

California Legislature should not allow the financialization of housing

By Susan Kirsch, Special to CalMatters, August 7, 2019

We remember the pain and dislocation brought about by the housing melt-down of 2008, when foreclosures spiked by more than 81% and more than 3 million people lost their homes. It was precipitated by deceitful, predatory loans, subprime mortgages, and fanciful financial tools like derivatives.

Many individuals never recovered, but banks, developers, and real estate investors scored big. While property values have largely recovered, an ominous trend has occurred: a shift from individual home ownership to corporatized housing.

The language has shifted, too, from “home” as a safe abode where a middle-class family could acquire a significant asset to “housing unit” where investors could acquire a commodity to produce return on investment.

“We’re in a whole new world of organized, global financial investment into the housing market,” Michael Storper, a professor at UCLA and London School of Economics, explained when asked what changed between 2008 and 2019.

He called it the financialization of housing.

Components of the financialization of housing include giant construction companies such as Florida-based Lennar which is behind the controversial San Francisco Bayview-Hunters Point housing project, and national and global private equity investment firms such as The Blackstone Group, with California offices in San Francisco and Los Angeles.

Why does the financialization of housing matter? It is fueled by corporate greed, not civic values or care about community. Mortgage or rent payments flow out of the community, stewardship diminishes, and global wealth goes into unknown, gold-lined pockets.

In 2017, the United Nations Human Rights Council warned that the financialization of housing “undermines democratic governance, exacerbates inequality, dehumanizes housing, and causes displacement and homelessness.”

The UN report cautioned “unprecedented amounts of global capital are being invested in housing as security for financial instruments and traded on global markets, which is having devastating consequences.”

Against this corporate backdrop groups such as Bay Area Council and the Silicon Valley Leadership Team have curried favor with California legislators. They’ve created a simplistic narrative: We have a housing crisis. Cities are to blame. The state must assert itself with top-down, one-size-fits-all bills that undermine local control.

What they don't say is that by reducing local control, global investment firms and national builders will gain easier access to community wealth, including individual homes, land, and public places.

Certain bills introduced by Sens. Scott Wiener of San Francisco, Nancy Skinner of Berkeley, and Assemblyman David Chiu of San Francisco would weaken elected city councils' planning authority and financial stewardship, and ultimately deepen the affordability crisis.

For example, a stripped-down version of Chiu's Assembly Bill 1487 seeks to gain approval for a 2020 ballot measure known as the "San Francisco Bay Area Regional Housing Finance Act."

It would provide a regional financing mechanism for affordable housing and would apply to all cities, including charter cities.

This new entity estimates an annual budget of \$2.5 billion. It would be governed by the Metropolitan Transportation Authority board, but identified as a separate legal entity.

Critics, myself included, are alarmed because a regional authority to raise, administer, and allocate funds is likely to reduce their capacity to raise local tax revenue for local projects. Small cities worry that big cities will rake off the majority of the funds, and they'll be taxed for big city successes.

Supporters of putting the regional tax on the ballot try to quell opponents' fears saying they merely want to give citizens the right to decide. However, imagine the unequal playing field.

The national/global corporations that stand to gain from the financialization of housing will invest millions in messaging, push polls, ads, and social media.

We have a housing problem, but the crisis is the loss of democracy brought about by the financialization of housing. When legislators become champions of the simplistic explanation that cities are to blame, they abandon critical thinking, their constituents, and their oaths of office.

Legislation that diminishes local control by expanding developers' rights, investors' profits, and regionalism will worsen the affordability crisis. Take a breather. Adopt a collaborative approach. Review housing policy and projects at the local level that are proving successful.

Susan Kirsch is founder and former president of Livable California, susankirsch@hotmail.com. She wrote this commentary for CalMatters.

<https://calmatters.org/commentary/housing-financialization/>

From the San Francisco Business Times:

<https://www.bizjournals.com/sanfrancisco/news/2018/09/13/guest-opinion-local-control-not-perfect.html>

Guest Opinion

Guest opinion: 'Local control' isn't perfect, but it's better for everyone than unelected regional bureaucracies

Sep 13, 2018, 2:12pm PDT

The Business Times recently put forward the view that "Local control" of housing is the problem, not the solution" (Viewpoint section, Aug. 31 print edition).

It also reported that Livable California is forming coalitions with like-minded elected city officials and community leaders in neighborhood, homeowner, renter and social justice organizations across the state. The goal that brings us together is to strengthen local control, integrated with regional collaboration and partnerships, as the answer to housing solutions and long-term, sustainable communities.

Local control isn't perfect, but among everyday people, it is preferable to top-down state mandates. It has a greater capacity to shape solutions than the stymied one-size-fits-all approach currently advocated by big business and Sacramento.

YIMBYs, often the mouthpiece for corporate interests, real estate developers, investment bankers and politicians, are good with slogans like "yes, in my backyard." They blame cities for blocking housing, even though cities don't build housing, developers do.

Cities are not blame-free. Some have approved massive commercial construction without encouraging adequate housing. Instead of tackling their own workforce/housing balance, some cities expect nearby communities to house their 9-5 commuters.

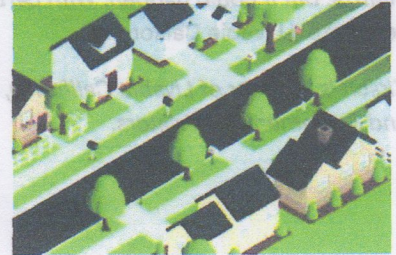
It's become popular for economic and government groups to promote regional solutions. These follow a corporate model of maximizing profits by outsourcing expenses. That's not fair.

People forget that cities use time-tested tools that work: general plans, housing elements, design guidelines, CEQA and Environmental Impact Reports.

Many housing advocates are alarmed by national trends to dismantle environmental protections yet embrace state efforts to dismantle the California Environmental Quality Act in order to "streamline" the housing process.

Occasionally these local planning tools have been used inappropriately, but that is not just cause to throw them out in favor of state mandates or regional government. In community hands, these tools rely on local planning departments and elected city councils to engage stakeholders, conduct public meetings, issue progress reports and measure results. Local officials live in close proximity to their decisions and witness their consequences, not far away in distant offices.

Citizen volunteers spend thousands of hours in stewardship, not because it "pencils out," but to assure safety and quality of life, including the impact of housing on water supply, congestion, schools and taxes.



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"Local control isn't perfect, but among everyday people, it is preferable to top-down state mandates," writes Kirsch.

It's become popular to refer to an affordable housing crisis. Yet the "build, build, build" remedy rarely provides housing for low-income workers. Buying a new car isn't as "affordable" as buying a used one. Building new housing — even tiny units — isn't affordable to anybody on minimum wage. According to the state Legislative Analyst's office, trickle-down affordability will take 25 to 30 years.

The crisis we face is the systematic effort to dismantle local control and replace it with unelected, regional bureaucracies.

The crisis is the rush to pass more draconian legislation, like the dozen or so housing bills passed in 2018, piled on top of the 14 housing bills passed in 2017, which Berkeley researchers warn have unpredictable outcomes.

The crisis is believing the mantra "we have to do something," justifies legislation that benefits a few, while jeopardizing the majority.

The crisis is legislation that increases the financial burden on cities without calling it what it is — an unfunded mandate.

The crisis is the threat to democracy.

David Brooks, a columnist for the New York Times, describes a new trend. In "The Localist Revolution," Brooks identifies a national movement to flip the power structure away from centralized control back to local.

Livable California is committed to community, equity and action. We don't yet have a million-dollar donor, like the YIMBYs, but it could happen. With certainty, we envision the day when counties throughout the state wholeheartedly celebrate a Livable California.

Kirsch is founder of Livable California, a coalition building bridges between local elected officials and volunteer leaders and Sacramento legislators.



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