



## FACT SHEET FOR AB 1850 (Ward) TO ESTABLISH MINIMUM STANDARDS FOR LOCAL GOVERNMENT ACQUISITION OF MIDDLE-INCOME HOUSING

**Problem:** There is a new and growing phenomenon of private developers using local governments to purchase existing luxury housing developments, gain a property tax exemption, and then offer minimal rent reductions for middle income households. To date, more than 40 acquisitions have occurred in California, removing more than \$5 billion in real estate from property tax rolls. As currently structured, these transactions do not provide public benefit commensurate with the lost tax revenue. Moreover, they are inherently risky ventures at high risk of default and pay out exorbitant fees to the investors. A [recent article by Forbes](#) highlights the unregulated nature of these acquisitions.

**Solution:** AB 1850 recognizes the potential benefit of local government ownership of middle-income housing but sets minimum standards for these transactions to ensure commensurate public benefit. Specifically, the bill requires that each acquisition:

- Be subject to a traditional 55-year deed restriction requiring affordability to low- and moderate-income families.
- Ensure that aggregate rent savings are at least 10% below current rents and that at least one third of apartments are rented are affordable at 80% of area median income or rented at the market rent for the neighborhood, whichever is less.
- Calculate affordability using the traditional standard of 30% of the targeted percentage of area median income, as opposed to the unusual 35% common to these transactions.
- Grant the local government owner the right to approve debt taken out against the property.
- Ensure tenants rights against eviction without cause.
- Limit compensation to the public entity and their private developer partners.
- Ensure accountability in monitoring over time.
- Ensure the transparency of financial and monitoring reports.

**Sponsors:** California Housing Partnership  
San Diego Housing Federation

**Support:** Burbank Housing Development Corporation  
California Coalition for Rural Housing  
California Democratic Party Renters Council  
California Rural Legal Assistance Foundation  
CHISPA

Church World Service  
City of Healdsburg  
City of San Francisco  
City of San Jose  
CSG Advisors  
East Bay Housing Organizations  
Ensuring Opportunity Campaign to End Poverty in Contra Costa County  
Housing California  
Housing Now! CA  
Inland Equity Community Land Trusts  
Merritt Community Capital Corporation  
Mi Familia Vota  
National Community Renaissance (National CORE)  
National Housing Law Project  
Non-profit Housing Association of Northern California (NPH)  
Public Interest Law Project  
San Francisco Bay Area Planning and Urban Research Association (SPUR), if  
amended  
Southern California Association of Non-profit Housing (SCANPH)  
The People's Resource Center  
The San Joaquin Valley Housing Collaborative  
Western Center on Law & Poverty