

# California bill would target investors who turn homes into rentals, citing housing crisis

By Eric He

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Many factors have contributed to California's housing crisis, and one lawmaker is pinning some of the blame on investors.

Assemblymember [Alex Lee](#) (D-San Jose) introduced legislation, [AB 2584](#), that would limit the number of homes that corporations can buy and turn into rentals. The Silicon Valley lawmaker said that while investors aren't yet buying up a large share of homes, he [cites a report](#) estimating that they will own more than 40 percent of single-family home rentals by 2030.

Lee said that corporations buying up homes exacerbates the [state's housing shortage](#) while also pricing out first-time homebuyers who can't compete with investors; however, [the industry contends](#) that it makes up a "fractional" share of homebuyers and has no impact on the housing market.

"It's a matter of shortage," Lee told POLITICO. "When people say that this is a nothing bill, this is about making sure a problem doesn't get out of hand."

## WHAT'S IN THE BILL?

*This Pro Bill Analysis is based on the [text of the bill](#) as introduced on Feb. 14.*

AB 2584 would add a new section to the [California Civil Code](#) prohibiting a business that has an interest in more than 1,000 single-family homes from purchasing additional homes for the purpose of leasing them (Sec. 1). The measure would exclude nonprofits from the definition of a "business entity."

The Attorney General would be able to bring a civil action against businesses that violate the law. Businesses found to be in violation could be fined \$100,000 per violation and ordered to sell the property to an independent third party within a year, along with paying attorney's fees and other relief.

## WHO ARE THE POWER PLAYERS?

Assemblymember [Alex Lee](#) (D-San Jose) — who has made housing one of his priorities since joining the Legislature in 2020 — introduced the bill as part of [a seven-bill package](#) of housing-related measures. Lee said he's been hearing more and more anecdotally from people who have been outbid on homes by investors.

"These corporations who want to make a profit on scarcity — it's a symptom that makes the housing crisis worse," Lee said.

In a [news release](#) introducing the bill, Lee named [Invitation Homes](#) as the main culprit. The rental home company currently owns more than 11,800 properties in California — by far the [most of any corporation](#), according to the California State Library's Research Bureau. In January, Invitation Homes was fined \$2 million [in a settlement](#) with the California Attorney General's office over allegations that it unlawfully raised rents on approximately 1,900 homes.

A spokesperson for Invitation Homes referred comment on the bill to the **National Rental Home Council**. **David Howard**, the company's CEO, told POLITICO in an email that AB 2584 is "based on a radical distortion of the important role played by single-family rental home providers in California's housing market and is based on wild inaccuracies concerning the facts." Howard added that he'd be willing to work with Lee on legislation to incentivize investment in California's housing market.

"California needs more housing, of all types: for-sale and for-rent," Howard said. "This bill only makes housing less attainable and affordable."

In response, Lee said the opposition is “mischaracterizing” the bill, which is not intended to “be a panacea to the housing crisis” but rather to fix a behavior by corporations that he described as an attempt to manipulate the housing supply — “where you are changing one type of product into a different type of product, plus lessening the overall market for sale.”

## WHAT’S HAPPENED SO FAR?

Other states are pursuing similar proposals, including [Minnesota](#), where a current effort would prevent corporations from purchasing more than 10 single-family homes to turn into rentals. An [attempt by Democrats](#) in North Carolina to cap the number at 100 did not get far last year in its Republican-controlled Legislature. There is also a [federal measure](#) that would apply an excise tax to hedge funds that buy homes to lease them.

However, a [study released](#) last November by researchers at the University of Southern California, Arizona State University and the Federal Reserve Bank of Philadelphia was skeptical of the impact of corporations on pricing out everyday homebuyers. The report found “no evidence” that investors renting out homes “crowd out residential homebuyers or increase home prices, which is consistent with their low overall share of the housing stock but contrary to narratives in the popular press.”

Lee conceded that many variables lead to the high cost of housing, and that from a “social science standpoint,” it could be difficult to directly pinpoint the current effect of corporations buying up homes because it is a “relatively recent phenomenon.”

## WHAT’S NEXT?

The bill has been referred to the Assembly Judiciary Committee, but has not yet been scheduled for a hearing. As of Mar. 21, the measure had no sponsors.

The Minnesota effort is [being sponsored](#) by a local housing advocacy coalition, Equity in Place. The National Rental Home Council is [also opposing](#) that proposal, which is working its way through policy committees.

Lee’s other housing-related bills this year include bringing back a [social housing proposal](#) that Gov. [Gavin Newsom vetoed last year](#), [repealing tax breaks](#) for vacation homes and [removing barriers](#) for tribal communities to build housing.

Lee — who also sits on the Assembly Housing Committee and the Renters Caucus — believes that progressive housing ideas sit “in good standing” in the Legislature. He said Assemblymember [Chris Ward](#) (D-San Diego), the new housing chair, a “great ally to all of our causes.”

“We are in a good place, philosophically and pragmatically, because of the worsening conditions for us to experiment and look at what’s working,” Lee said.

## WHAT ARE SOME STORIES ON THE BILL?

[Read POLITICO news on AB 2584.](#)