The Just Recovery Series

Beyond Wall Street Landlords

How Private Equity in the Rental Market Makes Housing Unaffordable, Unstable, and Unhealthy

SAJE

STRATEGIC ACTIONS FOR A JUST ECONOMY

ACKNOWLEDGMENTS

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ABOUT SAJE

SAJE is a 501c3 non-profit organization in South Los Angeles that builds community power and leadership for economic justice. Founded in 1996, SAJE focuses on tenant rights, healthy housing, and equitable development. SAJE runs a regular tenant clinic, helps connect local residents to jobs, organizes for tenant rights, and fights for community benefits from future development through private agreements and public policies. We believe that everyone, regardless of income or connections, should have a voice in creating the policies that shape our city, and that the fate of city neighborhoods should be decided by those who dwell there in a manner that is fair, replicable, and sustainable.

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I. EXECUTIVE SUMMARY

Housing in the US has Experienced a Dramatic Corporate Takeover

Since 2000, the proportion of housing in corporate hands has increased dramatically. This trend started in the 1990s with the birth of the Real Estate Investment Trust (REIT) and the Limited Liability Company (LLC) and accelerated dramatically because of the 2008 foreclosure crisis. According to the U.S. Census Bureau, in 2000 individuals owned about 55% of the country's rental stock, but by 2018 the share had fallen to just over 40%, and a plurality was owned by corporate vehicles for the first time in history. This consolidation of the rental housing stock into corporate hands affected all property types and threatens the stability of housing because integration into global financial circuits and the application of corporate management strategies and profit-making imperatives transform housing from home to investment. As this report demonstrates, this transformation is even more apparent in Los Angeles, where investment vehicles own 67% of rental housing.

It's Not Just Wall Street: Corporate Landlords Beyond Blackstone

The same tendencies that empowered the rise of the Wall Street Landlord have also empowered smaller but no less important forms of private equity investments in the rental market. An alphabet soup of entity types are present in the Los Angeles rental market, and this report makes an attempt to categorize and outline their investment patterns in aggregate by looking at property records for the city as a whole. The report finds that big and small landlords have distinct investment patterns and that limited liability entities (LLCs, LPs, LLPs etc.) and Trusts are the most popular forms of investment vehicle for Los Angeles' landlords. The report further finds that big and small landlords have different investment patterns within the same class, and that there is a particular geography to corporate ownership in Los Angeles.

Predatory Tendencies of Corporate Ownership in LA and Nationwide

The well-documented harmful behavior of large corporate landlords in Los Angeles validates the accounts embedded throughout the academic literature on corporate housing. In profiling the misdeeds of some of the most notorious local actors, this report shows how corporate management hurts renters. Building on these case studies, the report illustrates how the predatory tendencies of corporate ownership affect those subjected to such corporate mismanagement.

The Predatory Behavior of Corporate Landlords In LA

Through a review of the scholarly and community-based literature on corporate landlord behavior, this report discusses the various tendencies associated with corporate ownership of housing. The report documents that corporate ownership is related to increased eviction and displacement; housing destabilization; extractive rents and gentrification; slum conditions; harassment and other unethical management practices; speculation; tax evasion; and vacancy. These tendencies are not exceptional behaviors but are structured into the relationship between increasingly corporatized landlords and increasingly precarious tenants. Each harmful trend documented in the literature is then contextualized with empirical evidence from Los Angeles.

It's the Corporate Form that is to Blame

This report both provides a structural analysis of the impact of corporate ownership in the rental market, as well as case studies on the specific harms caused by predatory actors. These harms, however, cannot be understood as the bad behavior of a select group, but must be understood as the natural result of the protections afforded by the corporate form itself. The limited liability, secrecy, and tax benefits of corporate (and some noncorporate) investment vehicles all play a role in enabling the harm to tenants and society that these landlords perpetrate. Landlords of all sizes are emboldened to circumvent protections and avoid fiscal, social and legal responsibility for their behavior by the protection of the corporate form.

Recommendations

The consolidation of housing into corporate hands and the harmful practices that ensued were not an inevitable outcome for tenants. As renters comprise the vast majority of Los Angeles residents, and more than half of those renters are already experiencing rent burden, protecting renters of corporate owned housing is extremely important. Recognizing the origin of these issues in policy decisions made since the 1990s, this report offers several recommendations as to how the harmful effects of corporate ownership in the rental market can be addressed. The following policies, once implemented, will help communities, officials and regulators understand and confront the issues of corporate ownership.

- Require the disclosure of beneficial ownership for all property owning investment vehicles, and creation of a property registry for all landlords with holdings in Los Angeles
- Deepen local institutional capacity to investigate and pursue affirmative cases against landlords with predatory patterns of behavior like frequent/malicious evictions, unlawful evictions, poor habitability records, tenant harassment issues, and violations of RSO, and disclose such records to the public
- Guarantee legal representation for tenants facing their landlords in court
- Limit the size and concentration of holdings of investment vehicle landlords
- Implement a strengthened and progressive gross receipts tax that discourages the accumulation of large portfolios inside of a jurisdiction
- Enact an out of state transactions fee that targets foreign business entities buying property in California

II. INTRODUCTION

In the last few decades, the housing sector in the United States has undergone a dramatic process of financialization, akin to a corporate takeover. "Financialization" describes a set of related processes through which the economy comes to be increasingly embedded in financial circuits and dominated by financial actors, which is associated with specific periods in global economic history, including the period since the 1980s.[1] As it pertains to housing, financialization describes a relatively small class of investors and corporations controlling a large part of the housing market through the financial system.[2] Financialization happens when private equity interests and corporations, which seek investment from private individual investors and huge Wall Street firms alike, buy properties and turn them into income generating assets to generate profits for investors.[3] Investment in real estate, especially in places like Los Angeles where rents and property values perpetually rise, is extremely profitable. It's also extremely expensive, out of reach of the mom-and-pop landlords of yesteryear, which leads to concentration of housing in the hands of the super-wealthy, Real Estate Investment Trusts (REITs), which are companies or partnerships set up solely to invest in real estate, and corporate entities like the Blackstone Group, the world's largest private equity firm and one of the world's largest landlords.

Academic and community-based researchers alike have paid increasing attention to this corporate takeover of the housing sector in the United States. In particular, many authors have detailed how the large-scale securitization of mortgage finance preceding the 2008 mortgage crisis, and the assetization of foreclosed single family housing since, resulted in a thoroughly commodified housing system.[4] Some authors have also begun to investigate the increasing corporate takeover of the multifamily rental market, focusing on the strategies and growth of financialized rental companies involved in development, leasing, and purchase for sale.[5] Research into the financialization of housing has largely focused on the entrance into the housing market of the largest private equity firms and financial actors like banks through novel mechanisms including the issuance of rent- and mortgage-backed securities.

Financialization demands a policy response and has deserved the scholarly attention it has received for a variety of reasons. Various studies find that corporate ownership is associated with higher rates of eviction and foreclosure than individual ownership.[6] An emerging literature discusses the role ownership by limited liability entities plays in poor habitability conditions,[7] providing insights into distressed property investment.[8]

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1 Christophers, B. (2015). The limits to financialization. Dialogues in Human Geography, 5(2), 183–200. https://doi.org/10.1177/2043820615588153

2 Fields, D., & Uffer, S. (2016). The financialisation of rental housing: A comparative analysis of New York City and Berlin. Urban Studies, 53(7), 1486–1502. https://doi.org/10.1177/0042098014543704

3 Fields, D. (2018). Constructing a New Asset Class: Property-led Financial Accumulation after the Crisis. Economic Geography, 94(2), 118–140. https://doi.org/10.1080/00130095.2017.1397492

4 Aalbers, M. B. (2017). The Variegated Financialization of Housing: The Variegated Financialization of Housing. International Journal of Urban and Regional Research, 41(4), 542–554. https://doi.org/10.1111/1468-2427.12522, Abood, M. (2017). Wall Street Landlords Turns American Dream Into American Nightmare. ACCE Institute, Americans for Financial Reform, Public Advocates., Fields, D. (2014). The Rise of the Corporate Landlord: The Institutionalization of the Single-Family Rental Market and Potential Impacts on Renters. The Right to the City Alliance.,Newman, K. (2015). Globalization of Finance and the Future of Home Mortgage Finance. Housing Policy Debate, 25(4), 789–791. https://doi.org/10.1080/10511482.2015.1042209

5 August, M., & Walks, A. (2018). Gentrification, suburban decline, and the financialization of multi-family rental housing: The case of Toronto. Geoforum, 89, 124–136. https://doi.org/10.1016/j.geoforum.2017.04.011,Wijburg, G., Aalbers, M. B., & Heeg, S. (2018). The Financialisation of Rental Housing 2.0: Releasing Housing into the Privatised Mainstream of Capital Accumulation. Antipode, 50(4), 1098–1119. https://doi.org/10.1111/anti.12382

6 Gilderbloom, J. I., Ambrosius, J. D., Squires, G. D., Hanka, M. J., & Kenitzer, Z. E. (2012). Investors: The Missing Piece in the Foreclosure Racial Gap Debate. Journal of Urban Affairs, 34(5), 559–582. https://doi.org/10.1111/j.1467-9906.2012.00619.x, Immergluck, D., Ernsthausen, J., Earl, S., & Powell, A. (2020). Evictions, large owners, and serial filings: Findings from Atlanta. Housing

7 Travis, A. (2019). The Organization of Neglect: Limited Liability Companies and Housing Disinvestment. American Sociological Review,84(1), 142–170. https://doi.org/10.1177/0003122418821339

8 Lowe, A., & Haas, G. (2007). Shame of the City: Slum Housing and the Critical Threat to the Health of L.A. Children and Families. Strategic Actions for a Just Economy. http://www.wellchild.org/shameofthecity.pdf, Mallach, A. (2018). Meeting The Challenge Of Distressed Property Investors In America's Neighborhoods. Local Initiatives Support Corporation.

SAJE uncovered links between corporate ownership and high rent increases, excessive fees, and other unethical management practices in a community-based report published shortly after the crisis.[9] Furthermore, a contemporaneous SAJE report linked corporate ownership to vacancy and speculation in the rental market.[10] These issues and others are interrogated in this report.

Financialization is deeply tied to the increasing consolidation of wealth into the hands of a select number of high net worth families and individuals so widely considered the hallmark of contemporary capitalism.[11] The race to invest this over accumulated wealth is the driving force behind the dominance of rent seeking (versus productive) investments, and the transformation of urban space and housing into financial assets, a process termed a "spatial fix" by well known urban theorist David Harvey.[12] The resulting displacement of communities and extractive and predatory behaviors that emerge from rent seeking investment reflect the strategy of "accumulation by dispossession" implicit in the spatial fix.[13] This dynamic is also heavily inflected by race, as shown by the disproportionate burden that communities of color faced in the foreclosure crisis, perpetrated by the "inclusion" of these communities into predatory financial circuits.[14]

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9 Call, R. (2014). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside. The Right to the City Allian

10 Ferrer, A., Graziani, T., Woocher, J., & Frederick, Z. (2020). The Vacancy Report: How Los Angeles Leaves Homes Empty and People Unhoused. Strategic Actions for a Just Economy and UCLA Law Community Economic Development Clinic.

11 Piketty, T. (2014). Capital in the Twenty-First Century. Harvard University Press.

12 Rolnik, R. (2019). Urban Warfare: Housing Under the Empire of Finance. Verso Books.

13 Harvey, D. (1978). The urban process under capitalism: A framework for analysis. International Journal of Urban and Regional Research, 2(1–3), 101–131. https://doi.org/10.1111/j.1468-2427.1978.tb00738.x

14 Aubin, D. (2015, September 22). Oakland lawsuit accuses Wells Fargo of mortgage discrimination. Reuters. https://www.reuters.com/article/us-wellsfargo-discrimination-idUSKCN0RM28L20150922, Taylor, K.-Y. (2019). Race For Profit: How Bank and the Real Estate Industry Undermined Black Homeownership. University of North Carolina Press., Wyly, E., Moos, M., & Hammel, D. J. (2012). Race, Class, and Rent in America's Subprime Cities. In M. B. Aalbers (Ed.), Subprime Cities (pp. 242–289). John Wiley & Sons, Ltd. https://doi.org/10.1002/9781444347456.ch9

What does it mean to go beyond Wall Street Landlords? Primarily, this paper investigates and casts light on the many forms that corporate ownership takes in the Los Angeles rental market. Although Wall Street Landlords like Blackstone are huge players, the vast majority of corporate-owned properties are held by much smaller and lower-profile entities.

Financialization is just one piece of the jigsaw puzzle of corporate ownership. Not all of the excess accumulated wealth in the country is invested through securitized private equity firms or real estate corporations; many high-net-worth individuals and families employ private vehicles for real estate investment.

As much of the scholarly and activist literature has focused on the largest corporate vehicles, this report intends to shift the focus to a broader set of actors.

This report describes corporate ownership types and strategies and outlines some of their social and economic effects on tenants in Los Angeles. It does this by combining a new analysis of property ownership across residential asset types in Los Angeles using property records, an investigation into the sociodemographic and housing trends associated with increased corporate ownership density, and case studies of corporate landlord practices centered around the experience of tenants. Building on this discussion, we question common assumptions about the housing market and identify strategies to address the assetization of housing in our city.

Many policy interventions are necessary to realign the trajectory of the housing system in Los Angeles. Most Angelenos today are renters, as are the vast majority of low-income residents. As this report demonstrates, most renters in Los Angeles live in housing controlled through investment vehicles. This makes it all the more imperative that swift action be taken to rectify the problems associated with corporate control of housing. We suggest several policies to help reveal the scope of the problem and the actors benefiting from the concentration of housing into the hands of the few, penalize harmful strategies of speculative landlords, and advance an alternative vision of stable, de-commodified, and community-controlled housing.

III. METHODOLOGY

Very few systematic data are collected on the ownership characteristics of properties, both nationally and on state and local levels. For that reason, this paper makes heavy use of the two datasets that are available publicly, the national Rental Housing Finance Survey (RHFS), which is conducted by the U.S. Census Bureau over two-year periods,[15] and the Los Angeles County Assessor's property rolls, which record ownership, sale, taxation, and structural information about every parcel in the county.[16] Multiple analysis and tabulation methods use various public datasets in the report.

The sections concerning the financialization of the housing market after 2008 ("A Brief History of the Corporate Takeover of Housing in the United States") and in Los Angeles today ("Corporate Ownership in Los Angeles Today: Wall Street Landlords and Beyond") compare data collected in consecutive Rental Housing Finance Surveys by the U.S. Census Bureau, and tabulated by Harvard's Joint Center for Housing Studies, with data provided by the Los Angeles County Assessor, tabulated by SAJE. The analysis was performed by querying the assessor's rolls property ownership information, dated 10.13.2019, to identify ownership composition across a variety of housing through the use of QGIS's query builder.[17] This method relies on the identification of particular strings of text associated with types of corporate entities. For example, 123 W 45th LLC would be classified as an "LLC" because it contains a specific string of matching text, while the Wallcot Family Trust would be classified as a "Trust." The method is limited in that it does not provide information on the structure or beneficiaries of the companies identified (which is not collected in the datasets available to the public), but is useful in that it provides a method of gaining insight into the holdings of corporate entities across these broad categories. The purpose of the comparison is to evaluate the degree of consolidation in the Los Angeles rental market in the context of the national figures. The same methodology was used to generate the data that informs the section "Who Owns Los Angeles' Housing," though we also employed MS Excel for cross tabulations, pivot tables, and additional queries. We focus specifically on rental housing, which we have defined as every property with more than 1 unit, or that does not have a homeownership exemption. We therefore exclude only owner-occupied single family primary residences from the sample.

The portion of the report that deals with the "Predatory Tendencies of Corporate Ownership in Los Angeles" is based on an analysis of public data gathered from various sources. Data on rents were gathered from the U.S. Census Bureau's American Communities Survey. The portion that addresses the corporate ownership of condominiums was based on the same methodology. Data on Ellis Act Evictions were acquired through a public records request to the Housing and Community Investment Department of Los Angeles (HCIDLA), and data on code enforcement were from the Los Angeles County Department of Public Health (DPH). Data from all three of these sources were processed through QGIS, and further tabulation was done in Excel. All cartographic representations were composed in QGIS.

Finally, "Los Angeles' Corporate Landlords: Beyond Blackstone" includes case studies of several Los Angeles landlords identified through the previous methods, partially leaning on the work of other researchers. Landlords were chosen for their prominence in the city or county of Los Angeles in terms of the numbers of units they own, their outsized appearance in DPH's code enforcement dataset, and their public notoriety.

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15 Statutorily. In reality, the frequency of the survey has been much less. https://www.census.gov/programs-surveys/rhfshtml The author identified corporate ownership by querying ownership data as recorded in the Assessor rolls to find properties owned directly by a variety of entity types (Trust, Limited, Corp, Inc, Co, LP, and common variations of these, are the search terms used in the query). See Appendix Item "Corporate Ownership

16 https://assessor.lacounty.gov/

17 The author identified corporate ownership by querying ownership data as recorded in the Assessor rolls to find properties owned directly by a variety of entity types (Trust, Limited, Corp, Inc, Co, LP, and common variations of these, are the search terms used in the query). See Appendix Item "Corporate Ownership Queries"

A. Understanding Corporate Ownership: Key Terms

Individual Investor
Any person who owns property under their own name, assuming full liability for the ownership of the property legally and in terms of taxes. Historically, this has been the majority of all property owners, especially for single family housing.

Mom & Pop Landlord
A shorthand term for a small landlord, regardless of entity type, but usually referring to individual owners. The Los Angeles Housing and Community Investment Department (HCIDLA) defines a Mom & Pop landlord as a landlord that owns four rental units and one primary residence, or less which is the definition adopted here.[18]

Investment Vehicle
Any entity created to hold investments on behalf of an individual, group or other entity. Typically these entities limit the legal, financial, and tax responsibility the owner has for the investment held by the entity. Includes Trusts, limited liability entities, corporations, and other entities.

Corporate Landlord
A landlord employing a specifically corporate business entity as an investment vehicle. Includes limited liability entities including partnerships, corporations, and other forms eligible to elicit taxation or pass through entity. Excludes Trust here as a matter of convention, though as is noted throughout, this differentiation is somewhat meaningless.

Institutional Investor
An institutional investor is a large investment vehicle that manages the pooled assets of high net worth individuals, corporations, and other investors.

Private Equity
Private equity is the consolidated wealth of individuals used to invest (to take equity) in properties, businesses, etc. This term applies both to hedge funds and institutional investors that make investments on behalf of other individuals who invest with them, and to wealthy individuals who are making equity investments through their own or pooled vehicles. It's called private equity because it refers to investments made into companies that are not publicly traded.

Wall Street Landlord
Wall Street Landlord is a term that tenant advocates, policymakers, and academic researchers have increasingly applied to securitized, publicly traded corporations (like Blackstone) and occasionally to the largest private equity investors.

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[18] https://hcidladev.lacity.org/Landlord-Occupancy-Owners

IV. A BRIEF HISTORY OF THE CORPORATE TAKEOVER OF HOUSING IN THE UNITED STATES

Notoriously little public data is collected on the ownership characteristics of the rental housing stock in the United States. The most comprehensive resource collected at the federal level that interrogates rental housing ownership is the Rental Housing Finance Survey (RHFS), conducted in 2001 (as the Residential Finance Survey), 2012, 2015, and 2018.

In the last few decades, the housing sector in the United States has undergone a dramatic process of financialization, akin to a corporate takeover, facilitated by decades of shifts in public policy. Though the story of rental consolidation certainly starts before 2008, from the RHFS surveys conducted since 2001, and their subsequent analysis by the Joint Center for Housing Studies (JCHS) at Harvard University, it is clear that there has been a long term trend towards the consolidation of rental housing into the hands of investment vehicles and corporate entities, out of the hands of individual investors, which has accelerated dramatically since the 2008 foreclosure crisis.

Before the 2008 crisis, individual investors, or private citizens not using any form of investment vehicle to buy and hold properties, owned about 55% of the U.S. rental housing stock, especially in smaller buildings. Even up to buildings five to 49 units in size, individual investors owned most units; only in the largest segment of buildings, 50 units or more, were most units held by investment vehicles.[19]

By 2015, investor ownership of rental properties of all sizes skyrocketed, while ownership by individuals represented a significantly decreased share. In that year, the RHFS estimated that individual owners controlled fewer than 50% of all units, and fewer than 30% of units in buildings with five to 49 units. Individual ownership of units declined about 10% across all building sizes, and of single-family rentals, buildings two to four units in size, and buildings with more than 50 units. Interestingly, the largest consolidation of ownership into the hands of investment vehicles, and away from individuals, was in buildings with five to 49 units, in which individual investors' share was nearly halved.[20]

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19 Calculations based on data and figures from America's Rental Housing 2011 . (2011). Joint Center for Housing Studies of Harvard University, America's Rental Housing 2017 . (2017). Joint Center for Housing Studies of Harvard University.

20 Calculations based on data and figures from America's Rental Housing 2011 . (2011). Joint Center for Housing Studies of Harvard University, America's Rental Housing 2017 . (2017). Joint Center for Housing Studies of Harvard University.

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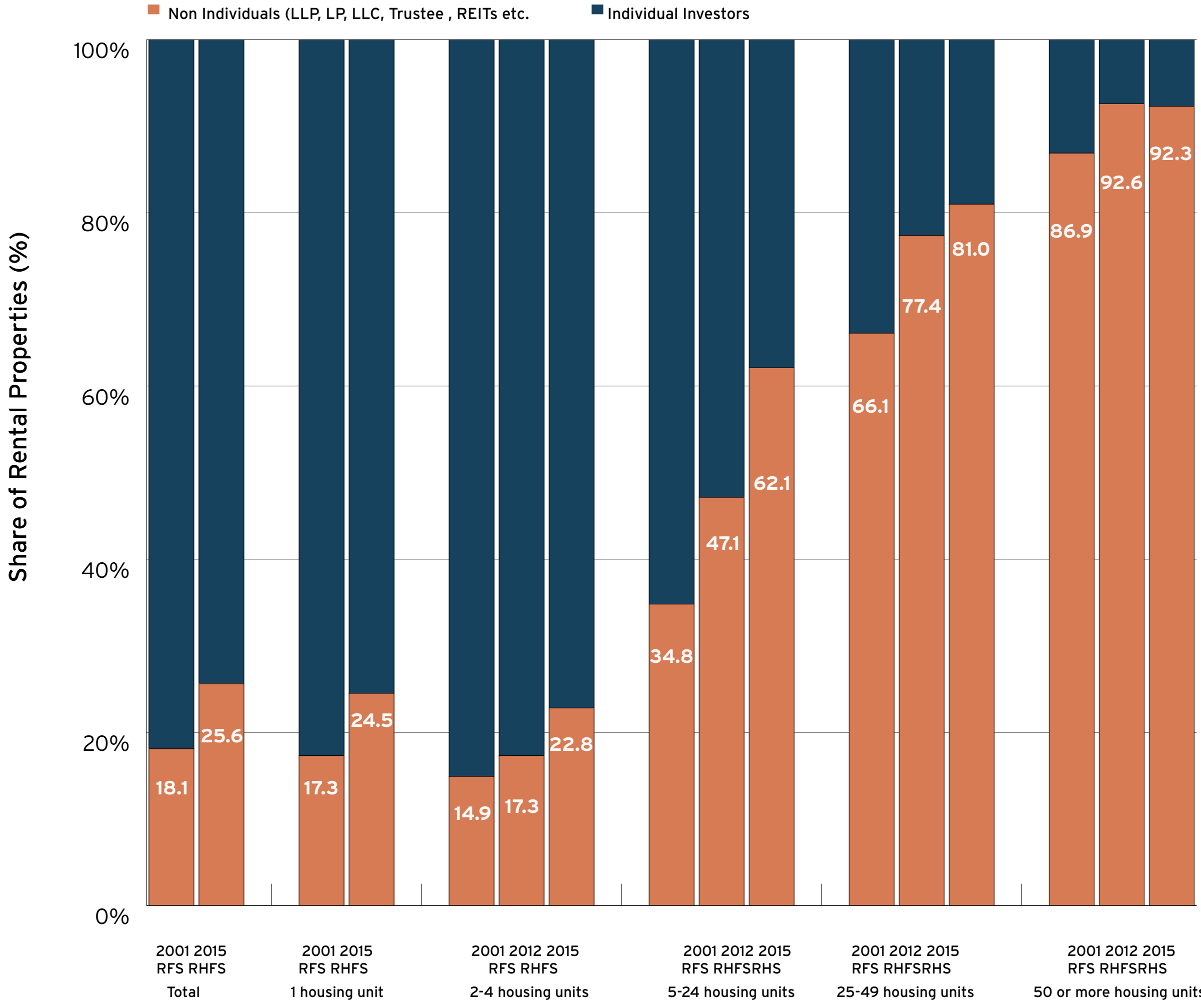
B. Share of US Rental Properties by Ownership Entity; 2001, 2012 and 2015 RHFS



Lee, H. (2017, August 18). Who Owns Rental Properties, and is it Changing? Housing Perspectives: Joint Center for Housing Studies of Harvard University. https://www.jchs.harvard.edu/blog/who-owns-rental-properties-and-is-it-changing/

In looking at properties instead of total units, it's clear that this was driven by the smaller buildings in this group, with the largest increased share of ownership for investment vehicles was in buildings between five-twenty four units in size. In any case, a remarkable shift[21] from individual ownership to corporate ownership is evident between both 2001 and 2012, and 2012 and 2015. The 2015 RHFS is helpful in establishing the timeframe of this trend. As is clear from the figure above from the JCHS, the consolidation accelerated in concert with the 2008 crisis, and peaked in the years following, supporting the widely held understanding that the crisis drove the trend.[22]

[21] Lee, H. (2017, August 18). Who Owns Rental Properties, and is it Changing? Housing Perspectives: Joint Center for Housing Studies of Harvard University. https://www.jchs.harvard.edu/blog/who-owns-rental-properties-and-is-it-changing/

[22] Fields, D. (2014). The Rise of the Corporate Landlord: The Institutionalization of the Single-Family Rental Market and Potential Impacts on Renters. The Right to the City Alliance, Lee, H. (2017, August 18). Who Owns Rental Properties, and is it Changing? Housing Perspectives: Joint Center for Housing Studies of Harvard University. https://www.jchs.harvard.edu/blog/who-owns-rental-properties-and-is-it-changing/, Reher, M. (2019). Financial Intermediaries as Suppliers of Housing Quality. Joint Center for Housing Studies of Harvard University. https://www.ssrn.com/abstract=3446411.

The 2008 foreclosure crisis was not the origin point of the consolidation of rental housing into corporate hands, but merely a particularly dramatic episode of acceleration of this already existing phenomenon. The academic literature situates the origin of this trend in innovations in financial policy, taxation, and corporate structure that occurred throughout the 1990s, particularly after the recession of 1990-1991. After the 1990-1991 recession,[23] a series of policy decisions made at all scales of governance, exacerbated a trend that had been long in the making in the broader economy. The financial deregulation and investors' innovations of the 1990s and 2000s helped chart a course to unrestrained corporate power in many sectors of life in the United States including housing, reconfiguring the relationship between finance and society and helping shield investors from responsibility beyond their cash investment. The Internal Revenue Service's development of extremely favorable tax policies for REITs in the 1990s led to a dramatic expansion in the use and size of the relatively new and unused (at the time) entity, transforming the tax-favored vehicle into a major vector for property investment.[24] The state by state dissemination of the LLC as a common property ownership scheme combining liability protections and favorable tax treatment, also in the mid 1990s, sparked a wave of adoption among smaller landlords which has continued to the present.[25] The contemporaneous financial deregulation, allowing for the development of complex derivatized and securitized residential financial instruments primarily within the mortgage market drove that market to collapse, facilitating the REO to rental wave of consolidation post 2008, which depended in part on similar mechanisms to securitize rental income.[26] All these 'fixes' which enabled corporate expansion into rental housing arose from policy decisions after the 1990-1991 recession. Unfortunately, no resource as comprehensive as the RHFS survey details the period since 2001. After 2008, when these innovations helped facilitate a massive wave of foreclosures in owner occupied properties and among small landlords,[27] the decision to bail out bondholders,[28] rather than families, initiated a massive surge in concentration.[29] As is apparent, consolidation of rental properties into the hands of corporate landlords was not an inevitable outcome of the 2008 foreclosure crisis, or the 1990-1991 recession, but a product of the policy decisions made across all scales of governance described above. The present conjuncture, where Covid-19 has wreaked havoc on the economic situation of tenants and small landlords, threatens a repeat if similarly misguided policy decisions are made.[30]

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23 Pace, S. (1998). The Origins Behind the Limited Liability Company. Ohio State Law Journal, 59(5), 64, Sagalyn, L. (2002). TheHalting Consolidation Revolution.UPenn Departmental Papers (City and Regional Planning). https://repository.upenn.edu/cplan_papers/14 , Travis, A. (2019). The Organization of Neglect: Limited Liability Companies and Housing Disinvestment. American Sociological Review, 84(1), 142–170. https://doi.org/10.1177/0003122418821339 , Wyly, E., Atia, M., & Hammel, D. J. (2004). Has mortgage capital found an inner-city spatial fix? Housing Policy Debate, 15(3), 623–685. https://doi.org/10.1080/10511482.2004.9521516 .

24 Sagalyn, L. (2002). The Halting Consolidation Revolution. Departmental Papers (City and Regional Planning). https://repository.upenn.edu/cplan_papers/14,

25 Pace, S. (1998). The Origins Behind the Limited Liability Company. Ohio State Law Journal, 59(5), 64, Travis, A. (2019). The Organization of Neglect: Limited Liability Companies and Housing Disinvestment. American Sociological Review, 84(1), 142–170. https://doi.org/10.1177/0003122418821339,

26 Wyly, E., Atia, M., & Hammel, D. J. (2004). Has mortgage capital found an inner-city spatial fix? Housing Policy Debate, 15(3), 623-685. https://doi.org/10.1080/10511482.2004.9521516, Wyly, E., Moos, M., & Hammel, D. J. (2012). Race, Class, and Rent in America's Subprime Cities. In M. B. Aalbers (Ed.), Subprime Cities (pp. 242–289). John Wiley & Sons, Ltd. https://doi.org/10.1002/9781444347456.ch9. Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349

27 Raymond, E., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. (2018). From Foreclosure to Eviction: Housing Insecurity in Corporate Owned Single-Family Rentals. Cityscape, 20(3). https://www.huduser.gov/portal/periodicals/cityscpe/vol20num3/ch9.pdf, Wyly, E., Moos, M., & Hammel, D. J. (2012). Race, Class, and Rent in America's Subprime Cities. In M. B. Aalbers (Ed.), Subprime Cities (pp. 242–289). John Wiley & Sons, Ltd. https://doi.org/10.1002/9781444347456.ch9.

28 Harvey, D. (2020, March 19). Anti-Capitalist Politics in the Time of COVID-19. Reading Marx's Capital with David Harvey. http://davidharvey.org/2020/03/anti-capitalist-politics-in-the-time-of-covid-19/

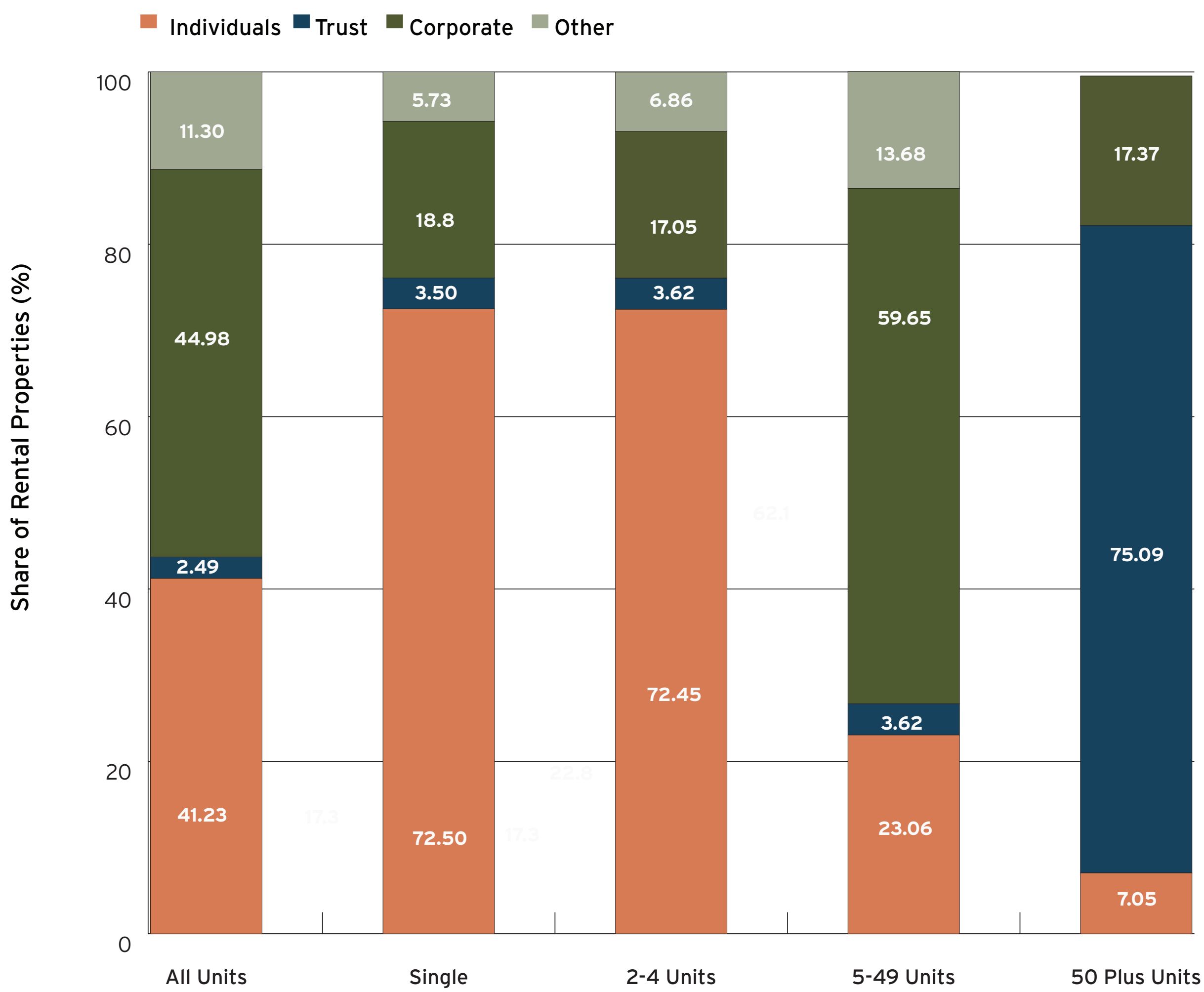
29 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349, Fields, D. (2014). The Rise of the Corporate Landlord: The Institutionalization of the Single-Family Rental Market and Potential Impacts on Renters. The Right to the City Alliance, Wyly, E., Moos, M., & Hammel, D. J. (2012). Race, Class, and Rent in America's Subprime Cities. In M. B. Aalbers (Ed.), Subprime Cities (pp. 242–289). John Wiley & Sons, Ltd. https://doi.org/10.1002/9781444347456.ch9 Just Economy.

30 Quackenbush, K., & Ferrer, A. (2020). The Los Angeles Housing Crisis in the Wake of the COVID-19 Global Pandemic. Strategic Actions for a Just Economy.

V. THE NATURE OF CORPORATE OWNERSHIP IN THE UNITED STATES TODAY

The result of this rental market consolidation is a highly financialized, commodified housing system in which for the first time in history, corporate actors own a greater share of U.S. rental properties than individual investors do. Just over 40% of rental units remain owned by individuals, and 45% are owned by corporate entities. The vast majority of multifamily rentals are now corporate-owned, as are a growing number of single-family homes (although that number has grown more slowly since 2015).

C. US Rental Ownership Composition by Units 2018 RHFS



As evident from Figure C, the vast majority of multifamily rentals are now corporate owned across the country, as are a still-growing (though more slowly since 2015) number of single family homes.
The increasing dominance of corporate and financial actors in the rental market is extremely troubling for a number of reasons. A growing body of research has implicated corporate ownership of rental property in higher rates of predatory landlord behaviors that have harmful effects on tenants.

Various studies have found that corporate ownership is associated with higher rates of eviction and foreclosure than individual ownership.[31] An emerging literature discusses the role ownership by limited liability entities plays in poor habitability conditions,[32] building on insights into distressed property investment.[33] SAJE uncovered links between corporate ownership and high rent increases, excessive fees, and other unethical management practices in a community based-report published shortly after the crisis,[34] and a contemporaneous SAJE report links corporate ownership to vacancy and speculation in the rental market.[35] These links are explored in detail in the section entitled "Predatory Tendencies of Corporate Ownership in the Rental Market." Ultimately, these predatory tendencies stem from applying the logic of finance and corporate governance to housing, and the reconfiguration of homes into profit-bearing investments.

Commodification	Assetization	Financialization
(the transformation of housing from a home to a commodity)	(construction of housing as an investable and interest-bearing asset)	(embedding of these assets in the global financial system)

These three words define such a transition.[36] In her book Urban Warfare, former UN Special Rapporteur on Housing Raquel Rolnik describes this process as the "long process of deconstruction of housing as a social good and its transformation into a commodity and a financial asset."[37] These processes also transform the nature of housing, recasting the ideology of homeownership and the social relations between landlord and renter.[38] As Maya Abood details in her expansive study of the transformation of single family owner occupied housing into rental housing embedded in global financial circuits, housing as an investment is subject to the epistemological and managerial tendencies of corporate profit making.[39] In the case of rental housing, this recasts the neo-feudal obligations of landlordship by individual investors and especially Mom & Pop landlords, as purely capitalist relations where the only obligation of the "landlord" is to generate profits for investors.[40]

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31 Gilderbloom, J. I., Ambrosius, J. D., Squires, G. D., Hanka, M. J., & Kenitzer, Z. E. (2012). Investors: The Missing Piece in the Foreclosure Racial Gap Debate. Journal of Urban Affairs, 34(5), 559–582. https://doi.org/10.1111/j.1467-9906.2012.00619.x , Immergluck, D., Ernsthausen, J., Earl, S., & Powell, A. (2020). Evictions, large owners, and serial filings: Findings from Atlanta. Housing Studies, 35(5), 903-924. https://doi.org/10.1080/02673037.2019.1639635 , Raymond, E., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. (2016). Corporate Landlords, Institutional Investors, and Displacement: Eviction Rates in Single-Family Rentals (Community & Economic Development Discussion Paper No. 04-16; p. 22). Federal Reserve Bank of Atlanta. Raymond, E., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. (2018). From Foreclosure to Eviction: Housing Insecurity in Corporate Owned Single-Family Rentals. Cityscape, 20(3). https://www.huduser.gov/portal/periodicals/cityscpe/vol20num3/ch9.pdf

32 Travis, A. (2019). The Organization of Neglect: Limited Liability Companies and Housing Disinvestment. American Sociological Review, 84(1), 142–170. https://doi.org/10.1177/0003122418821339 .

33 Mallach, A. (2018). Meeting The Challenge Of Distressed Property Investors In America's Neighborhoods (p. 92). Local Initiatives Support Corporation.

34 Call, R. (2014). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside . The Right to the City Alliance.

35 Ferrer, A., Graziani, T., Woocher, J., & Frederick, Z. (2020). The Vacancy Report: How Los Angeles Leaves Houses Empty and People Unhoused . Strategic Actions for a Just Economy and UCLA CED.

36 Aalbers, M. B. (2016). The Financialization of Housing: A political economy approach (1st ed.). Routledge. https://doi.org/10.4324/9781315668666 . Birch, K. (2015). We Have Never Been Neoliberal: A Manifesto for a Doomed Youth. Zero Books, Christophers, B. (2015). The limits to financialization. Dialogues in Human Geography, 5(2), 183–200. https://doi.org/10.1177/2043820615588153 ., Fields, D. (2018). Constructing a New Asset Class: Property-led Financial Accumulation after the Crisis. Economic Geography, 94(2), 118–140. https://doi.org/10.1080/00130095.2017.1397492

37 Rolnik, R. (2019). Urban Warfare: Housing Under the Empire of Finance. Verso Books.

38 Aalbers, M. B., & Christophers, B. (2014). Centring Housing in Political Economy. Housing, Theory and Society, 31(4), 373–394. https://doi.org/10.1080/14036096.2014.947082

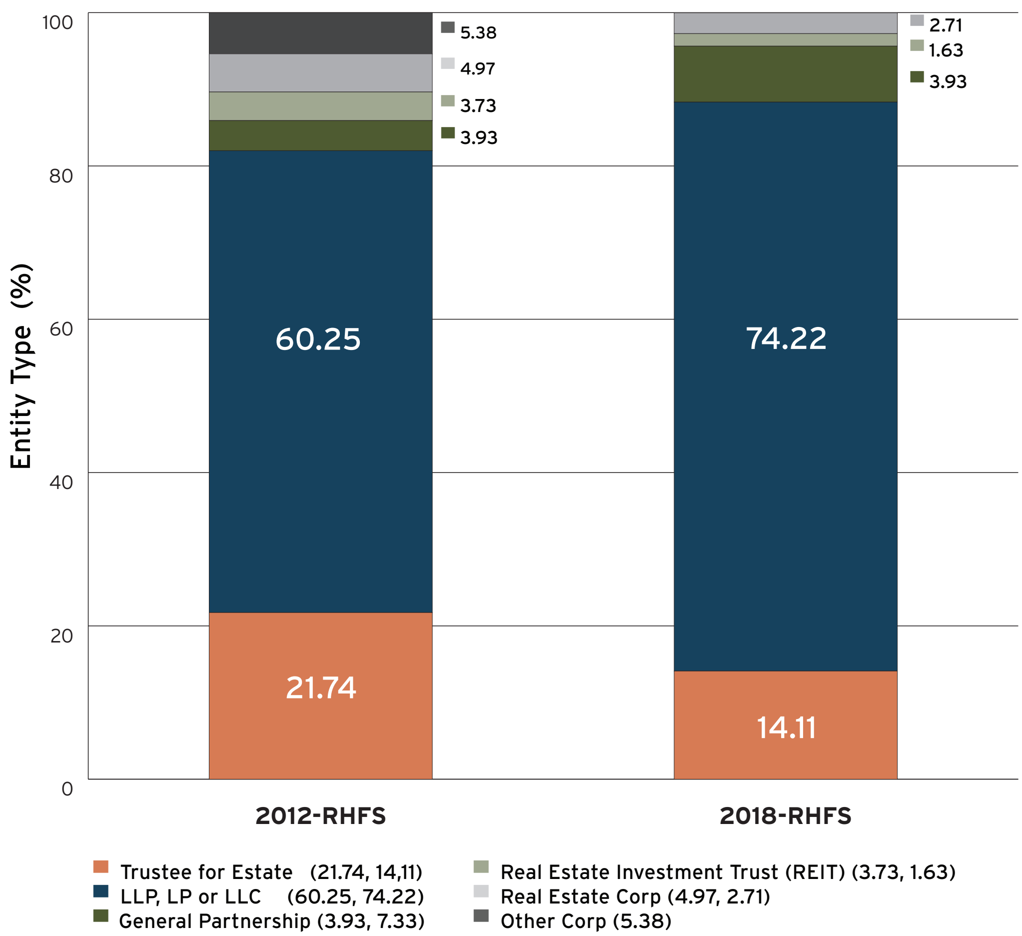
39 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk"[Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349 By no means do I intend to romanticize Mom & Pop landlords, who can be just as exploitative and negligent as larger landlords. And, to some extent, Trusts as discussed in the following section.of landlordship by individual investors and especially Mom & Pop landlords, as purely capitalist relations where the only obligation of the "landlord" is to generate profits for investors.

40 By no means do I intend to romanticize Mom & Pop landlords, who can be just as exploitative and negligent as larger landlords

This story is not primarily driven by the expansion of large corporations "Wall Street" private equity firms into the rental market
(though as we note throughout, that is a part)
but rather the Corporatization of landlordship itself.

This transformation has mainly been accomplished through the simultaneous proliferation of corporate investment vehicles and their affordances to smaller landlords, especially limited liability entities since the 1990s,[41] and the increasing consolidation of wealth into the hands of wealthy families and individuals. The figure below, which details the ownership composition of corporate owned units nationwide makes this shift clear. In the graph below, it is evident that the share of corporate owned properties held by Limited Liability entities expanded the most dramatically, growing by 25% and comprising a 12% greater share of the total. In fact the share of Real Estate Corporations and REITs shrunk, even as Wall Street's expansion into the housing sector was alleged to have been occurring the most rapidly (though the near doubling share of the General Partnership, though still small, could help explain this).

D. Entity Type as share of Investment Vehicle Owned Properties 2012 RHFS Vs 2018 RHFS[42]



[41] And, to some extent, Trusts as discussed in the following section.

Key point

Once the sole domain of larger corporate actors, today, landlords of all sizes have increasingly adopted the use of limited liability entities and other vehicles because of the substantial protection from wrongdoing and economic liability they afford, as well as favorable tax treatment.[43]

With these vehicles, landlords have also increasingly adopted the social (and digital)[44] technologies of corporate governance, in no small part permitted by the increased wealth of property investors, as the rich continue to get richer and rising land values have pushed smaller landlords out of the rental market. The logic of corporate landlordism is the pursuit of rental revenue as a primary income stream, the 'dividend' so to speak, on the property which is still further valuable as an appreciating value bearing asset, with mortgage obligations being less of a concern for increasingly well-capitalized rental operations.[45] An increasing share of landlords - even smaller family run operations - now resemble a miniature REIT, managing their investments through professionalized, platformized property management companies, remotely contracting for labor and maintenance, and imposing automated fee and eviction schedules on tenants who fall behind on rents.[46] In sum, the proliferation of the corporate governance mode among landlords outstrips the expansion of particular corporate landlords as productive of the transformation of rental housing, and the corporate form itself drives the perpetuation of harms associated with corporate landlordship.

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42 I use properties here, instead of units as I use throughout, because the summary tables for the 2012 RHFS are only available with property weighting as of September 2020. See: https://www.census.gov/programs-surveys/rhfs.html, this also excludes single family properties, as those were not counted in the 2012 RHFS. Though single family homes have attracted more attention for their purchase by "Wall Street Landlords" they also reflect the same pattern, with Limited Liability entities holding over 72% of properties, though the share for REITs and Real Estate Corporations is somewhat larger.

43 LLCs for example offer landlords the ability to file as a pass through entity or corporation, and Trusts have considerable probate benefits as discussed to come.

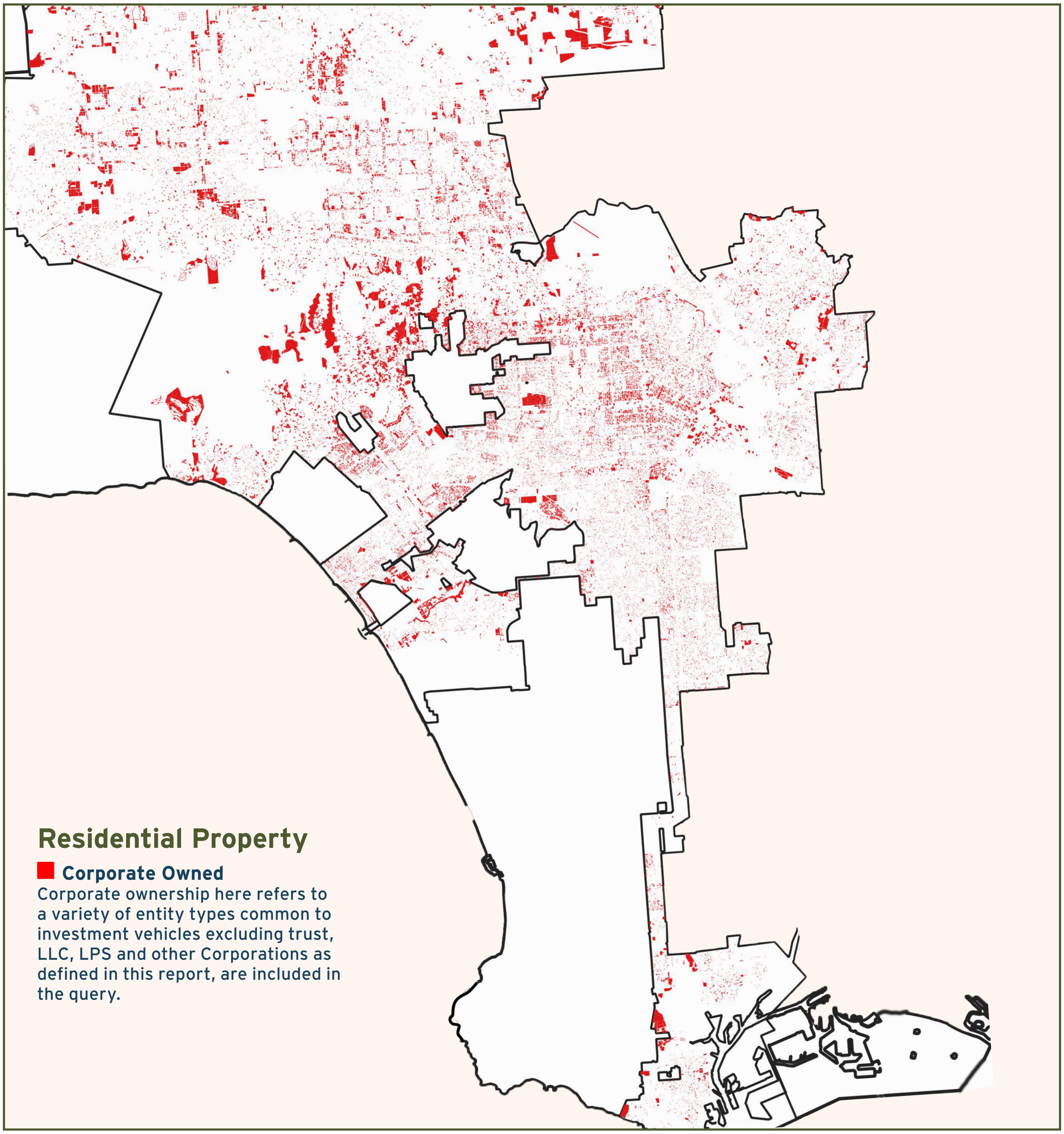
44 Fields, D. (2019). Automated landlord: Digital technologies and post-crisis financial accumulation. Environment and Planning A: Economy and Space, 0308518X19846514. https://doi.org/10.1177/0308518X19846514, Sadowski, J. (2020). The Internet of Landlords: Digital Platforms and New Mechanisms of Rentier Capitalism. Antipode, 52(2), 562–580. https://doi.org/10.1111/anti.12595, McElroy, E. (2019, November 6). Disruption at the Doorstep. Urban Omnibus. https://urbanomnibus.net/2019/11/disruption-at-the-doorstep/. See also the Anti Eviciton Mapping Project's "Landlord Tech Watch" https://antievictionmap.com/blog/2020/8/17/landlord-tech-watch

45 Teresa, B. F. (2016). Managing fictitious capital: The legal geography of investment and political struggle in rental housing in New York City. Environment and Planning A: Economy and Space, 48(3), 465–484. https://doi.org/10.1177/0308518X15598322

46 Fields, D. (2019). Automated landlord: Digital technologies and post-crisis financial accumulation. Environment and Planning A: Economy and Space, 0308518X19846514. https://doi.org/10.1177/0308518X19846514, Fields, D (2017) Rent, datafication, and the automated landlord. In: Shaw, J, Graham, N (eds) Our Digital Rights to the City. London: Meatspace Press, 16–19.

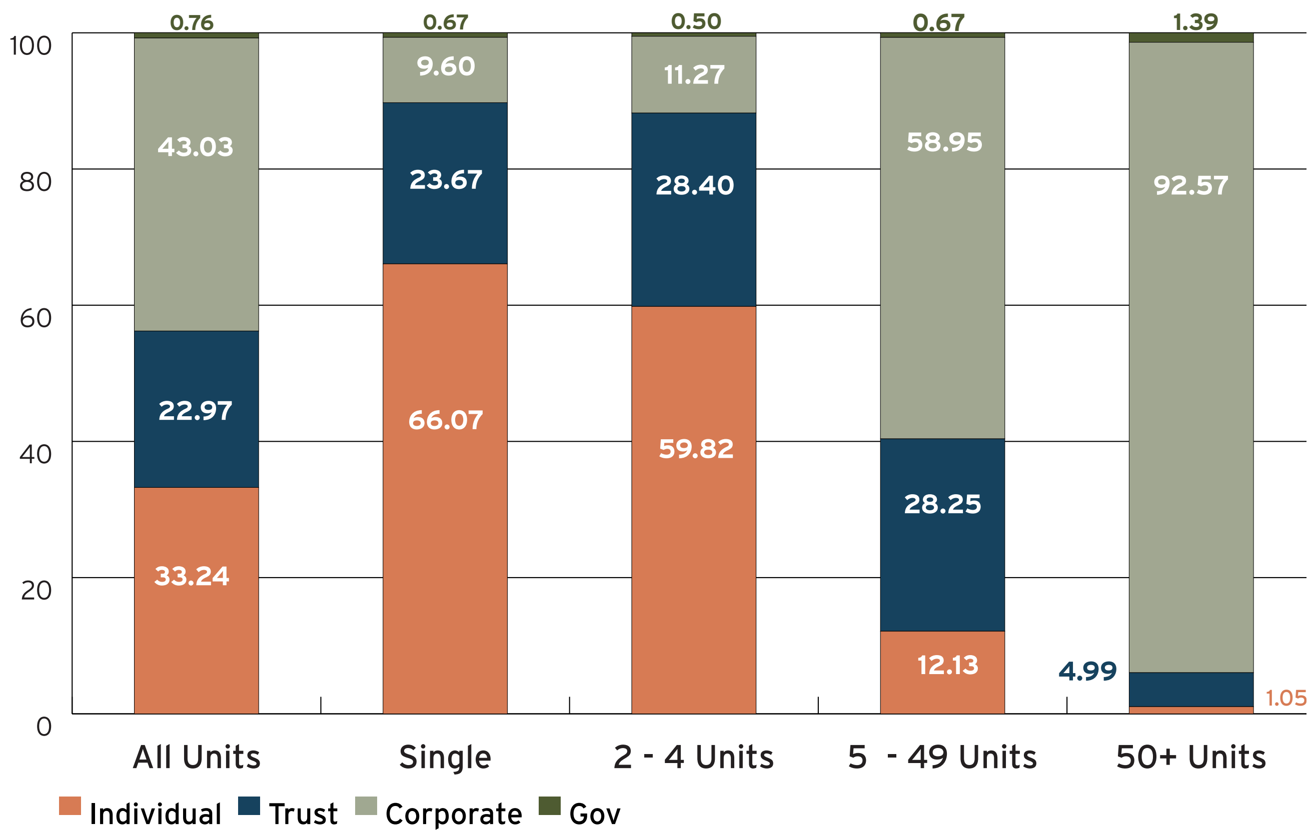
VI. CORPORATE OWNERSHIP IN LOS ANGELES: WALL STREET LANDLORDS AND BEYOND

E. Corporate Ownership Residential Property Los Angeles



Broken down similarly to the JCHS tabulations, for all segments of building size, the housing stock in Los Angeles exhibits less individual ownership. Individuals own 41.24% of rental units nationally but only 33.23% in Los Angeles. The increased ownership by investment vehicles in Los Angeles is most prominent in multifamily buildings from five to 49 units in size. Individuals own less than half of the share of these units in Los Angeles as they do nationwide, and in buildings with 50 or more units, the individual share of ownership nationally is 6.7 times higher than in Los Angeles.

F. Los Angeles Rental Ownership Composition by Units LA County Assessor 2019



The assessor's dataset provides a comprehensive survey of residential properties in Los Angeles County (and therefore in the city of Los Angeles), which enables researchers to study the characteristics of corporate ownership and corporate-owned properties more deeply than is possible through the national survey. It enables research into the features of the portfolios of the average landlord of each entity type, and subcategorization by entity size. The subcategorization of entities is apparent in the chart titled "Characteristics of Rental Property Ownership by Entity Type." Individual investors' behavior as landlords depends on the scale of their investment, for example. Individual investors make up about two-thirds of landlords, but own only about a third of all units in Los Angeles.

This is mostly because the typical individual owner owns only 1.09 properties, and 1.59 units, at an average property size of 1.47 units. For individuals beyond the definition of a Mom & Pop landlord, the story is quite different. Despite making up only 3% of individual investors, they own 20% of the units individual investors as a whole own citywide, and on average own 2.38 properties, and 10.78 units, at an average building size of 4.5 units, figures more suggestive of a corporate landlord.

G. Characteristics of Rental Property Ownership by Entity Type, Los Angeles Rentals

Entity Type	Avg. Properties Owned	Avg. Units Owned	Avg. Age of Construction Bldg Owned	Avg. Size of Bldg Owned (Units)	Total Properties Owned	Total Units Owned	Distinct Owners
All	1.28	3.45	1955	2.68	399,000	1,070,880	310,717
Individuals	1.09	1.59	1953	1.47	242,225	355,218	222,716
Individual Mom & Pop	1.05	1.3	-	1.24	225,792	281,189	215,807
Individual Larger than Mom & Pop	2.38	10.71	-	4.5	16,433	74,029	6,909
Trusts	1.32	3.26	1955	2.47	99,783	246,170	75,572
Trust Mom & Pop	1.13	1.44	-	1.27	74,475	95,005	66,090
Trust Larger than Mom & Pop	2.67	15.94	-	5.97	25,308	151,165	9,482
All Corp	2.28	19.35	1963	8.5	54,344	462,119	23,884
Limited Liability (LLC,LP,LLP)	2.45	22.16	1963	9.05	31,236	282,580	12,752
INC/CORP	2.26	16.34	1963	7.24	6,470	46,824	2,865
Unorganized Corporate	2.01	16.05	1962	7.98	16,638	132,715	8,267

Trusts that own rental properties display a similar but even more dramatic pattern of bifurcation in their ownership characteristics. While these Trusts on average behave like somewhat larger individual investors, owning just over one property and 3.26 units, on average the investment pattern of larger Trusts is indistinguishable from that of other corporate entity types. These larger Trusts own an average of 2.67 properties, and 15.94 units, and the average building size owned by these Trusts is 5.97 units. This is very closely in line with the figures for specifically corporate vehicles on each count. These larger Trusts represent 12.5% of all Trusts in the market, a share four times greater than the share of large investors among individuals, and they own over 25% of all properties owned by Trusts, and more than 61% of all units owned by Trusts. These figures indicate that the use of trusts as an investment vehicle for large portfolios is a significant phenomenon in the broader use of Trusts in the Los Angeles housing market, a point elaborated in the section they entitled "Shining a Light on Trusts."

Corporate landlords, unsurprisingly, tend to have the largest portfolios, own the largest and newest buildings, and control the largest share of total rental units of any entity type. Of corporate landlord types, limited liability entities (LPs, LLPs, LLCs, LTDs) are dominant in the analysis, owning almost 60% of all properties owned by corporate landlords, and over 60% of all units. In fact, limited liability entities own nearly 30% of the total rental housing stock of the city. Limited liability entities have the largest average portfolios (2.45 properties, 22.16 units) of any entity class, own the largest buildings (9.05 units on average), and have been most definitively linked to predatory behavior in the rental market, as is discussed at length in the following section. Two other categories of corporate owner were included in this analysis, INC companies (entities identified by INC, CORP, CO, etc. in the assessor's rolls), and Uncategorized Corporate entities, which is a catchall category for all private, non-individual entities that are not Trusts. Both of these categories display similar investment patterns to limited liability entities and the largest Trusts.[47]

Key point

H. Who Owns Los Angeles: The Numbers

43%

Over 43% of residential rental units are directly owned by corporate entities, excluding Trusts, in the City of Los Angeles according to the Los Angeles County Assessor's entries for property owner names.

23%

Over 23% of residential rental units in the City of Los Angeles are owned by Trusts according to the Los Angeles County Assessor's entries for property owner name.

55%

Over 55% of all multifamily units are owned by corporate entities, excluding Trusts, in the City of Los Angeles according to the Los Angeles County Assessor's entries for property owner names.

19.35

In Los Angeles, the average corporate owner owns 19.35 units, and the average individual investor owns only 1.59 units.

66%

Large landlords of all kinds (5 or more units) own more than 66% of all rental property in Los Angeles.

86.5%

And investment vehicles own over 86.5% of this share.

[47] It is hard to comment on the degree to which this is different from the national share of Limited Liability Entity owners as described above, because the Assessor's data does not offer insight into the beneficiary or structure of the corporation.

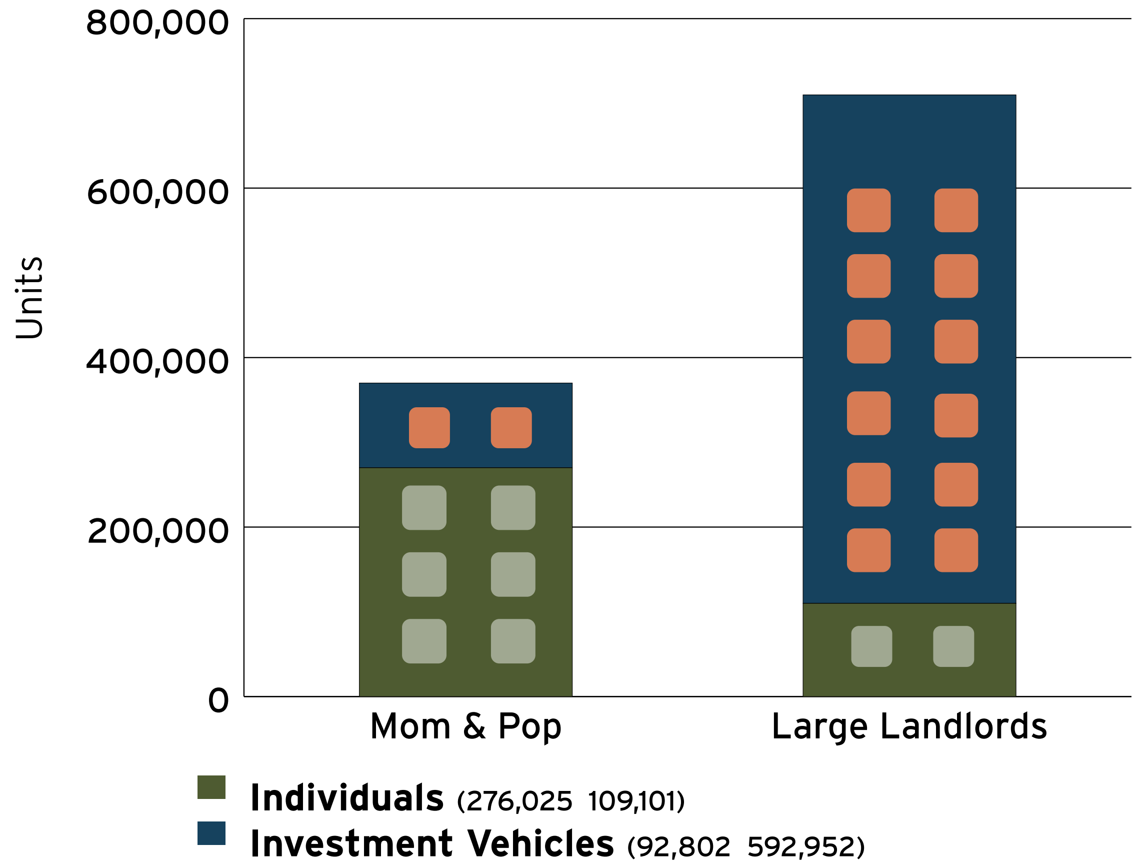
In fact, the divergence between the patterns of ownership in large portfolios and small portfolios is quite stark in general. Of the 310,717 residential property owners in Los Angeles, 283,277, or 91% are "Mom and Pop" landlords owning less than 5 total units. These owners, while the majority of property owners, own the minority of rental units, only accounting for 385,118 or about 33% of all units.[48] Of these Mom and Pop landlords, 210,099 or 71% are individual owners, who own 276,025 units, which is a roughly equivalent proportion (72%). For larger owners, those owning five or more rental units, the story is completely reversed. These larger owners own 66% of the total units in the city (685,754), and account for only 9% of the owners (24,422), with an average portfolio size of 21 units. Of these entities, only 7,241 or roughly 30% are individual owners, while over 70% are investment vehicles. Individual owners of this size own only 92,802, or 13.5% of the units owned by entities larger than Mom and Pops, with an average portfolio size of 13.1. Investment vehicles, therefore own 86.5% of all units owned by entities holding five units or more (592,952), with an average portfolio size of 34.5 units. As is evident from the chart below. "Characteristics of Rental Property Ownership by Landlord Size, Los Angeles Rentals" large investment vehicle owners own more than half of all rental units in the city.

I. Characteristics of Rental Property Ownership by Landlord Size, Los Angeles Rentals

LL Size	Entity Type	Entities	Units
Mom & Pop	Individuals	210,099	276,025
	Investment Vehicles	73,178	109,101
Large Landlord	Individuals	7,241	92,802
	Investment Vehicles	17,181	592,952
Totals	All	310,717	1,070,880

48 It is important to note here that because we identify rental units as units not having a homeownership exemption, a proportion of these small landlords are likely, in fact, homeowners who have not filed for an exemption. This would depress the values for the number and ratio of small owners, as well as the unit count owned by these types of entities, further expanding the divide between small and large owners

J. Ownership Class by Landlord Size in Los Angeles



It is important to note that this analysis does not address "Wall Street Landlords" in particular. Often "Wall Street Landlords," like other landlords, employ a complicated web of subentities to hold properties thereby obfuscating their role from direct observation in aggregate. It is common practice for landlords of all types to hold properties among several or even hundreds or thousands of different entity types, a practice employed by securitized Wall Street outfits,[49] and individuals alike.[50] These tangled webs of shell companies (termed the "Shell Game" by some),[51] will be illuminated in the section of this report titled "Los Angeles Corporate Landlords Beyond Blackstone" which includes some in-depth case studies of specific landlords that employ the tactic.

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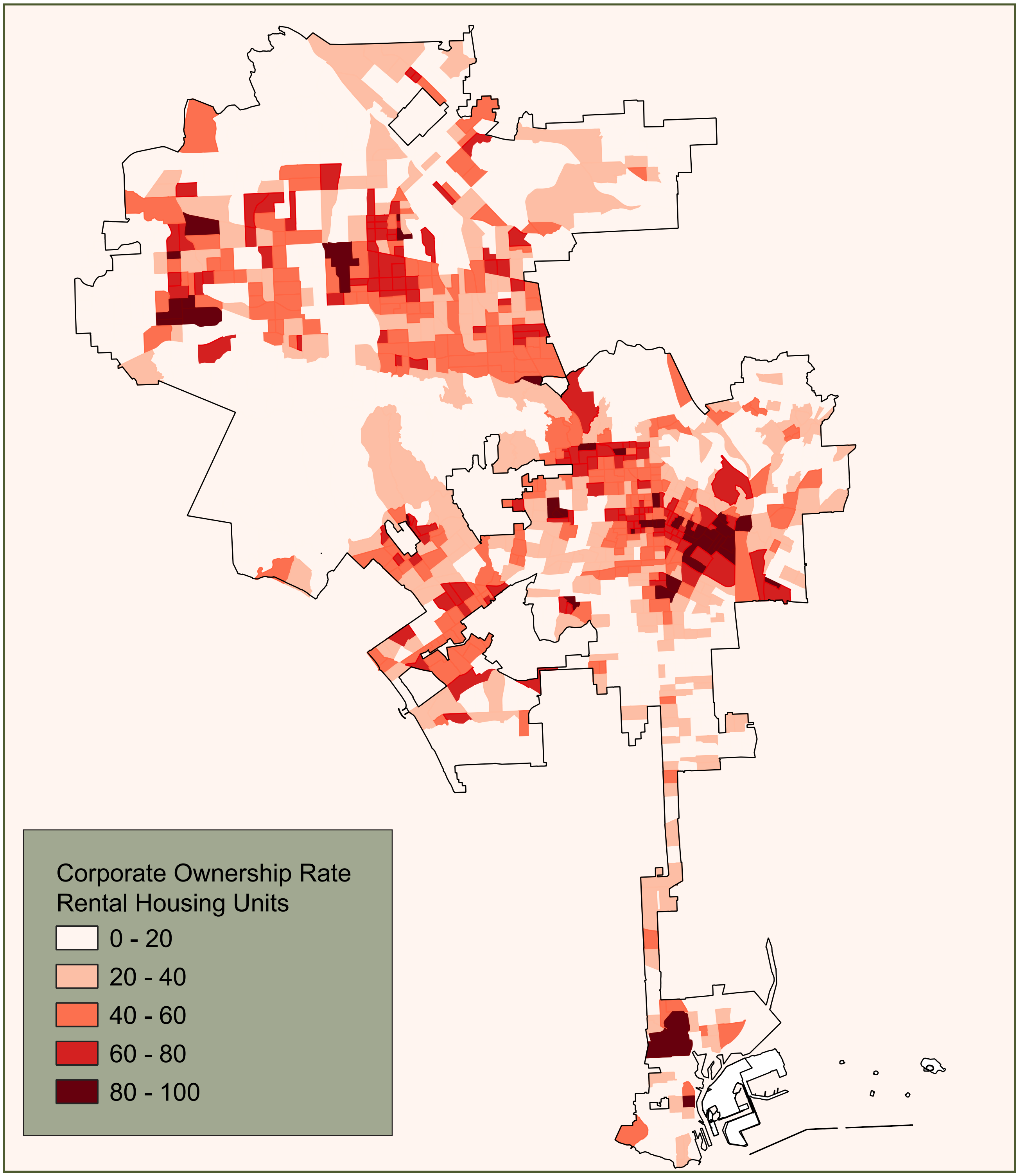
49 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk"[Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349

50 Mendelson, A. (2020, February 12). Deceit, Disrepair and Death Inside a Southern California Rental Empire. LAist.Com. https://laist.com/projects/2020/pama/, Montano, J. (2020). Piercing the Corporate Veil of LLC Landlordism: A Predatory Landlord's Eviction Machine of Black and Brown Bodies in Los Angeles' Working-Class Neighborhoods, 1996-2019 [Master's Thesis]. UCLA Department of Urban Planning.

51 Collins, C. (2019). Who is Buying Seattle? The Perils of the Luxury Real Estate Boom For Seattle. Institute for Policy Studies, Collins, C., & de Goede, E. (2018). Towering Excess: The Perils of the Luxury Real Estate boom for Bostonians. Institute for Policy Studies. https://ips-dc.org/wp-content/uploads/2018/09/ToweringExcessReport-Sept10.pdf

K. Corporate Ownership of Rental Units in Los Angeles



Corporate ownership in Los Angeles has a particular geography. As seen in the map above, ownership is concentrated in areas with hot housing markets and gentrification including Downtown, Hollywood, East Hollywood, North Hollywood, Venice, Koreatown, and in Westside neighborhoods.[52] Corporate landlords access sophisticated technologies and considerable labor and expertise for decision-making. The investment strategies of these companies, detailed in the following sections, often rely on appropriating additional value from increasing land prices, and the destabilization of housing in hot markets to reap higher rent revenue. Low-income tenants in rapidly gentrifying neighborhoods thus face higher risks of displacement.

Key point

L. Shining a Light on Trusts: California's Homegrown Private Equity Landlords

At its simplest, a Trust is a legal entity for the maintenance of property, managed by a designated third party on behalf of its beneficiaries. Trusts are a type of private equity that enable the country's wealthiest families to invest in a variety of enterprises, including property ownership, and to receive both a type of limited liability protection and favorable tax benefits, including pass-through provisions and especially favorable treatment on inheritance.[53] In fact, the protections and benefits afforded by a Trust are much the same if not better in some cases than those of an LLC.

Of the 173,767 Trust-type entities owning property in Los Angeles, 75,572, or 43.5%, own rental units. These Trusts own about 25% of the city's rental housing. Though most Trusts that invest in rental property fit the definition of Mom & Pop landlords, owning fewer than five rental units, most rental units owned by Trusts are owned by a smaller set of much larger entities. Trusts larger than Mom & Pops own more than 61% of properties owned by Trusts and 14% of all rentals in Los Angeles. This type of Trust landlordism is a form of property consolidation driven by the accumulated wealth of the richest investors and is part and parcel of the transformation of housing from a home into an asset.

Trusts are often omitted from discussions of corporate ownership of rental properties because of the enduring myth that the "family" Trust is used primarily to transfer ownership of a single home between generations of a nuclear family. Although this is an important role of some Trusts (those used only to hold owner-occupied properties), the analysis of Trust held properties in Los Angeles' rental market in this report shows that this is far from the only or predominant role of Trusts today. The real purpose of "family" Trusts is much broader.

Figures detailing rental ownership in Los Angeles and nationwide show that Trusts make up a much greater proportion of rental property ownership in Los Angeles. This is partially because of a peculiarity of California property and inheritance tax law that is one of the many ill effects of Proposition 13. Because of Prop. 13, California property owners can transfer the tax assessment on an infinite number of properties in and out of a Trust, passing the properties tax-free to beneficiaries.[54] Also, a Trust, as opposed to an LLC, enables beneficiaries to avoid probate upon the owner's death.[55]

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52 The especially dense concentrations that appear in particular tracts in the West Valley and in the Harbor City regions do not appear to have a great number of corporate owned units, but rather an extremely small total number of rentals which are disproportionately corporate owned.

53 For a thorough but perplexing explanation of the benefit of trusts to property investors see this website https://www.landtrustsmadesimple.com/?v=7516fd43adaa

54 California Proposition 19, Property Tax Transfers, Exemptions, and Revenue for Wildfire Agencies and Counties Amendment (2020). (2020). Ballotpedia. https://ballotpedia.org/California_Proposition_19,_Property_Tax_Transfers,_Exemptions,_and_Revenue_for_Wildfire_Agencies_and_Counties_Amendment_(2020)

55 Because of the particular characteristic of Trusts that allow for the avoidance of probate, the use of Trusts for the holding of owner-occupied family homes can be an important anti-displacement strategy for low income homeowners. The Trusts focused on here and throughout are not these, but Trusts used to hold rental properties

VII. PREDATORY TENDENCIES OF CORPORATE OWNERSHIP[56] IN THE RENTAL MARKET

Research into corporate ownership of properties has identified investment vehicles as key perpetrators of trends that harm communities. This makes the consolidation of an ever-increasing proportion of rental properties into corporate hands particularly troubling. Even more worrisome, as described in the following section, is that the same policy decisions that enabled the proliferation of corporate ownership vehicles and the financialization of the housing market broadly are also key to the misdeeds of corporate actors, shielding them from the public and protecting them from liability and regulation.

Rising Rents, and Gentrification, and Extraction

Tenants of corporate-owned properties pay above-market and often exorbitant rents for the quality of housing they receive. Some rents are relatively low, but the housing quality is extremely poor and the denial of maintenance is a key means of extracting profit.[57]

Other strategies of vulture capitalists drive gentrification and displacement directly. One strategy of "distressed property investors" is to buy devalued buildings during a crisis and renovate them for resale or to be rented at higher rates.[58] A 2019 JCHS paper suggests that buy-and-hold and rehabilitation strategies, coupled with shifts in federal policy that made renovation a profitable tactic, have led to significant gentrification over the last decade.[59]

High degrees of concentration of ownership into the hands of few corporate landlords also enables monopolistic and Trust-like behavior by entities that control a disproportionate percentage of the housing stock in a local market, as one report noted. The authors found that tenants of corporate landlords overwhelmingly paid above market rents in several cities, and the degree of corporate ownership in some markets could drive a general increase in rent.[60] Another study conducted by the Philadelphia branch of the Federal Reserve Bank found that across several U.S. cities from 2007 to 2014 for every 1% increase in net purchases by institutional investors, rents rose by 4.6% in a causal relationship. The same study also found that increased net purchases by institutional investors was causally related to declining homeownership rates.[61]

One survey of Blackstone tenants in Los Angeles and Riverside found that 67% of the tenants were rent burdened, and 17% severely rent burdened, paying an average of over $1,700 monthly, which was 30% higher than the average rent for the time.[62] Another study found that rents across several of California's largest corporate rental ownership entities rose much faster than the market average, increases that were up to 50% faster in some cities.[63]

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56 As throughout this report, this section addresses the role of corporate landlords and Trusts in various places, differentiating between "corporate landlords" and "investment vehicles" (see Key Terms) depending on the inclusion of Trusts in the analysis.

57 Mallach, A. (2018). Meeting The Challenge Of Distressed Property Investors In America's Neighborhoods. Local Initiatives Support Corporation, Travis, A. (2019). The Organization of Neglect: Limited Liability Companies and Housing Disinvestment. American Sociological Review, 84(1), 142–170. https://doi.org/10.1177/0003122418821339.

58 Mallach, A. (2018). Meeting The Challenge Of Distressed Property Investors In America's Neighborhood.

59 Reher, M. (2019). Financial Intermediaries as Suppliers of Housing Quality. Joint Center for Housing Studies of Harvard University. https://www.ssrn.com/abstract=3446411

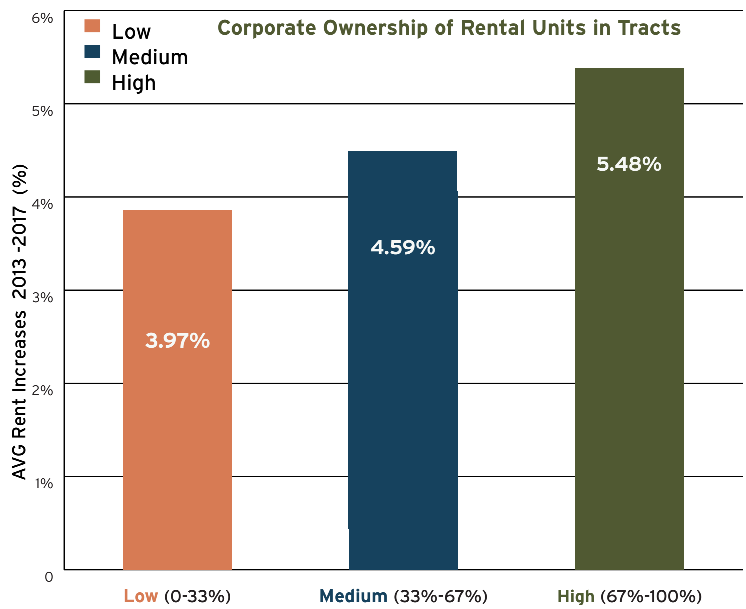
60 Abood, M. (2017). Wall Street Landlords Turns American Dream Into American Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership. ACCE Institute, Americans for Financial Reform, Public Advocates. Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349, Fields, D. (2014). The Rise of the Corporate Landlord: The Institutionalization of the Single-Family Rental Market and Potential Impacts on Renters. The Right to the City Alliance.

61 Lambie-Hanson, L., Li, W., & Slonkosky, M. (2019). Leaving Households Behind: Institutional Investors and the U.S.Housing Recovery (Working Paper (Federal Reserve Bank of Philadelphia) No. 19-01; Working Paper (Federal Reserve Bank of Philadelphia), pp. 19-01). Federal Reserve Bank of Philadelphia. https://doi.org/10.21799/frbp.wp.2019.01.

62 Call, R. (2014). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside. The Right to the City Alliance.

63 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349

M. Rent Increases in LA City Census Tracts by Corporate Ownership



Furthermore, in aggregate this trend is empirically demonstrable. The graph above details the relationship between average rent increases and corporate ownership concentration in all census tracts in Los Angeles. As is evident from the graph, tracts with more of corporate ownership tend to experience faster-rising rents.[64] Whether this is because corporate landlords are actively renting units out at higher rates than other landlords, or because corporate owners tend to invest in targeted high rent areas more so than other investor types is unclear. As there is no way to evaluate the rent and ownership of a building concurrently in the datasets created for this report, this topic merits further investigation in Los Angeles.

Finally, the benefits of forming an investment vehicle for landlords, including limited liability entities and Trusts, include substantial tax reductions through pass-through provisions. Not only can landlords take advantage of lower tax rates on business income in general, which is considered a driver of the use of such entities in property ownership,[65] but changes to the tax code in the 2018 Trump Tax law enable landlords using such a vehicle to deduct up to 20% of their income in many circumstances, potentially representing millions of dollars a month for some landlords.[66] While there is limited research thus far on the cost of such favorable tax treatments to landlords, tax benefits for landlords represent a direct transfer of public wealth into the hands of property owners, and drain the capacity of the government to provide services to communities.

Key point	Landlords extract rents not only from their tenants but also from the public coffers.[67]

64 Rent increase for each tract in Los Angeles calculated by comparing median contract rent from 2012 and 2017 ACS surveys, adjusted for inflation. Data acquired through NHGIS IPUMS USA.

65 Ashwood, L., Canfield, J., Fairbairn, M., & Master, K. D. (2020). What owns the land: The corporate organization of farmland investment. The Journal of Peasant Studies, 0(0), 1–30. https://doi.org/10.1080/03066150.2020.1786813, see the helpful matrix on page six.

66 Fishman, S., & J.D. (n.d.). Landlords Must Be In Business to Claim the 20% Pass-Through Tax Deduction.www.Nolo.Com. Retrieved September 14, 2020, from https://www.nolo.com/legal-encyclopedia/landlords-must-be-in-business-to-claim-the-20-pass-through-tax-deduction.html

67 Tapp, R. (2019). Layers of finance: Historic tax credits and the fiscal geographies of urban redevelopment. Geoforum, 105, 13-22. https://doi.org/10.1016/j.geoforum.2019.06.016 Tapp, R. (2020). From the State to the Shareholder: Rent and the Production of Shareholder Value in Real Estate. Antipode, 52(3), 867–887. https://doi.org/10.1111/anti.12618

Eviction, Displacement, and Harassment

In addition to raising rents to unsustainable and excessive rates and driving gentrification through redevelopment, landlords have a role in evictions that has become increasingly clear in recent years.

Much research has focused on the role of Wall Street investors in single-family rental properties, which as noted was one of the largest drivers of consolidation post-2008, in eviction trends. Frequent and fast evictions are also part of the core revenue-generating strategy of many corporate landlords, especially those that are highly financialized. As one researcher notes, to gain and maintain investor confidence and deliver the highest possible return, corporate landlords aggressively pursue eviction at the first instance of late or missed payments, all at the encouragement of bond rating agencies.[68]

A Federal Reserve Bank of Atlanta survey in Fulton County, Ga., found that single-family properties were 8% more likely to have an eviction if they were owned by a large corporate entity (more than 15 properties owned), controlling for several other variables, and that as ownership entities increased in size, the likelihood increased further.[69] A follow up study by the same authors found that large corporate landlords were 68% more likely to evict tenants than other owners of similar single family properties, and that the likelihood of eviction in a given single family rental increased by 63% if the owner was a large corporation.[70] The second study also found that previous foreclosure increased the likelihood of both eviction and corporate ownership, and that in Fulton County, both of these trends affected Black communities disproportionately.

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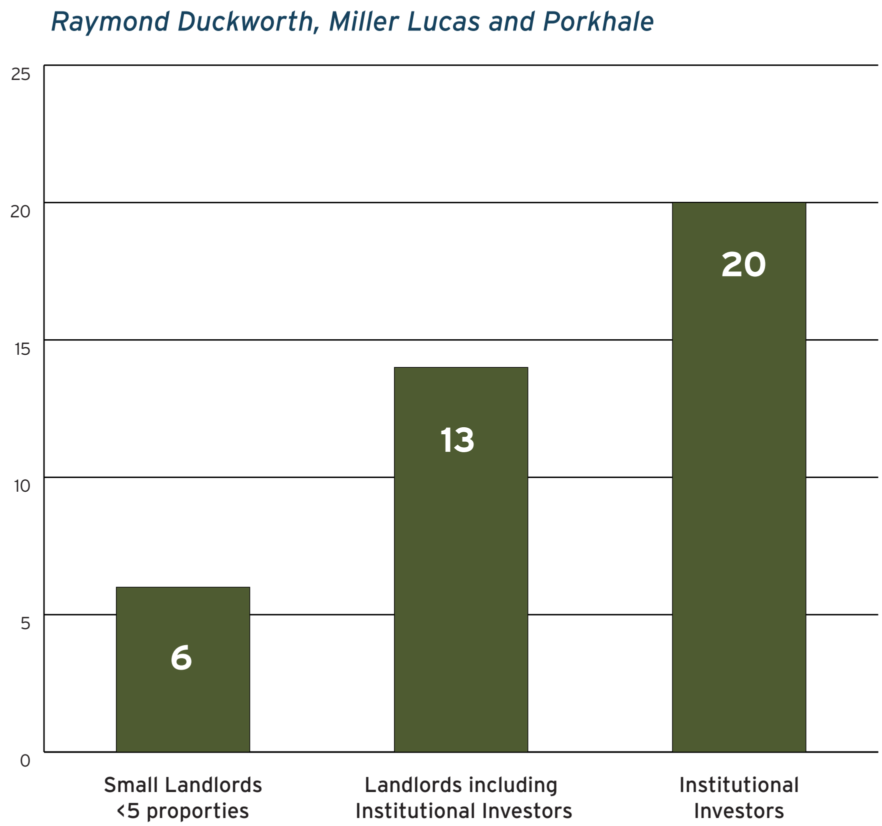
68 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk"[Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349.

69 Raymond, E., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. (2016). Corporate Landlords,Institutional Investors, and Displacement: Eviction Rates in Single-Family Rentals (Community & Economic Development Discussion Paper No. 04-16; p. 22). Federal Reserve Bank of Atlanta.

70 Raymond, E., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. (2018). From Foreclosure to Eviction: Housing Insecurity in Corporate Owned Single-Family Rentals. Cityscape, 20(3). https://www.huduser.gov/portal/periodicals/cityscpe/vol20num3/ch9.pdf

N. Eviction Filing Rates by Landlord Type



Raymond, E., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. (2018).

From Foreclosure to Eviction: Housing Insecurity in Corporate Owned Single-Family Rentals. Cityscape, 20(3). https://www.huduser.gov/portal/periodicals/cityscpe/vol20num3/ch9.pdf

Some research has also found that investors in rental properties in majority Black neighborhoods were especially prone to foreclosure after the 2008 crisis. Interestingly, one such study found that the high rates of foreclosure in such neighborhoods can be partially attributed to the foreclosure of investor owned properties, accelerated by deleterious and speculative investor strategies that led to owners abandoning floundering investments, leading to the eviction of tenants and resale of properties. In fact, the study found that foreclosures of rental properties were largely driven by the abandonment of investment properties by white proprietors.[71]

Ownership structures that limit the liability of beneficiaries, like LLCs, can exacerbate the incentive for speculators to abandon properties to foreclosure when profitability declines, driving eviction of tenants. Evidence from ethnographic research suggests that this may be a strategy of some landlords who habitually let cities accrue property tax debt or fall behind on mortgage payments to get out of owning an underperforming property knowing that the company, and not the owner, will be legally responsible.[72]

[71] Gilderbloom, J. I., Ambrosius, J. D., Squires, G. D., Hanka, M. J., & Kenitzer, Z. E. (2012). Investors: The Missing Piece in the Foreclosure Racial Gap Debate. Journal of Urban Affairs, 34(5), 559–582. https://doi.org/10.1111/j.1467-9906.2012.00619.x.

[72] Desmond, M. (2016). Evicted: Poverty and Profit in the American City. Crown.

A recent study by Joel Montano on behalf of SAJE and the Inner City Law Center profiled one prominent Los Angeles LLC landlord to uncover how these entities often operate as "eviction machines."[73] Montano found that this landlord used eviction as a tool of first resort, often evicting tenants after a single missed payment, manufacturing pretenses for eviction through illegitimate notices or rent increases, employing no-fault evictions, and using other often potentially extrajudicial to force out low-income tenants from rent-stabilized units. Not only did the landlord repeatedly flout laws protecting tenants but was shielded from meaningful recourse by poor enforcement, minimal statutory penalties, and the use of limited liability entities.

Other research indicates that punitive and excessive fees are part of the core business strategy of many large corporate landlords, often enabled by the proliferation of landlord tech.[74] Harsh fee schedules with high rates are common in the standardized leases of corporate landlords, and produce ancillary income that can rise to high proportions of the revenue from rents.[75] Many of these practices are enabled by structures that prevent tenants from holding their landlords accountable. It is very difficult for individual tenants of limited means to seek recourse against the investment vehicles that hold their properties, and the ability of corporations to escape penalty from regulators and other forms of public oversight is significant.[76]

A 2014 report by SAJE and Right to the City on the expansion of Blackstone-Invitation Homes into Los Angeles and Riverside counties uncovered a multitude of predatory, unethical practices common among large corporate landlords. The researchers found that tenants were forced to sign leases that gave them limited capacity for recourse against unilateral changes made by the landlord, and were frequently given specious eviction notices and other documents appearing to be legal. Some tenants were even forced to pay processing fees to the landlord in the event that they were evicted. Others were forced to pay security deposits that were far above the normal rates, sometimes even illegally so.[77]

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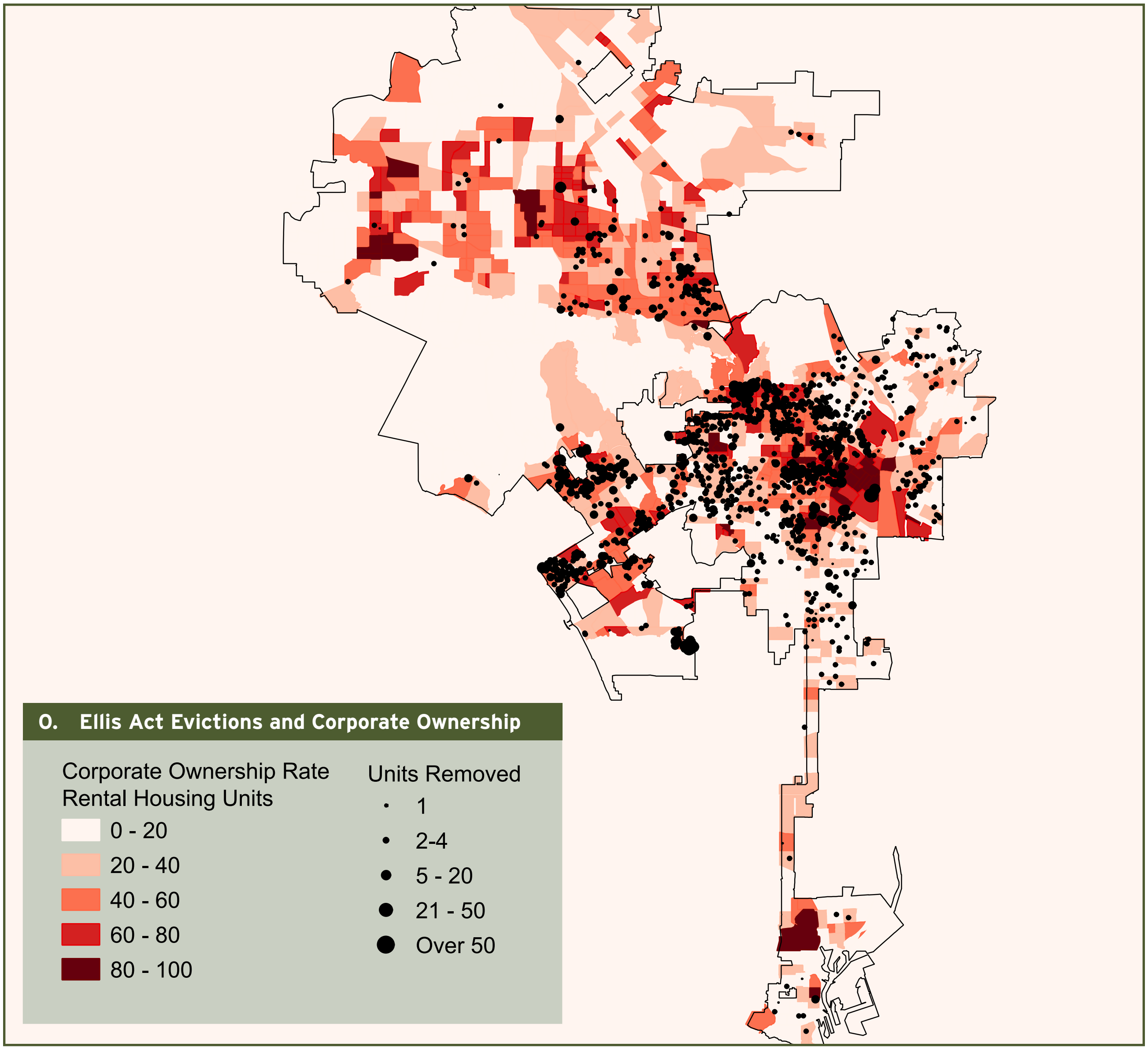
73 Montano, J. (2020). Piercing the Corporate Veil of LLC Landlordism: A Predatory Landlord's Eviction Machine of Black and Brown Bodies in Los Angeles' Working-Class Neighborhoods, 1996-2019 [Master's Thesis]. UCLA Department of Urban Planning.

74 Fields, D (2017b) Rent, datafication, and the automated landlord. In: Shaw, J, Graham, N (eds) Our Digital Rights to the City. London: Meatspace Press, 16–19.

75 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349, Abood, M. (2017). Wall Street Landlords Turns American Dream Into American Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership. ACCE Institute, Americans for Financial Reform, Public Advocates.

76 Travis, A. (2019). The Organization of Neglect: Limited Liability Companies and Housing Disinvestment. American Sociological Review, 84(1), 142–170. https://doi.org/10.1177/0003122418821339.

77 Call, R (2014). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside. The Right to the City Alliance.



The Ellis Act, a provision in California law that allows for landlords to evict all tenants without fault from any building they intend to remove from the rental market, is heavily implicated in both the direct displacement resulting from its use, but also in long term patterns of gentrification and the erasure of working class communities. This loophole[78] in state and local eviction protections enables rampant speculation and is one of the premier tools of speculation that magnifies the power of developers to remake the city for profit. The map above makes clear that tracts with high densities of corporate ownership of rental properties are fairly coextensive with tracts that have had heavy use of the Ellis Act to evict tenants. The underlying predatory tendencies that drive use of the Ellis Act are part of the same forces that accelerate the transfer of ownership from individuals to investment vehicles.

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[78] The Ellis Act's use today is "loophole like" because the stated intention of the law at the time of adoption, to allow for landlords to 'retire' and exit the rental business entirely and repurpose their property, is vastly different from the current uses, which are primarily to convert rentals to condominiums to circumvent rent control, and to clear rental properties for demolition and eventual redevelopment into higher rent, higher ammentied rentals. See for example: Ferrer, A., Graziani, T., Woocher, J., & Frederick, Z. (2020). The Vacancy Report: How Los Angeles Leaves Homes Empty and People Unhoused. Strategic Actions for a Just Economy and UCLA Law Community Economic Development Clinic, antievictionmappingproject.net/losangeles.html or https://latenantsunion.org/en/ellis-act-evictions/.

Key point

Of the 1,534 properties the Ellis Act has been used on since 2007, accounting for 6,047 units removed from the rental market for which ownership information could be identified,[79] only 28% of property owners were individuals, and roughly 10% were by entities associated with the State, Local, or Federal government. 14% of all Ellis filings occurred on properties owned by Trusts. Corporate entities of some kind were responsible for over 54% of all Ellis filings during the period, an outsized share given that only about 14% of all residential parcels that contain rental housing are owned by corporate entities.[80]

Slum Housing Conditions

Landlord decisions about property maintenance and renovation and their strategies for generating profit off rents generally, are implicated not only in gentrification but also in disinvestment and the proliferation of slum housing conditions. Ownership of properties through an investment vehicle, especially entities like LLCs, LPs, and other structures that shield the beneficiary from liability is associated with an increased likelihood of poor housing quality.

The shielding of beneficiaries from liability enables LLC landlords to pursue socially damaging investment strategies like "milking," in which properties are bought at the lowest possible cost, to be rented out in the short term at lower rates. These landlords make their margin through minimizing repair and maintenance costs, ignoring citations, spuriously removing tenants that complain, and imposing fees on the tenants who live in the unhealthy conditions perpetuated by the landlord's actions.[81] A common strategy of large corporate landlords is to shift the cost of maintenance onto tenants, often illegally and through negligent management and imbalanced lease agreements.[82] In some cases, these "milkers" become flippers, benefiting from rising property values and the protections of LLC structures to skip out on habitability and maintenance obligations with a tidy profit, as was the case of one large Los Angeles landlord before the 2008 crisis.[83]

An analysis of the role of LLC ownership in perpetuating slum conditions in Milwaukee found that LLCs targeted properties that were often already distressed, and disproportionately concentrated in low income neighborhoods. It also found that LLC ownership itself increased the likelihood that a property received a citation for a code violation, and that transfer of a property from an individual owner to an LLC dramatically increased the likelihood that the property would later be cited.[84]

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79 The author joined the 10.13.2019 Assessor's dataset to the list of Ellis filings for the period, and removed those filings which predated the listed ownership or which could not be identified due to a merging of parcels or other factors (approximately 1/3 of records).

80 See appendix, Los Angeles Rental Housing Ownership Composition

81 Mallach, A. (2018). Meeting The Challenge Of Distressed Property Investors In America's Neighborhoods. Local Initiatives Support Corporation.

82 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine"risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349.

83 Lowe, A., & Haas, G. (2007). Shame of the City: Slum Housing and the Critical Threat to the Health

84 Travis, A. (2019). The Organization of Neglect: Limited Liability Companies and Housing Disinvestment. American Sociological Review, 84(1), 142–170. https://doi.org/10.1177/0003122418821339.

Other research has noted that the physical distance between tenants in corporate-managed housing assets and the absentee managers responsible for overseeing them also facilitates neglectful and unethical management. For example, a survey of tenants living in single family properties owned by Blackstone-Invitation Homes found that most experienced habitability problems, with large pluralities having problems with plumbing, infestations, mold, and heating.[85]

A 2007 study also conducted by SAJE provides another early link between management through investment vehicles and slum housing conditions, in which landlord negligence was manifested in lead poisoning, asthma, infestations, and millions of dollars in remediation costs to the public.[86]
Another indispensable study, a piece of investigative reporting into the holdings of a notorious Los Angeles county slumlord, similarly noted the distance from tenants and protections from liability offered by the use of proxy companies to hold properties.[87] That particular landlord was also sheltered by the inability of code enforcement agencies to share information across jurisdictions or to analyze the activities of a property owner in aggregate given the obfuscating nature of the use of multiple corporate entities.[88]

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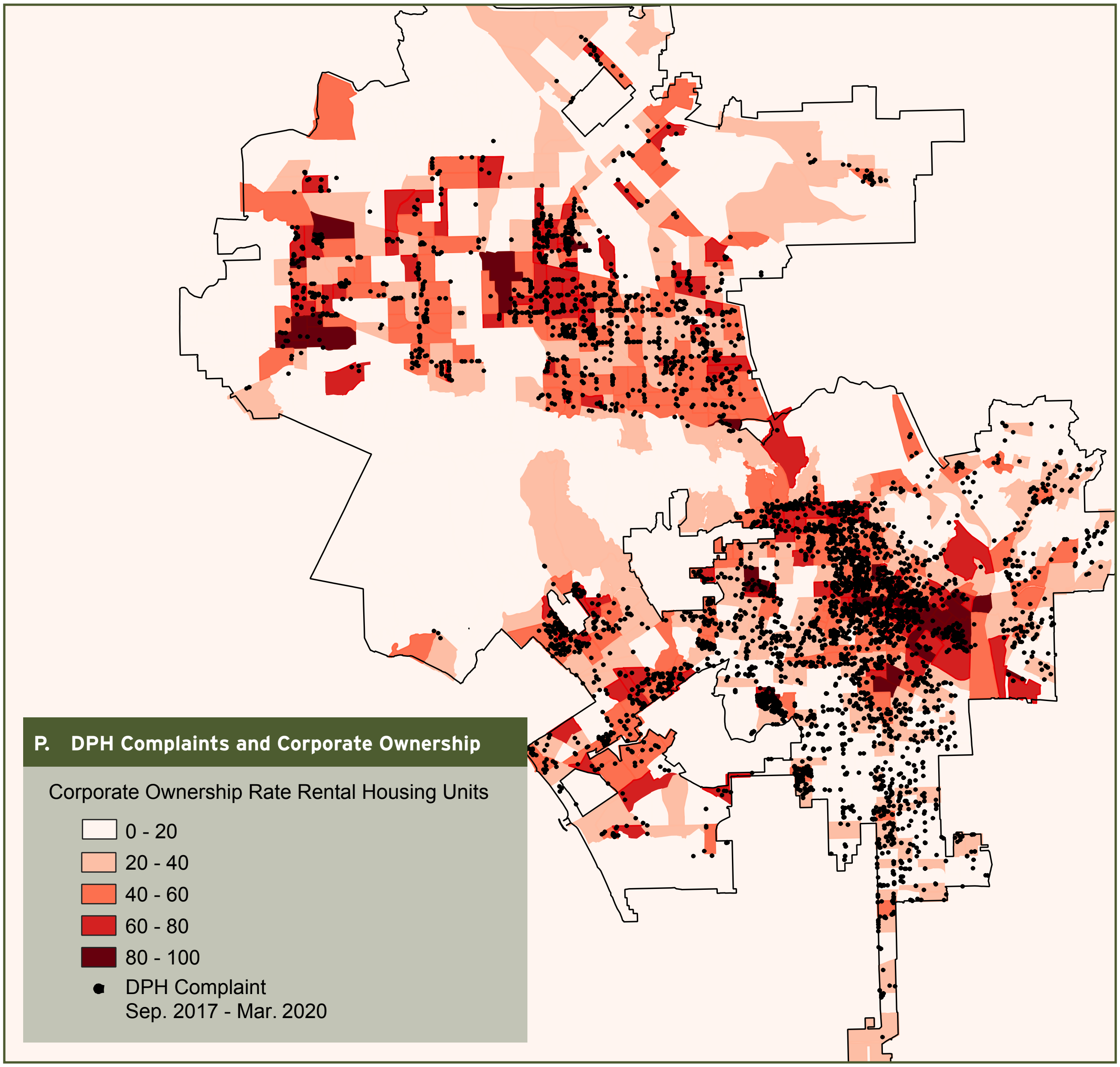
85 Call, R. (2014). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside. The Right to the City Alliance.

86 Lowe, A., & Haas, G. (2007). Shame of the City: Slum Housing and the Critical Threat to the Health of L.A. Children and Families. Strategic Actions for a Just Economy. http://www.wellchild.org/shameofthecity.pdf

87 Mendelson, A. (2020, February 12). D

88 ibid.



A similar story is evident in the habitability conditions of areas with intensive corporate investment in Los Angeles. Of 11,543 environmental health complaints in the City of LA captured by the Los Angeles County Department of Public Health between 2017 and 2020, about 88% took place in buildings owned by investment vehicles of any kind, though investment vehicles only own 83% of buildings eligible for DPH enforcement.[89] Troublingly, over 65% took place in properties owned by corporate entities excluding Trusts, despite the fact that only 50% of eligible buildings are specifically corporate owned, a 30% higher incidence of complaints than would be expected for buildings owned by corporate vehicles. As is evident from the map above, DPH habitability complaint investigations for buildings five or more units in size are also geographically clustered in and around tracts with high levels of corporate ownership.[90]

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[89] The LA County DPH performs Code Enforcement only in buildings with 5 or more units.

[90] Similarly to the Ellis Act research, I filtered out all violations that occurred before the owner identified by the Assessor possessed the building.

Tax Evasion, Speculation, and Vacancy

A great deal of recent research has revealed the U.S. property market as a center of global money laundering and tax evasion, centered around the use of investment vehicles operating as "shell companies." A long-running investigation by the New York Times, "Towers of Secrecy,"[91] has detailed a massive influx of foreign capital into real estate, including New York luxury condos, Los Angeles mansions, and similar high-end housing throughout the country. Times journalists revealed the devastating impacts and predatory tendencies that accompany this type of investment, including the laundering of billions of dollars acquired through embezzlement,[92] and conspiracies conducted by shell companies to defraud vulnerable homeowners of the deeds to their property.[93]

Two reports by the Institute for Policy Studies (IPS) also investigated the phenomenon of corporate ownership of luxury condominiums in Boston and Seattle respectively in detail.[94] The IPS found, consistent with the Times' reporting, that more than 40% of all luxury condominiums in the two cities were owned by shell companies, more than double the proportion that were owner-occupied primary residences in Boston (as measured by homeowners' exemptions), or that had owners who were registered to vote in Seattle, indicating many units were likely vacant. The IPS found not only that the buildings were probably integrated into the same "global shell game," serving to shelter and launder the wealth of global oligarchs as detailed by the Times, but also that the condos contributed to rising land and housing prices, segregation, and unsustainable building practices. Similarly, a recent paper by Global Witness used the U.S. Treasury Department's Financial Crimes Enforcement (FinCEN) data to document some recent abuses that show the need to curb the use of anonymous corporate vehicles for property investment. Their work implicated anonymous corporate vehicles in using properties in the U.S. for illegal activities, including laundering drug trafficking money; transferring properties in order to shelter sales proceeds from federal FinCen regulation; manipulating prices and ownership to defraud mortgage holders; sheltering gains made by corrupt foreign officials; and to perpetuate Ponzi schemes. [95]

The same is true in Los Angeles. In Twenty-five condominium developments randomly selected from a variety of high-end condominium listing sites, of 3,428 total units, 1,295, or an average of 37.8%, are owned by investment vehicles. In many buildings, more units are owned by investment vehicles than are owner-occupied, and the same is the case for the sample as a whole. In Los Angeles, as in New York, Boston and Seattle, these luxury condominium buildings may be serving as anonymous bank accounts for global speculators.

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91 Towers of Secrecy: Piercing the Shell Companies. (n.d.). The New York Times. Retrieved May 29, 2020, from https://www.nytimes.com/news-event/shell-company-towers-of-secrecy-real-estate

92 Story, L., & Saul, S. (2015, February 7). Stream of Foreign Wealth Flows to Elite New York Real Estate. The New York Times. https://www.nytimes.com/2015/02/08/nyregion/stream-of-foreign-wealth-flows-to-time-warner-condos.html

93 Saul, S. (2015, November 7). Real Estate Shell Companies Scheme to Defraud Owners Out of Their Homes. The New York Times. https://www.nytimes.com/2015/11/08/nyregion/real-estate-shell-companies-scheme-to-defraud-owners-out-of-their-homes.html

94 Collins, C. (2019). Who is Buying Seattle? The Perils of the Luxury Real Estate Boom For Seattle. Institute for Policy Studies. Collins, C., & de Goede, E. (2018). Towering Excess: The Perils of the Luxury Real Estate boom for Bostonians. Institute for Policy Studies. https://ips-dc.

95 Global Witness. (2020). On the House: How Anonymous Companies Are Used to Launder Money in U.S. Real Estate. https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-companies-used-to-launder-money-in-us-real-estate/

Q. Los Angeles Luxury Condominiums[96]						
Address	**Units**	**Investor Owned**	**% Investor Owned**	**Homeowners Exemption**	**% Owner Occupied Residence**	**Year Built**
200 N San Fernando	104	14	13.46%	42	40.38%	2011
1940 N Highland	80	9	11.25%	35	43.75%	2017
4460 Wilshire	44	20	45.45%	18	40.91%	1980
865 Comstock	113	65	57.52%	41	36.28%	1961
10380 Wilshire	73	58	79.45%	40	54.79%	1990
1 Century	140	109	77.86%	31	22.14%	2009
1200 S Club View	34	32	94.12%	2	5.88%	2009
10445 Wilshire	109	57	52.29%	43	39.45%	1980
10560 Wilshire	116	87	75.00%	40	34.48%	1982
10580 Wilshire	95	72	75.79%	45	47.37%	1991
10727 Wilshire	93	51	54.84%	30	32.26%	2000
10800 Wilshire	79	66	83.54%	24	30.38%	2006
3785 Wilshire	188	57	30.32%	45	23.94%	2008
3810 Wilshire	238	53	22.27%	64	26.89%	1962
3223 W 6th	98	30	30.61%	38	38.78%	2008
13700 Marina Pointe	448	152	33.93%	116	25.89%	2003
6253 Hollywood	68	13	19.12%	18	26.47%	1923
6250 Hollywood	142	54	38.03%	24	16.90%	2010
6735 Yucca	54	12	22.22%	18	33.33%	2007
1645 N Vine	96	36	37.50%	13	13.54%	1928
1050 S Grand	155	43	27.74%	16	10.32%	2016
801 S Grand	135	47	34.81%	32	23.70%	1985
889 Francisco	308	41	13.31%	22	7.14%	2016
1155 S Grand	318	92	28.93%	86	27.04%	2008
4080 Glencoe	100	25	25.00%	39	39.00%	2009
Totals	**3428**	**1295**	**37.78%**	**922**	**26.90%**	**-**

A report by SAJE, ACCE, and UCLA Law also uncovered the link between corporate ownership and residential vacancy in Los Angeles, finding that higher concentrations of investment vehicle-owned units were correlated with higher vacancy rates.[97] The speculative patterns of ownership that encourage corporate investment also lead to excessive vacancy.

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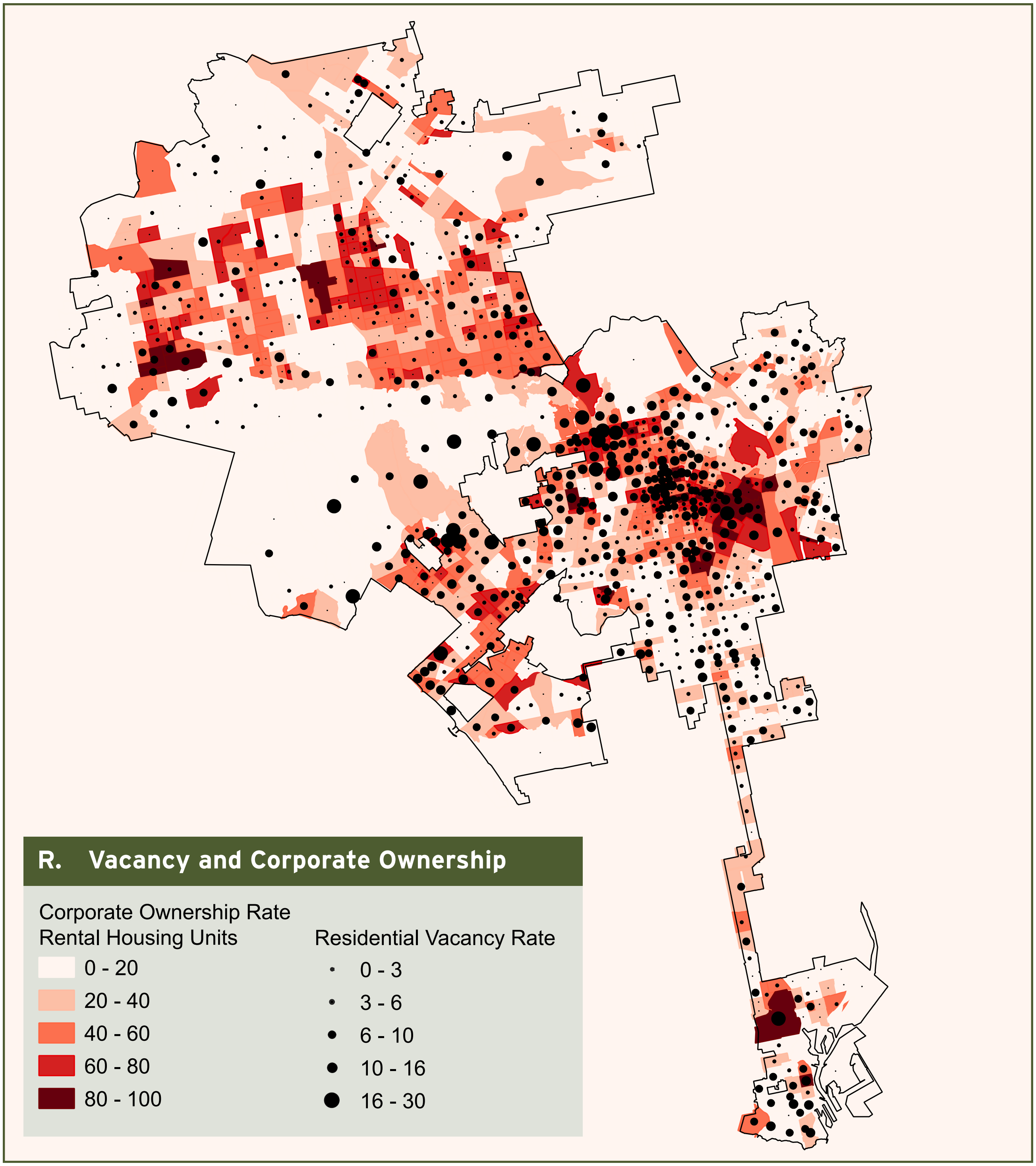
[96] Global Witness. (2020). On the House: How Anonymous Companies Are Used to Launder Money in U.S. Real Estate. https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-companies-used-to-launder-money-in-us-real-estate/

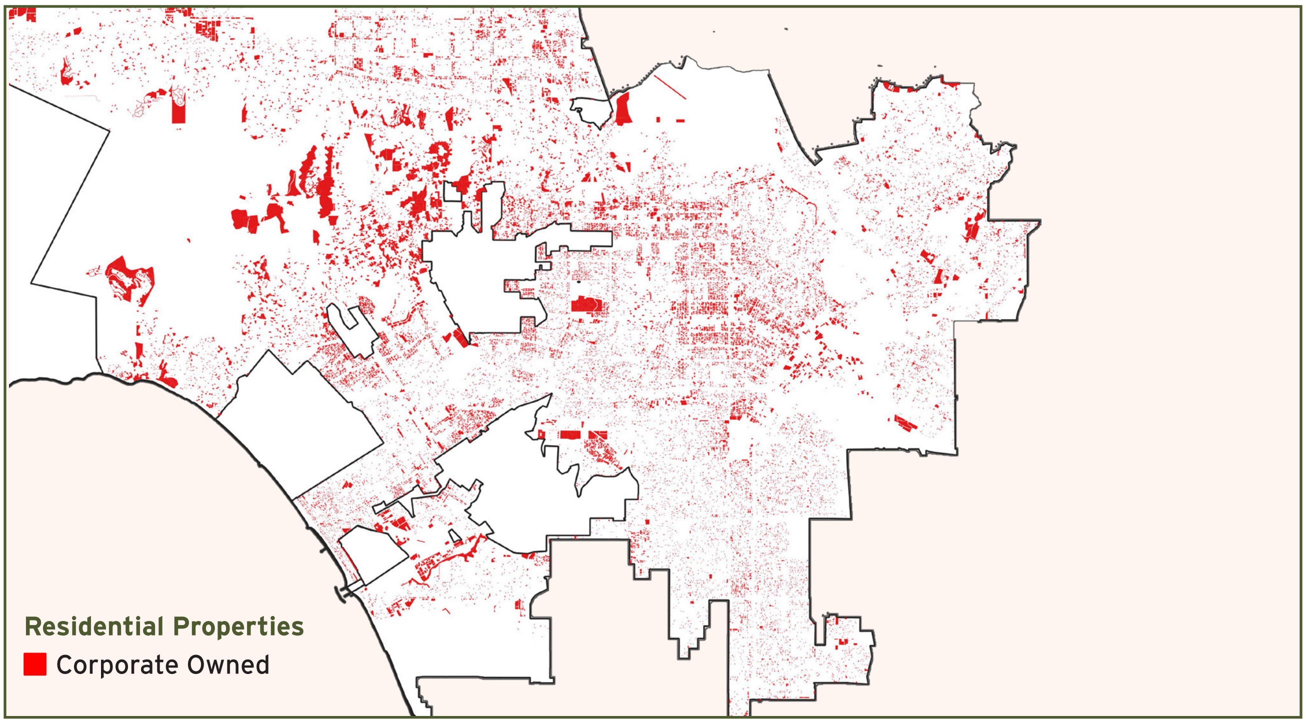
[97] As is described in an earlier report. Ferrer, A., Graziani, T., Woocher, J., & Frederick, Z. (2020). The a Just Economy and UCLA Law Community Economic Development Clinic.


R. Vacancy and Corporate Ownership
Corporate Ownership Rate
Rental Housing Units
0 - 20
20 - 40
40 - 60
60 - 80
80 - 100
Residential Vacancy Rate
0 - 3
3 - 6
6 - 10
10 - 16
16 - 30

VIII. LOS ANGELES' CORPORATE LANDLORDS BEYOND BLACKSTONE

As mentioned, the modalities and manifestations of corporate ownership in the rental market are complex and differentiated. The following case study examples illustrate the variety of corporate actors in the Los Angeles rental market, and contextualize their investment strategies and the resultant harms to tenants and communities. Whether Blackstone or family trusts, these landlords exemplify the consolidation of the rental market into the hands of private equity — and their consolidation as profit-bearing vehicles for the accumulated wealth of the county's (and world's) richest individuals — and the deleterious impacts that this remarkable transformation in the nature of housing create.

S. Corporate Ownership Greater Central Los Angeles



Wall Street Landlords-Blackstone-Invitation Homes: a Single Family Mega Landlord[98]

In many ways, the case of Invitation Homes, spun off from Blackstone in 2019, is archetypical of the REO-to-rental wave of consolidation that swept across the country in the aftermath of the 2008 financial crisis. Blackstone is a notable example of the corporate landlord, both for the sheer size of the company's portfolio, and its pioneering of securitization and the financialization of rental housing more broadly.

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[98] Though Invitation Homes was spun off from Blackstone in 2019, I use these names rather interchangeably because the narrative in this report refers to Blackstone's period of ownership, and because "Blackstone" is often used as shorthand for Wall Street landlord generally in Los Angeles tenant advocacy due to its outsized role (at the time) in Los Angeles' housing. Interestingly, Blackstone has recently re-entered the SFH rental market, buying a large share in Tricon American Homes, another major SFH investor. The renewed interest forebodes a resurgent interest in rental housing by the largest Private Equity firms. See https://ca.finance.yahoo.com/news/blackstone-gets-back-rental-houses-142340425.html

Blackstone, the world's largest private equity firm, founded Invitation Homes in 2012 and immediately began amassing the largest portfolio of rental homes in the country, spending up to $150 million per week at times, and pioneering the REO-to-rental strategy, which turns foreclosed, formerly owner-occupied single-family homes into rentals.[99] By the end of 2017, Blackstone had merged Invitation Homes with two of the other largest single-family rental operators in the country: Starwood Capital Group's Starwood Waypoint, and Colony Capital's Colony American Homes. Its portfolio held over 82,000 properties at the time, and it became one of the world's biggest real estate companies, holding roughly 45% of all single-family housing owned by institutional investors.[100]

Invitation Homes is notorious for reasons beyond its immense scale. The company's investment strategy and practices have had a devastating impact on the communities where it owns properties. Invitation Homes and its predecessor companies specifically targeted single-family homes for acquisition in select neighborhoods and cities with high property value appreciation and rent growth, low supplies of housing, and limited protections for tenants of single-family homes.[101] In concentrating purchases in these areas, the companies built up considerable market share, crowding out homeowners and potentially enabling higher rent increases through the generation of monopoly rents and enabling the now consolidated Invitation Homes to have an out-sized role in price setting and neighborhood politics.[102] Even more worryingly, a 2014 survey by SAJE suggested that Blackstone was targeting predominantly Black and Brown communities and papering over its extractive activities with a discourse of neighborhood stabilization, revitalization, and uplift.[103] This finding was corroborated across several corporate landlords by a later report.[104]

Beyond the neighborhood scale, Invitation Homes' practices as a landlord - determined by the imperatives to generate shareholder value, and the particular relationship to risk ensured by high degrees of financialization - have manifested in serious problems for Invitation Homes' tenants.[105] The 2014 survey found that 90% of Blackstone renters in Los Angeles had never met a person associated with the company, and had trouble getting maintenance done and requesting other services, leading to extremely low levels of satisfaction with the company's management.[106] The lack of ability to petition the company effectively, compounded by the lack of incentive for the company to respond to tenant requests, led to 46% of tenants experiencing plumbing issues, 39% suffering from roach or insect infestation 22% dealing with rats or termites, and 20% having mold in the units, all of which jeopardize the health of tenants considerably.[107]

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99 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349

100 Abood, M. (2017). Wall Street Landlords Turns American Dream Into American Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership. ACCE Institute, Americans for Financial Reform, Public Advocates.

101 Ibid.

102 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349

103 Call, R. (2014). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside. The Right to the City Alliance.

104 Abood, M. (2017). Wall Street Landlords Turns American Dream Into American Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership. ACCE Institute, Americans for Financial Reform, Public Advocates.

105 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349

106 Call, R. (2014). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside. The Right to the City Alliance.

107 ibid.

The same study found that tenants had rents that were far higher than average, paid illegally high security deposits in many cases, were frequently threatened with eviction, and were burdened by excessive fees and penalties.[108] This burnishes the case made by Abood, who notes that the generation of considerable ancillary income from fees and penalties, and the recoup of eviction costs through legal and other mechanisms encourages financialized landlords to make frequent eviction and oppressive fee structures part of their core business strategy as a means of defraying their own risks.[109]

Abood and others have also found that the limited liability protections of these companies and the defraying of the risks and responsibility of property ownership through securitization allow corporate landlords to shift the burden of maintaining properties onto the tenants, which both she and Call note was a core part of Blackstone's strategy.[110] Invitation Homes and other large corporate landlords are able to engage in such predatory and unethical practices, and to make them a core part of the business model, because the opacity and distributed liability of corporate property ownership enables such bad behavior.

Wall Street Landlords - Wedgewood: a "Fix and Flip" Displacement Machine

Wedgewood is similar to Invitation Homes in that both are national, highly financialized enterprises that rely on acquiring foreclosed properties and have an investment strategy predicated on the targeting of carefully chosen markets. Unlike Invitation Homes, which is a "buy and hold" operation, Wedgewood is a notorious flipper. Flipping is a strategy of "distressed property investment" in which the buyer snaps up properties rapidly and then sells them in relatively similar condition, perhaps with cosmetic repairs, to incoming residents or other landlords, profiting from a speculative bet on increased property values or from the exploitation of low-information buyers.[111]

Wedgewood's core strategy is the acquisition of foreclosed or otherwise financially troubled properties, both single-family and multifamily housing, in markets where it can exploit conditions of gentrification and therefore land value increase, or boost sales prices by "delivering a unit empty," that is, bringing it to market without tenants, which is usually accomplished through eviction. One particularly insidious aspect of increasing prices by selling buildings empty is the targeting of jurisdictions with weak or nonexistent tenant protections to make evictions easier.[112]

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108 ibid.

109 Abood, M. (2017). Securitizing suburbia: The financialization of single-family rental housing and the need to redefine "risk" [Masters Thesis, Massachusetts Institute of Technology]. https://dspace.mit.edu/handle/1721.1/111349

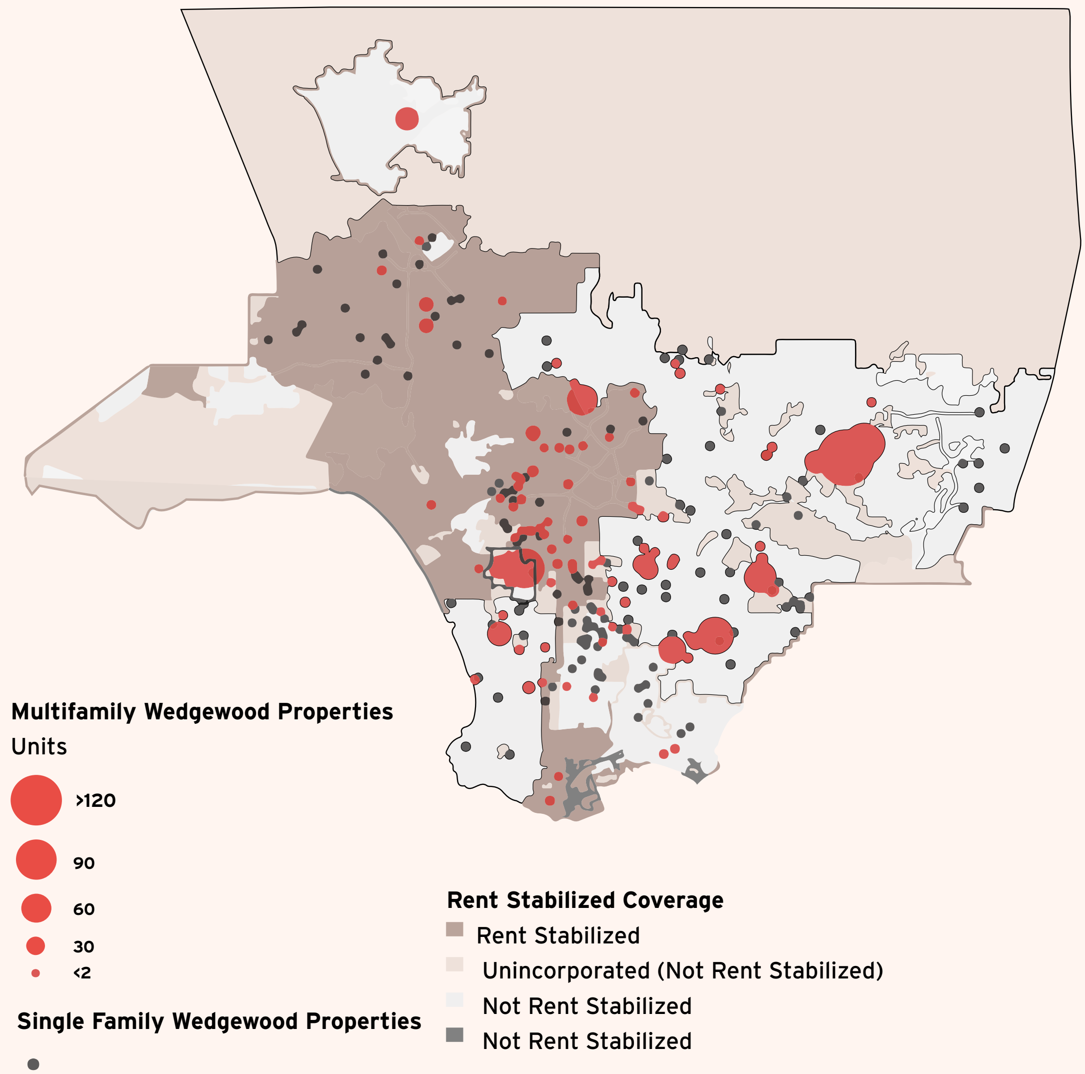
110 Ibid, Call, R. (2014). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside. The Right to the City Alliance, Fields, D. (2014). The Rise of the Corporate Landlord: The Institutionalization of the Single-Family Rental Market and Potential Impacts on Renters. The Right to the City Alliance.

111 Mallach, A. (2018). Meeting The Challenge Of Distressed Property Investors In America's Neighborhoods. Local Initiatives Support Corporation.

112 Graziani, T. (2019). Tenants in Foreclosure: An Analysis of How Renters Experience the Financialization of Housing in Los Angeles County [Master's Thesis]. UCLA Department of Urban Planning

T. Wedgewood Inc. Properties in LA County Relative to Renter Protections

Adapted from: Graziani, T. (2019). Tenants in Foreclosure: An Analysis of How Renters Experience the Financialization of Housing in Los Angeles County [Master's Thesis]. UCLA Department of Urban Planning.



The pattern of this strategy is extremely clear in Wedgewood's acquisitions in Los Angeles County. The company acquired single-family homes in areas with a relative lack of eviction protections for single-family renters, and it concentrated its purchases of multifamily housing in jurisdictions that lacked rent stabilization and therefore also lacked just-cause eviction protections. Even where protections are weakest, Wedgewood used creative techniques to evict tenants prematurely rather than wait for leases to end.[113]

[113] ibid,

Such extractive and predatory practices brought national attention to Wedgewood in late 2019, and early 2020 when a grassroots collective of unhoused and marginally housed Oakland community members, Moms 4 Housing,[114] occupied a property that had been left vacant for two years after an absentee landlord acquired it in a foreclosure sale, and sold it to Wedgewood in 2019.[115] Moms 4 Housing entered the home in November, and weathered several attempted evictions with the support of community members and allies, before fighting a protracted legal battle against Wedgewood. In January, a judge ordered that the families were illegally squatting, and in the early hours of the morning a few days later, the Oakland Sheriff violently removed them from their home.[116] Despite the removal, Moms 4 Housing started a national movement,[117] and later successfully negotiated the sale of the home to a community land trust, allowing them to move back in, a stunning victory.[118] Troublingly, this was not even the first time that Wedgewood's behavior attracted the attention of the media. Another eviction in 2016, of a Los Angeles county family that had owned their home for ten years before losing it to foreclosure, and ultimately being forcibly evicted by Wedgewood also gathered attention.[119]

Wedgewood, like many landlords, hides between a complex web of subsidiaries.[120] Empowered by secrecy and protection from liability, Wedgewood's predatory behavior exemplifies the problem with "flipping" as a business practice,[121] and illustrates the particular vulnerability of tenants living in foreclosed upon properties, as described in the previous section of this report and elsewhere.[122]

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114 https://moms4housing.org/

115 Ferrari, K. (2020, April 29). The house on Magnolia Street. Curbed SF. https://sf.curbed.com/2020/4/29/21240456/moms-4-housing-oakland-house-history

116 Holder, S., & Mock, B. (2020, January 28). A Group of Mothers, a Vacant Home, and a Win for Fair Housing. Bloomberg.Com. https://www.bloomberg.com/news/articles/2020-01-28/the-oakland-moms-who-launched-a-housing-movement

117 Coleman, J. (2020, January 24). How a Collective of Mothers Flipped the Script on Housing https://www.thenation.com/article/activism/moms-4-housing-oakland/

118 La Ganga, M. (2020, January 21). Evicted Oakland moms will get their house back after a deal with Redondo Beach company. Los Angeles Times. https://www.latimes.com/california/story/2020-01-20/homeless-moms-4-housing-oakland-wedgewood-properties-deal

119 Dreier, P. (2016, March 27) A Working Class Family Battles a "Fix and Flip" Real Estate Tycoon. HuffPost https://www.huffpost.com/entry/a-working-class-family-co_b_9551862

120 Graziani, T. (2019). Tenants in Foreclosure: An Analysis of How Renters Experience the Financialization of Housing in Los Angeles County [Master's Thesis]. UCLA Department of Urban Planning

121 Mallach, A. (2018). Meeting The Challenge Of Distressed Property Investors In America's Neighborhoods (p. 92). Local Initiatives Support Corporation.

122 Gilderbloom, J. I., Ambrosius, J. D., Squires, G. D., Hanka, M. J., & Kenitzer, Z. E. (2012). Investors: The Missing Piece in the Foreclosure Racial Gap Debate. Journal of Urban Affairs, 34(5), 559–582 https://doi.org/10.1111/j.1467-9906.2012.00619.x, Graziani, T. (2019). Tenants in Foreclosure: An Analysis of How Renters Experience the Financialization of Housing in Los Angeles County [Master's Thesis]. UCLA Department of Urban Planning, Raymond, E., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. 2018). From Foreclosure to Eviction: Housing Insecurity in Corporate Owned Single-Family Rentals. Cityscape, 20(3). https://www.huduser.gov/portal/periodicals/cityscpe/vol20num3/ch9.pdf.

Limited Liabilities - Piercing the Corporate Veil: Abraham Stein's Web of LLCs[123]

Understanding the contours of corporate ownership outside of the largest vehicles like Blackstone and Wedgewood can be much more difficult. As mentioned throughout, many landlords use a host of entity types to hold properties, often simultaneously, across their portfolios. It is often difficult for community-based researchers and even regulators to understand the scope of a landlord's holdings and activities amid this complex web. The case of Abraham Stein, a large landlord who has had an evolving portfolio of rental properties across Los Angeles since the 1990s, exemplifies this.

U. Abraham Stein Complete LLC Network

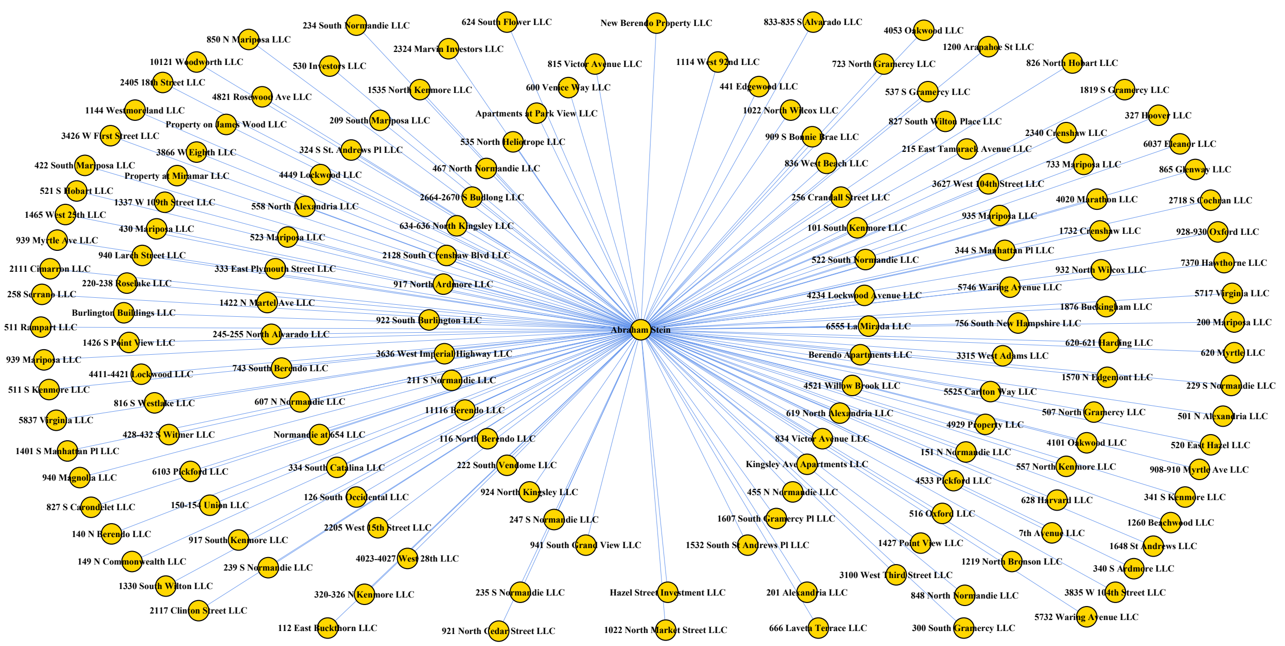

Figure T Network of all LLC Properties Owned by Abraham Stein (1996-2019)

Montano, J. (2020). Piercing the Corporate Veil of LLC Landlordism: A Predatory Landlord's Eviction Machine of Black and Brown Bodies in Los Angeles' Working-Class Neighborhoods, 1996-2019 [Master's Thesis]. UCLA Department of Urban Planning.

Stein has used a complicated web of over 170 corporate entities to hold properties since the 1990s, using a unique LLC for each property he has bought. This has enabled Stein to repeatedly violate tenant protections, subvert rent stabilization, and even repeatedly terminate Section 8 agreements across multiple properties without real repercussion for his portfolio. All of this, Montano argued, is enabled by the structure of the LLC as codified in California law, and eventually in all 50 states, in the 1990s, which is "utilized by predatory landlords to shield them from personal liability while also concealing their identities."[124]

123 This section is entirely based on Joel Montano's exemplary investigation of the practices of Abraham Stein's companies since 1996: Montano, J. (2020). Piercing the Corporate Veil of LLC Landlordism: A Predatory Landlord's Eviction Machine of Black and Brown Bodies in Los Angeles' Working-Class Neighborhoods, 1996-2019 [Master's Thesis]. UCLA Department of Urban Planning. I know of no other investigation that details a landlord's practices in such depth.

124 Ibid. Page 6.

Stein runs what Montano calls an "eviction machine," meaning that eviction is frequently the tool of first resort in cases of nonpayment, and because Stein targets rent-stabilized housing, a means to higher rents. The results are shocking. Montano found that Stein filed nearly 1,700 formal evictions from 1996 to 2019 and engaged in countless informal evictions or lockouts. More than 500 of the unsealed evictions were filed within one year of Stein's purchase of the property. Nearly 60% of the unsealed evictions were filed as a package of two or more on the same date. Over 50% of the cases involved one month or less of unpaid rent. Most troublingly, Stein disproportionately targeted Black and Brown tenants with eviction, often at rates twice as high as the share of people of color in the neighborhood in which the evictions occurred. The ultimate effect was that in one sample of properties, after just 10 years an average of only 43% of the original tenants remained across 28 properties.

Often, Stein's pursuit of evictions results in behavior that is not just ethically and legally questionable or exploitative but may be unlawful. In the same sample of just 28 properties, Montano calculated that over 350 informal evictions occurred in just 10 years. Using a 1:6 ratio to estimate total informal evictions since 1996 yields an estimate of over 9,000 additional displacements. In the last five years, Stein has repeatedly violated the Los Angeles rent stabilization ordinance (RSO) across the whole of the portfolio. Stein served at least 28 recorded illegitimate 90-day notices to Section 8 tenants during this period and was responsible for at least 20 recorded higher than lawful rent increases based on fabricated claims of additional occupants. He also frequently withheld services from tenants and charged them for repairs for which the landlord is liable. One frequent strategy was the removal of tenants' parking rights.[125]

Clearly, the scope of Stein's role in the displacement of tenants, is stunning. But the protections of the LLC structure has enabled him to escape responsibility for a pattern of repeated and flagrant violations of tenant protections.

Limited Liabilities - The Organization of Neglect: PAMA Management's Deadly Slum Empire

As noted above, the complicated web of entities used to hold property by many of LA's largest landlords has the additional effect of obscuring their activities to regulators and the public. One additional and especially flagrant example of the results of these protections is the case of PAMA management, the most employed shell company of Mike Nijjar. Like Abraham Stein, Nijjar also employs more than 170 different shell entities, a mix of LLCs, LTDs, INCs, and LPs to hold properties, in coordination with his Family Trust.[126]

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125 Ibid. See footnote 94.

126 See earlier detail on "Family Trusts" as well as below.

Nijjar became infamous in 2020 through the investigation by journalist Aaron Mendelson into Nijjar's holdings following the death of the baby of a Pama tenant, the culmination of Pama's egregious management practices.[127] Nijjar, with a total portfolio estimated at over 16,000 units in several states, worth at least $1.3 billion, has been responsible for one of every 20 evictions in San Bernardino County, the center of that empire since the 1970s. But although Pama employs management practices similar to those of Stein, using evictions as a tool of first resort and frequently harassing, charging, and evicting tenants as part of the company's core business strategy, it is the complete neglect of maintenance and abdication of management responsibility that have made Pama most disreputable.

In 2015, a Pomona mobile home park owned by Pama sustained a typhus outbreak, the first in Los Angeles County since 2009, because of an infestation of flea-carrying vermin. At another property, one of Pama's own managers testified that a mold infestation was so severe that walls would bubble. A building in San Bernardino has been the subject of multiple investigations since 2005, repeatedly cited for lack of repair, and has tenants dealing with bedbugs and mold. In fact, according to DPH records from September 2017 to April 2020, Pama and affiliates is also the most-cited landlord in Los Angeles County, with 969 violations, almost 1% of all violations in the county over the period.[128] These violations include well over 100 cases of infestations by cockroaches, bedbugs, mites, fleas, mosquitoes, and even venomous insects, plus over 20 cases of rats and 70 cases of mold. Pama had 28% more violations than the next biggest offender, and over 100% more than any other landlord if the next biggest offender is excepted.[129]

Despite this exceptional record, code enforcement officials and regulators have struggled for decades to hold the company to anything resembling account. Local enforcement has been relegated to official statements admonishing Pama for its practices. Citations and fines rarely result in substantive improvement, and if they do, they often precipitate rent increases, according to tenants. This is not due to lack of trying but because regulators are simply not equipped with harsh-enough statutory penalties or sufficient ability to perform enforcement at the portfolio level.

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127 As was true for the last case study, I rely almost exclusively on the excellent work of: Mendelson, A. (2020, February 12). Deceit, Disrepair and Death Inside a Southern California Rental Empire. LAist.Com. https://laist.com/projects/2020/pama/ in this section.

128 Tabulated from DPH code enforcement data by author. See methodology.

129 Ibid.

Mendelson, A.

(2020, February 12). Deceit, Disrepair and Death Inside a Southern California Rental Empire. LAist.Com. https://laist.com/projects/2020/pama/

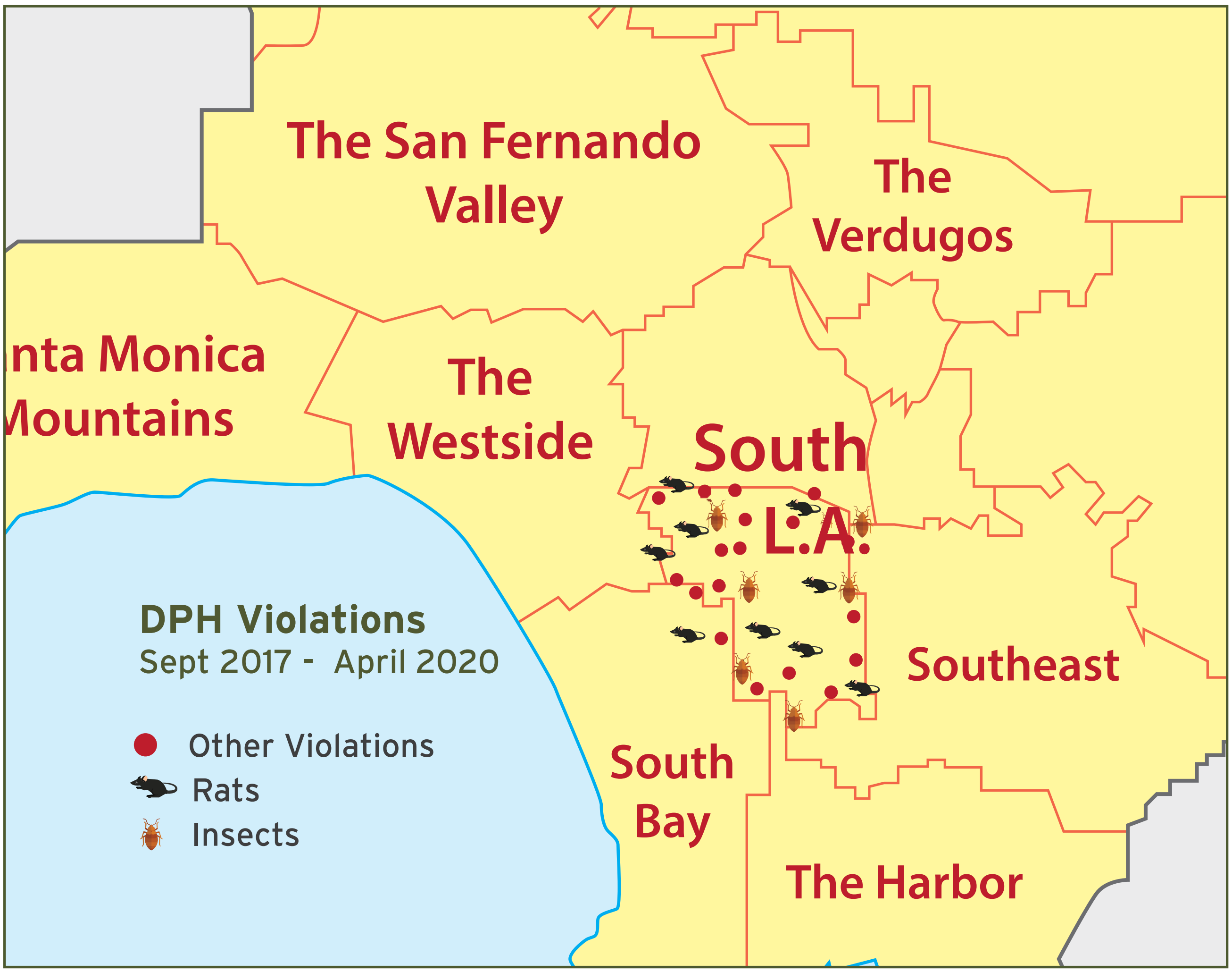
The death of the baby of a tenant, in a fire directly resulting from the failure of Pama to repair a mobile home, illustrates the difficulty regulators face in holding Pama to account given the protections afforded by limited liability structures and landlords' ability to craft obscuring legal arrangements to hold properties through the use of these vehicles. An arson investigator found faulty wiring, no smoke detectors, and no evidence of fault on the part of the tenant. Blame was placed squarely on Pama for the baby's death, charges of criminal neglect were recommended, and several state regulators and judges determined that Pama had broken several laws, but attempts to hold the company to account failed. The state department of real estate tried to revoke the license of Nijjar and Pama Management but failed because of the intricacy of the holding company structure. The Kern County district attorney, considering a murder charge, was stymied before trial by a judge who accepted Pama's argument that there was simply a lack of evidence as to who owned the property, an argument whose success was predicated on Pama's "draw[ing] up a complicated corporate structure to shield itself from liability causing the death of a newborn," in the words of the district attorney.[130] In this case, the limited liability structure shielded a negligent property owner from accountability for deadly conditions.

130 Mendelson, A. (2020, February 12). Deceit, Disrepair and Death Inside a Southern California Rental Empire. LAist.Com. https://laist.com/projects/2020/pama/

Un-Trustworthy: The Heffesse Family Trusts; Unhealthy, Uninhabitable, and Untenable Housing

As mentioned in a preceding section, Trusts afford some of the same liability protections of LLCs or LPs and are implicated in similar patterns of bad behavior. In fact, of the ten landlords with the most DPH violations between September 2017 and April 2020 in Los Angeles county, two are "Family Trusts" and four others (including PAMA) are registered to the same address or partially controlled by Trusts.[131] Of these entities, the Heffesse Family Trusts are the vehicles of a notorious South Los Angeles slumlord, with a particularly galling record of tenant mistreatment. Though the Heffesses also employ LLCs to hold properties, their Family Trusts serve as the primary vehicle for property ownership. Between September 2017 and April 2020, Heffesse was cited for 213 DPH violations, across only 54 properties large enough for DPH enforcement.[132]

V. Heffesse Family Trust Environmental Health Violations



[131] Tabulated from DPH violations dataset by author. See methodology.

[132] DPH inspects only properties 5 units or greater in size.

In late 2019, Heffesse owned 104 properties concentrated exclusively in South Los Angeles. Like Abraham Stein and Invitation Homes, it benefits from the targeted extraction of wealth from low-income communities and communities of color. The 2013 troubles at a property in the Exposition Park neighborhood exemplifies the landlord's practices. Tenants had been struggling for decades with poor conditions, and Heffessee had owned the building for about 15 years. Cockroaches, deteriorating fixtures and walls, leaking roofs and windows were common, and partially because of the moisture, many units had severe mold contamination.

Despite over 20 complaint investigations by the city housing department in the years Heffessee owned the building, conditions remained dangerous. During a survey of the building conducted by SAJE, over a quarter of the units reported cockroaches, many tenants reported being harassed by the landlord or having to pay for basic repairs, and nearly all struggled with mold. The problem was so severe that the asthmatic child of one tenant was rushed to the hospital, where the doctor recommended the carpets be replaced. When the tenant asked the Heffessee Family's representative for repair, the tenant said the response was "He hasn't died yet, has he?" Another tenant had been waiting over two years for a carpet replacement because of similar concerns. A tenant who asked for repairs was reported to Child Protective Services and was threatened a second time to prevent their granting a housing inspector access to their unit.[133]

This type of mistreatment is not exceptional for tenants of large landlords in Los Angeles and shows no difference between a slumlord who hides behind a LLC and one who employs a Trust.

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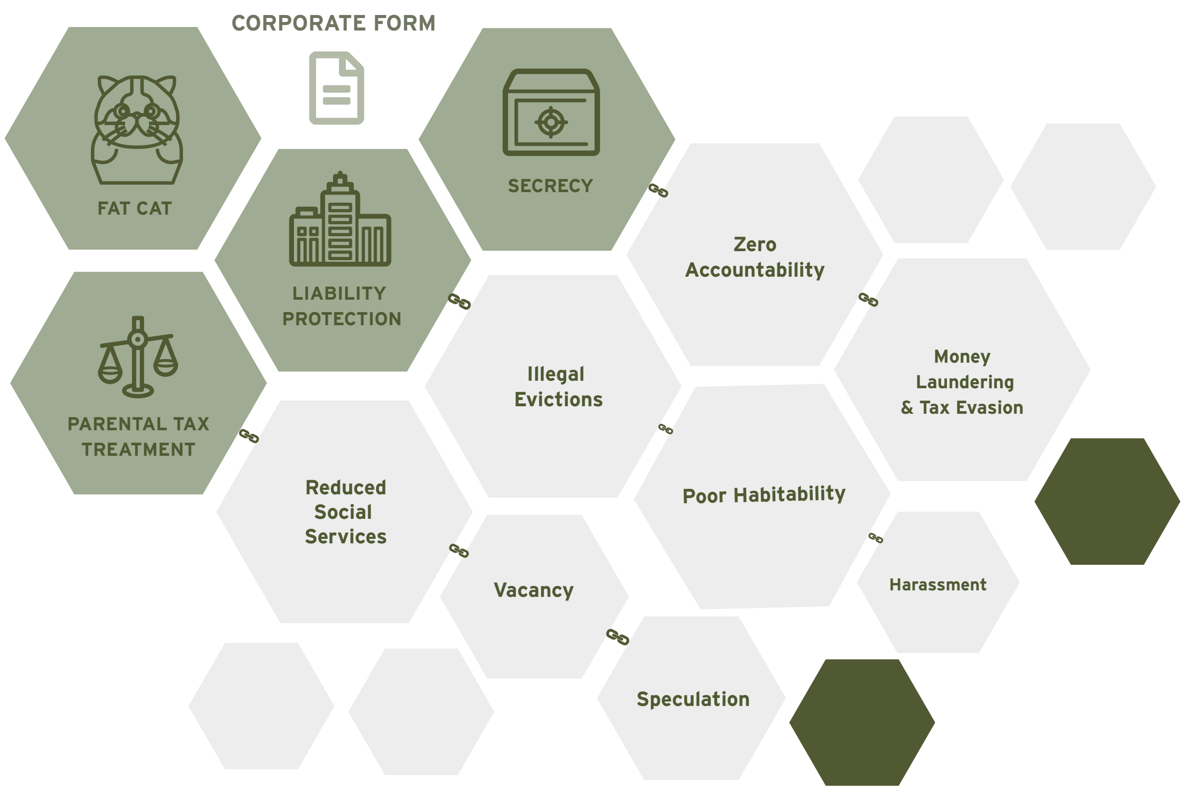
133 Gonzalez, F. (2020, August 25). Interview with SAJE Organizer Favian Gonzalez regarding Heffesse owned building, SAJE internal building outreach records.

It's the Corporate Form that is to Blame

While the behavior of the landlords profiled in this section is lurid, it would be a mistake to consider it the exceptional cruelty of a few bad actors. In reality, the corporate form itself is what allows landlords like Blackstone, Wedgewood, Abraham Stein, and the Heffesses, as well as countless other entities of all sizes to exploit the housing system and harm tenants. The specific and mostly shared affordances of investment vehicles like LLCs, LPs, Trusts, and others which limit the fiscal and social liability of their beneficiaries, provide what is often called the "corporate veil" of secrecy and nondisclosure, and enable the entities to receive favorable tax treatment, are responsible for enabling the harms perpetrated by these actors. As the case studies as well as the previous structural overview demonstrate, the specific affordances of the corporate form manifest in enabling specific harms.

Liability protections and secrecy combine to form a potent shield against accountability for landlord misbehavior, which enables the proliferation of harmful management practices like "milking," the circumvention of legal protections for tenants, and the evasion of meaningful regulation by local authorities. While the former point is evident in the role of LLCs in the organization of neglectful practices uncovered in the preceding section, the cases here of Abraham Stein and PAMA management make the latter points abundantly clear. Meanwhile, the combination of secrecy and favorable fiscal and regulatory policies for investment vehicles enable the gross speculation, tax evasion and money laundering described in the preceding section of the report. In order to combat the harms done by these entities, regulators must turn their attention to "piercing the corporate veil" and both addressing the action of landlords at a portfolio wide scale, as well as disarming the protections afforded by the corporate form that enable predatory behavior in the first place.

W. How the Corporate Form Protects Landlords and Harms Tenants



IX. CONCLUSION: CONTESTING CORPORATE CONSOLIDATION

This report is not the first report from a community based organization that has sought to draw attention to the compounding issue of corporate consolidation in the rental market.[134] Nor is it the first to do so in Los Angeles,[135] or even the first from SAJE.[136] This is because the urgent issue of the corporate takeover of housing has not been met with action by policymakers in Los Angeles, or anywhere in the United States. The utility of this report is twofold. First, as described in a contemporaneous SAJE report, the economic crisis precipitated by the coronavirus pandemic has once again made the ground fertile for a new round of speculative takeovers by corporate entities, a pattern all too common in times of disaster.[137] This gives new urgency to the ever present issue of corporate control of housing. Second, this report presents a picture of the effects of corporate ownership in Los Angeles that is broader in scope of predatory tendencies categorized, and more expansive in its incorporation of the whole rental market than any previous report, and supports empirically the findings of corporate wrongdoing at the scale of the whole city.

Corporate landlords benefit from structures that support secrecy and limit the ability to hold them accountable for malpractice, especially in the extensive proliferation of limited liability entities as property holding vehicles. As described in this report, the same policy decisions that allowed for the consolidation of the rental market into corporate hands are also those that enable these same companies to escape from proper oversight. A reality in which the rental market is dominated by speculation and corporate actors, and where tenants are forced into predatory arrangements, subjected to frequent eviction, unethical fees, and poor conditions, is the product of choices made, not an inevitable outcome of history. With smart policymaking, progressive regulation and taxation, and communities organized in resistance to corporate control, a new path forward can be written.

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[134] Fields, D. (2014). The Rise of the Corporate Landlord: The Institutionalization of the Single-Family Rental Market and Potential Impacts on Renters. The Right to the City Alliance.

[135] Abood, M. (2017). Wall Street Landlords Turns American Dream Into American Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership. ACCE Institute, Americans for Financial Reform, Public Advocates.

[136] Call, R. (2014). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside. The Right to the City Alliance, Montano, J. (2020). Piercing the Corporate Veil of LLC Landlordism: A Predatory Landlord's Eviction Machine of Black and Brown Bodies in Los Angeles' Working-Class Neighborhoods, 1996-2019 [Master's Thesis]. UCLA Department of Urban Planning.

[137] Quackenbush, K., & Ferrer, A. (2020). The Los Angeles Housing Crisis in the Wake of the COVID-19 Global Pandemic. Strategic Actions for a Just Economy

X. RECOMMENDATIONS: POLICIES TO MITIGATE THE EFFECTS OF CORPORATE OWNERSHIP

As discussed throughout the report, the consolidation of properties into corporate hands that followed the 2008 crisis was not inevitable, but the result of regulatory inaction and policies that deliberately favored institutional investment. To prevent a similar recurrence, and to curb the worst excesses of corporate ownership in the rental market, it is necessary to implement policies like the following.

1. Require the disclosure of beneficial ownership for all property-owning investment vehicles and creation of a property registry for all landlords with holdings in Los Angeles:

Policymakers' ability to understand the issue of corporate ownership of land is severely limited by lax disclosure requirements for business entities investing in land. The United States has infamously lax corporate disclosure requirements, and many investment vehicles register in states, including Delaware, that have even more forgiving laws.[138] A high profile NY Times investigation into the use of condominiums in that city as vehicles for money laundering sparked considerable interest in the issue of beneficial ownership among U.S. regulators, the New York Mayor took executive action to require disclosure for all entities holding real estate in the city.[139] The investigation also sparked efforts at the NY state,[140] and federal level, culminating in House passage of the Corporate Transparency Act of 2019 (Maloney Bill).[141] In 2019, a Reveal investigation into cash purchases of real estate assets by investment vehicles noted that Federal financial crimes enforcement regulators have access to some of this data through a 1970 banking secrecy act, but that it was not being released publicly.[142] Collecting this information would be procedurally simple. Local recorder's offices could require real ownership disclosure with the recording of deeds. It is imperative that this data not only be collected at the state or municipal scale, but also made publicly accessible. A motion by Los Angeles City Council members Bonin and Harris-Dawson that would impose municipal disclosure requirements for LLCs owning property in Los Angeles recently passed council. The City Attorney must consider the creation of a registry that could maximize the potential of such requirements and create a tool to enable enforcement.[143] Similarly, a statewide Bill introduced by Assemblymeber Mike Gipson would help to impose such requirements across California.[144]

2. Deepen local institutional capacity to investigate and pursue affirmative cases against landlords with predatory patterns of behavior and disclose such records to the public:

The Housing and Community Investment Department (HCIDLA) already performs RSO enforcement against landlords who violate the tenant protections set out in that ordinance, as well as recently expanded protections due to COVID-19. The Mayor's 2020-2021 budget will reduce funding for HCIDLA, which will limit their already stretched enforcement capacity.[145] In effect, this will have the effect of reducing protections for tenants. Instead HCIDLA - and its counterpart agencies in the County, including the Department of Consumer and Business Affairs (DCBA) and the Department of Public Health (DPH) - should have their consumer protections portfolios, staffing, and powers expanded beyond reactive code enforcement and inspections and allowing for the initiation of regulatory investigations of landlords across their real estate portfolios, rather than just reactive code enforcement and inspections. A proactive, empowered, regulatory body for housing would improve conditions for tenants, curb the worst abuses of corporate landlords, and if given appropriate enforcement, remove malignant investors from the market. Local regulatory agencies have faced considerable difficulty in holding corporate landlords to account even for the most flagrant of violations, which has led to untold unnecessary deaths, evictions, and illnesses.[146] Finally, the City Attorney and County Counsel already have the power to bring cases against landlords who flagrantly violate the law. These agencies should be further empowered, encouraged, and mandated to pursue action against landlords with repeated violations and other patterns of negligent behavior, including leading to the seizure of properties, which remains within the power of local jurisdictions.

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138 Wayne, L. (2012, June 30). How Delaware Thrives as a Corporate Tax Haven. The New York Times. https://www.nytimes.com/2012/07/01/business/how-delaware-thrives-as-a-corporate-tax-haven.html

139 Saul, S. (2015, July 20). New Disclosure Rules for Shell Companies in New York Luxury Real Estate Sales. The New York Times. https://www.nytimes.com/2015/07/21/nyregion/new-disclosure-rules-for-shell-companies-in-new-york-luxury-real-estate-sales.html

140 AN ACT to amend the limited liability company law, in relation to requiring limited liability companies to amend their articles of organization to include a list of beneficial owners and provide certain information relating to each beneficial owner, S2255, New York State Senate, Limited liability company law (2019). https://www.nysenate.gov/legislation/bills/2019/s2255

141 Towers of Secrecy: Piercing the Shell Companies. (n.d.). The New York Times. Retrieved May 29, 2020, from https://www.nytimes.com/news-event/shell-company-towers-of-secrecy-real-estate

142 Glantz, A. (Dec 17, 20019). Unmasking the secret landlords buying up America. Reveal. https://www.revealnews.org/article/unmasking-the-secret-landlords-buying-up-america/

143 http://clkrep.lacity.org/onlinedocs/2020/20-0199_mot_02-12-2020.pdf

144 https://calreinvest.org/wp-content/uploads/2021/01/LLC-Monopoly-Transparency-and-Excise-Tax-Bill-1.14.21.pdf

145 Eric Garcetti. (2020). CITY OF LOS ANGELES FY 2020-21 BUDGET SUMMARY. City Administrative Officer.

146 Mendelson, A. (2020, February 12). Deceit, Disrepair and Death Inside a Southern California Rental Empire. LAist.Com. https://laist.com/projects/2020/pama/

3. Guarantee tenants a codified right to legal representation when facing landlords in court:

There is currently a nationwide "Right to Counsel" movement to ensure that tenants have legal representation when facing their landlords in court.[147] One of the largest problems with the proliferation of the corporate form among landlords is the degree to which it tilts the balance of power between landlord and tenant, and landlord and regulator in the landlord's favor. A codified right to legal representation for tenants facing eviction can help to mitigate this disparity and ensure that corporate landlords are not able to extra judicially circumvent or undermine tenants protections any longer. Data from the policy's first year of implementation in New York found that while 90% of tenants without representation were evicted, 84% of represented tenants remained in their homes.[148] Guaranteed legal representation, which would help end the informal eviction of tenants, would not only help many remain in their homes but also bring to light the scope and systemic nature of landlord abuses.

4. Limit the size and concentration of holdings of investment vehicle landlords:

Significant concerns exist that the largest, best capitalized real estate investment operations will accumulate a disproportionate share of the housing stock during the period following COVID-19 impact, as was the case following the financial crisis of 2008.[149] Various steps can be taken from a regulatory perspective at the local level that would prevent such a recurrence with or without expanded federal regulations. For instance, United States Representative Mark Takano has suggested that his office is investigating the possibility of placing a cap on the amount of properties that is permissible for a single REIT entity to own.[150] Such a regulation would be valuable, but many large corporate landlords own properties scattered across a wide variety of jurisdictions. To maximize the efficacy of such a policy, local jurisdictions could impose a cap on the amount of properties a single business entity or person is allowed to own within their area.

5. Enact a strengthened and progressive gross receipts tax that discourages the accumulation of large portfolios inside of a jurisdiction:

Los Angeles, like most cities in the U.S. already has a gross receipts tax that applies to rental revenue earned by businesses, although it is a relatively small amount. The adoption of a progressive and strengthened gross receipts tax, or windfall tax, as recommended by the City Revenue Commission,[151] could both ease the burden on small landlords, mitigating the risk of foreclosure, while simultaneously generating revenue from large landlords. Such a tax, if given a high rate on rental revenue above a defined amount could also disincentivize the amassing of large portfolios inside the city. One example of such a policy that specifically targets corporate ownership within the State of California as a whole is the proposed "Homes for Families Act" introduced in the California Assembly by Mike Gipson.[152]

6. Implement an out of state transactions fee that targets out-of-state business entities buying property in Los Angeles:

The City and County should also explore the possibility of implementing a tax that targets investors living outside California. In Los Angeles, speculators (often tied to Wall Street financial institutions or global investment pools) tend to have deep pockets and no stake in the communities where they are buying land. Targeting these individuals and corporate entities that seek to profit from our housing crisis could raise much-needed revenues for deeply affordable housing and other services needed by unhoused and rent-burdened Angelenos. British Columbia has incorporated a tax on foreign investors into its Speculation and Vacancy Tax (SVT). The SVT imposes a vacancy tax of 0.5% on the assessed value of the residential property for British Columbians and other Canadian citizens or permanent residents, but 2% for foreign owners and "satellite families" —that is, individuals or spousal units who do not report the majority of their income on a Canadian tax return.[153]

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XI. AFTERWORD

Community groups in Los Angeles and beyond have organized fiercely in response to corporate landlordism for decades.[154] Most Los Angeles residents, and the vast majority of low income Angelenos, are renters. As this report demonstrates, most of those renters live in apartments owned by corporate vehicles. The harmful tendencies enabled by the financialization of housing and corporatization of landlordism as documented in this report demand swift and effective action by policymakers. The recommendations here would be an effective start, and would prompt deeper study of the issue. It is crucial to strip away the secrecy and the harmful aspects of limited liability to bring accountability to bad landlords, regardless of the entity through which they chose to invest, to start to repair the harm they have done to Los Angeles tenants.

[154] See for example: SAJE, authoring organization of this report, ACCE, and others which have organized against Wedgewood, Blackstone and other corporate landlords in Los Angeles for decades, and Right to the City, a national organization whose 2014 report brought renewed attention to the issue.

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