

Assembly Bill 2710

Tenant and Community Opportunity to Purchase Act (TOPA/COPA)

Assembly Member Ash Kalra

SUMMARY

AB 2710 would establish statewide the Tenant and Community Opportunity to Purchase (TOPA/COPA) Act that would 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, and a right to match an offer on those properties made by a third party. This bill will 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, and the lack of deed-restricted housing and rising cost of housing has contributed to the displacement of low-income households throughout the state. Most low-income Californians live in unsubsidized housing, which is housing on the private market that does not have any affordability deed restrictions. These households are at significant risk of being priced out of their homes as real estate prices continue to rise and these properties are sold. Increasing activity by real estate speculators and Wall Street landlords is exacerbating this problem.

California is losing unsubsidized housing that is accessible to low-income households far faster than we can build new deed-restricted affordable housing. 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 annually² and San Diego lost an estimated 72 percent of its unsubsidized

¹Analysis 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>.

housing stock affordable for very low-income households between 2000-2020³.

When low-income people are priced out of their homes and the supply of homes that are more affordable to them decreases, it results in housing instability, overcrowding, and housing-cost burdens that make it impossible for working families to afford other essentials like healthcare and education. Displacement also harms our environment, as low-paid workers are forced to move farther from job centers and become mega-commuters. Helping low-income Californians remain in their homes and communities is an essential component to achieving California's climate goals.

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 unfettered amounts of 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. While several successful local policies demonstrate the effectiveness of this type of policy, statewide action is urgently needed to help protect affordable rental units and preserve affordable housing supply for the working renters throughout the state.

SOLUTION

AB 2710 would help stabilize renter households and increase the supply of permanent affordable housing by creating a statewide Tenant and Community Opportunity to Purchase (TOPA/COPA).

Under this bill, when a rental property owner chooses to sell their property, the tenants and eligible entities would be given the first opportunity to purchase the

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>

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property by making an initial offer, with an appropriate time period to securing 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 that the seller intends to accept, 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 permanently affordable with built-in protections for existing and future tenants.

Preservation of existing rental housing on the private market keeps low-income Californians in their homes, and increases the supply of deed-restricted affordable housing more swiftly and cost-effectively than the production of new deed-restricted affordable housing.⁴ This policy will facilitate housing preservation, which is a crucial part of addressing the state's affordable housing and homelessness crises.

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⁴Department 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