against renters. Corporate landlords, real estate developers and investors, and the lobbying groups that do their bidding outspend tenant advocates by millions. No one on the pro-tenant side can come close to matching the scale of political spending the CAR, CAA and CBIA have sustained over the last decade. A sample of some of the larger affordable housing advocacy and homelessness



prevention organizations shows a total of just \$842,000 spent lobbying at the state since 2008. **That means that for every dollar spent by these advocates, the industry has spent \$131.** An already brutal housing market is made worse by the fact that the groups with the financial resources to exert influence on state policy are dedicated to protecting the real estate industry's profit margins.

We can't allow lobbyists representing some of the largest real estate investors, developers and property managers in the world to set the policy agenda. While housing pressures continue to escalate for California renters, organizations like the California Apartment Association brag about their track record "defeating onerous proposals that threaten the rental housing industry,"¹¹ including state and local "just cause" eviction laws that would protect renters from unwarranted evictions. The CBIA categorizes bills into "Housing Killers" and "Housing Creators."¹² In defining a bill as a "killer" or "creator" - good for the industry, or bad - they look at whether the bill will "balance the housing crisis unfairly on the backs of a few versus a more egalitarian distribution".¹³ Presumably, the CBIA is concerned about bills that might benefit California's 17.5 million renters in a way that reduces the ability of the relative few in the industry to profit from the crisis. But ordinary Californians, and especially lower income Black and Latinx communities, have disproportionately borne the brunt of the state's housing crisis for years.¹⁴

The fact is, tenant protections do not generate profit for the housing and real estate industries, and a dearth of protections for tenants enables predatory practices to continue unabated. The profit motivation of the industry is thus in tension with the needs of California renters. Ordinary people struggling just to make rent don't have millions to spend lobbying lawmakers year after year – these Californians need state lawmakers to stand up for them in spite of the pressure these legislators may feel from the industry.

Real Estate Industry Groups Spend Millions to Influence California Elections

Between 2008 and 2018, the California Association of Realtors consistently ranked as the top campaign spender from the finance, insurance, and real estate sectors¹⁵ spending \$6.7 million between 2008 and 2018 on California Assembly, Senate, and statewide candidates.¹⁶ Their peers, the California Apartment Association spent nearly \$1.9 million, and the California Building Industry Association spent over \$2.1 million in campaign contributions over the same period. Together, these three entities have spent \$10.7 million to elect lawmakers friendly to their business interests. Another consistent top spender, the Western Manufactured Housing Communities Association, spent just under \$1.9 million since 2008 to advance the interests of manufactured community owners, operators, and developers.¹⁷



Including the Western Manufactured Housing Communities Association, these entities have spent in excess of \$12.6 million to influence election outcomes since 2008.

The table below reflects campaign spending by the CAA, CBIA, and CAR during the 2016 and 2018 election cycles. Together, these three associations spent more than \$3.9 million in the last two election cycles alone.

Table 1: Statewide Campaign Contributions by Real Estate Industry Groups, 2016-2018

	California Apartment Association	California Association of Realtors	California Building Industry Association
2016	\$405,050	\$1,093,200	\$364,474
2018	\$452,680	\$1,141,400	\$445,250
Total	\$857,730	\$2,234,600	\$809,724

By contrast, organizations lobbying for affordable housing and homelessness prevention have not contributed to any candidates in any election since 2008, and most have non-profit 501(c)(3) tax status that legally bars them from making campaign contributions.

Real Estate Industry Groups Spend Millions to Shape Legislation in their Interests¹⁸

Between 2007 and 2018, the California Apartment Association spent \$9.7 million lobbying to promote or kill proposed legislation in Sacramento. Over the same period, the California Association of Realtors spent nearly \$14.9 million and the California Building Industry Association spent more than \$20.5 million. Together the CAA, CAR, and CBIA, acting on behalf of the corporate interests they represent, spent more than \$44.7 million to influence whether legislation lives or dies since 2008. Over the 2017-2018 legislative session these three entities spent a combined \$7.6 million: \$1.8 million by the California Apartment Association, \$2.6 million by the California Building Industry Association, and \$3.2 million by the California Association of Realtors.

The volume of housing focused bills has steadily increased since 2008, with a spike in the number of bills filed during the 2017-2018 legislative session. Bills have addressed relaxing environmental reviews, overriding local zoning control, property taxes tied to transfers of ownership, price gouging related to disasters, evictions, rent control, development standards, transit-oriented development, and funding for affordable housing. Corresponding with the increase in legislation introduced, the CAR's lobbying spending increased 44% between 2014 and 2018.



Ballot Measures: The Proposition 10 Fight

The Proposition 10 fight to repeal Costa-Hawkins, the state law limiting local rent control, featured many of the same players who have used their money to influence elections and legislation over the last decade. This proposition would have created the opportunity for local renter protection and affordable housing preservation, but the real estate industry fought this measure hard. The California Association of Realtors Issues Mobilization PAC contributed \$8 million alone (\$4 million to two different PACs), and corporations with representation on the California Apartment Association's board contributed \$25.7 million to PACs. The largest of five anti-Prop 10 PACs raised over \$53 million.

While a significant amount of money was raised in support of Prop 10, these contributions were nearly \$30 million less than the real estate sector's PAC contributions. \$23 million of the \$25 million to support Prop 10 came from a single donor, the AIDS Healthcare Foundation, which does not have a sustained history of financially backing housing initiatives. This is a sharp contrast with the real estate industry's millions spent over the past decade to defeat pro-tenant legislation.

Recommendations: A Way Out of the Crisis

California's housing crisis requires a comprehensive set of solutions that doesn't prioritize housing production to the exclusion of less lucrative strategies like tenant protection and the preservation of affordable housing. The varied aspects of our crisis require tailored solutions. However, the scale of money in politics promoting a highly profitable production-centered agenda without tenant protections raises the question: To whom are legislators accountable? Short of reforming the landscape of campaign contributions and lobbying, California's elected representatives should launch a major initiative to provide immediate relief to struggling renters caught in the growing gulf between increasing housing costs and stagnant incomes.

We recommend adding sorely needed tenant protections through the following policy initiatives:

1. Legislation allowing local governments to set reasonable rent protections.

This is the single most impactful action the state could take, layered on top of the proposed statewide prohibition on rent gouging. Rent protections are the only way to curb predatory rent increases and quickly offer relief to renters at scale without a massive outlay of public funding.

2. "Just-cause" eviction policies to prevent displacement driven by landlord greed.

Such policies require landlords to provide a justification for an eviction. A strong just cause policy should also require financial relocation assistance in no-fault evictions where the tenant has done nothing wrong, and establish the right to counsel to ensure that court decisions on evictions are fair and tenants have a fighting chance.

3. Emergency rental assistance to support tenants through rent increases or sudden unanticipated expenses, thus preventing the unnecessary trauma of displacement and homelessness.

4. Prohibit source of income discrimination, in an effort to prevent landlords from refusing to rent to people whose payment, in part, comes from government-issued rental housing vouchers, such as Section 8.



California's housing situation has been dire for years, but fortunately there are tangible policy solutions legislators can advance to offer necessary relief to renters, and in particular Black and Latinx renters, who feel, and have felt, the pressure most. Lawmakers need to decide whether or not they agree that all Californians deserve to live in safe and stable housing in the cities and communities they call home.

ACRE would like to acknowledge the critical role the National Institute on Money in Politics, as well as the California State Lobbying Search tool play in supporting research that exposes who uses financial contributions to set policy at all scales of government.

- ¹ Montojo, Nicole, Stephen Barton, and Eli Moore. "Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California Renters," Policy Brief 2018, Haas Institute for a Fair and Inclusive Society: University of California Berkeley. https://haasinstitute.berkeley.edu/sites/default/files/haasinstitute_rentcontrol.pdf
- ² Montojo, Nicole, Stephen Barton, and Eli Moore. "Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California Renters," Policy Brief 2018, Haas Institute for a Fair and Inclusive Society: University of California Berkeley. https://haasinstitute.berkeley.edu/sites/default/files/haasinstitute_rentcontrol.pdf, p. 16
- ³ "California's Housing Future: Challenges and Opportunities", California Department of Housing and Community Development. <http://www.hcd.ca.gov/policy-research/plans-reports/docs/California%27s-Housing-Future-Main-Draft.pdf>
- ⁴ Inglis, Amy and Dean Preston. "California Evictions are Fast and Frequent", Tenants Together, May 2018. https://static1.squarespace.com/static/52b7d7a6e4b0b3e376ac8ea2/t/5b1273ca0e2e72ec53ab0655/1527935949227/CA_Evictions_are_Fast_and_Frequent.pdf
- ⁵ Holder, Sarah. "Where Evictions Hurt the Most", October 30, 2017. <https://www.citylab.com/equity/2017/10/where-evictions-hurt-the-most/544238/>.
- ⁶ Gonzalez, Catherine Lizette. "STUDY: Women of Color Living in Poverty Face Highest Risk of Eviction", Colorlines, April 9, 2018. <https://www.colorlines.com/articles/study-women-color-living-poverty-face-highest-risk-eviction>
- ⁷ Known as "the 3 P's", production, protection, and preservation, this policy prescription by non-profit housing groups is now being embraced by for-profit developers, CASA - a broad and diverse stakeholder group in the Bay Area, and many others. See: "Casa Compact: A 15-Year Emergency Policy Package to Confront the Housing Crisis in the San Francisco Bay Area," January 2019. https://mtc.ca.gov/sites/default/files/CASA_Compact.pdf
- ⁸ "Legislation." California Building Industry Association. Accessed April 2019. <https://www.cbia.org/legislation/>.
- ⁹ "Legislation." California Building Industry Association. Accessed April 2019. <https://www.cbia.org/legislation/>.
- ¹⁰ ACRE used The National Institute on Money and Politics' FollowTheMoney.org search tool to calculate campaign contributions and the scale of lobbying by industry associations, and California State Lobbying Search (Calobbysearch.org) to calculate lobbying expenses for and against specific legislation. Finally the California Secretary of State (<http://cal-access.sos.ca.gov/>) provided access to Political Action Committee contributions related to Prop 10.
- ¹¹ "About CAA." California Apartment Association. Accessed April 2019. <https://caanet.org/caa/>.
- ¹² "Housing Killers & Creators." California Building Industry Association. Accessed February 2019. <https://www.cbia.org/housing-killers-creators/>.
- ¹³ Ibid.
- ¹⁴ "Effects of the Foreclosure Crisis on California's Minority Homeowners," CRL Policy Brief, Center for Responsible Lending. June 20, 2012.; "California's Housing Future: Challenges and Opportunities", California Department of Housing and Community Development. <http://www.hcd.ca.gov/policy-research/plans-reports/docs/California%27s-Housing-Future-Main-Draft.pdf>
- ¹⁵ CAR consistently ranked first in election campaign contributions with the exception of 2018, when real estate developer candidate for Lieutenant Governor Eleni Kounalakis contributed \$7.7 million to her own campaign.
- ¹⁶ Queried statewide candidates' races include Governor, Lieutenant Governor, Attorney General, and Treasurer, and several Board of Equalization races. Data pulled from FollowTheMoney.org. The Campaign Finance Institute. Accessed March 31, 2019. <https://www.followthemoney.org/>
- ¹⁷ "What is WMA?" Western Manufactured Housing Communities Association. Accessed March 2019. <https://www.wma.org/about-wma>.
- ¹⁸ California State Lobbying Search. Accessed March 2019. <https://calobbysearch.org/>

