

Agenda Item 4C:

Affordable Housing General Obligation Bond in an Amount Not to Exceed \$20 Billion

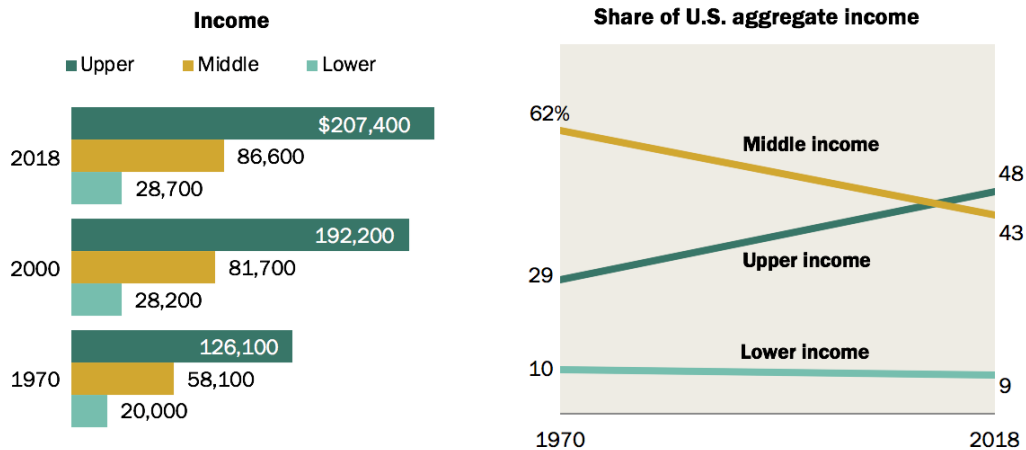
I am the Vice Chair of the Midcoast Community Council, speaking for myself.

There is much to question about a Housing Bond which will cost \$48B in total debt service, yet yield only \$16B in proceeds for housing. At an average of \$178K per unit, what will be built are not Homes, but Corporate Rental Apartments, owned by wealthy investors who can benefit from the 9% investment tax credit, depreciation writeoff, and whatever subsidies this Bond would provide them. And this Bond would continue a trend to institutional ownership of housing, not unlike the Mining and Mill towns of the 19th century.

You are undoubtedly aware of the growth in income and wealth disparity in the US since 1970. In fact, financial inequality is higher than at any time since the advent of the income tax in 1913. People cannot afford housing because they do not make enough money. They do not make enough money because their wages are too low. And their wages are too low because the profit motive has driven companies to utilize globalization, automation and immigration to off-shore work to cheaper labor markets; to automate jobs out of existence, and to suppress wages with cheaper workforce competition.¹

The gaps in income between upper-income and middle- and lower-income households are rising, and the share held by middle-income households is falling

Median household income, in 2018 dollars, and share of U.S. aggregate household income, by income tier



Note: Households are assigned to income tiers based on their size-adjusted income. Incomes are scaled to reflect a three-person household. Revisions to the Current Population Survey affect the comparison of income data from 2014 onwards. See Methodology for details. Source: Pew Research Center analysis of the Current Population Survey, Annual Social and Economic Supplements (IPUMS). "Most Americans Say There Is Too Much Economic Inequality in the U.S., but Fewer Than Half Call It a Top Priority"

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¹Wage stagnation for the vast majority was not created by abstract economic trends. Rather, wages were suppressed by policy choices made on behalf of those with the most income, wealth, and power. In the past few decades, the American economy generated lots of income and wealth that would have allowed substantial living standards gains for every family. The same is true looking forward: Overall income and wealth will continue to grow. **The key economic policy question is whether we will adopt policies that enable everyone to participate in a shared prosperity, or whether the growth of income and wealth will continue to accrue excessively and disproportionately to the best-off 1 percent.** <https://www.epi.org/publication/charting-wage-stagnation/>

The American middle class grew after World War II because of a combination of unionization and the growth in home ownership. Communities of color have spoken to the damage done to generational wealth by their inability to buy houses due to bank 'red - lining' loan practices. We have lost those pillars of middle class financial sustainability: decent wages and home equity.

The wave of cries for more affordable housing come from two sources. The obvious one is from people who cannot afford housing where they want to live. The more surprising demand is from wealthy investors, the real estate and financial services industries who profit immensely from so-called 'affordable housing' programs. These programs are not solving the real problem of wage and wealth inequality facing America; they are worsening it. And there are better alternatives.

It is no coincidence that the growth in income and wealth inequality² in the US coincides with the growth of the tax incentives and so-called 'affordable housing' programs. The firms sponsoring those programs are not "non-profits", they are Pass-Through Profiteers funneling returns to wealthy investors via a large ~9% investment tax credit, government subsidies, depreciation write-offs, and royalties on rents. And in part because of the undue influence of campaign contributions from Hedge Funds, Real Estate, and Financial Services to Federal, State and Local officials, those programs persist today.

It is time to abandon this last vestige of failed "Trickle Down Economics"³, and stop giving the Wealthy extra returns to build more corporate rental apartments for the middle and lower earners. There is a growing recognition that we have created a nation of 'rent slaves'. UCLA co-authored the Vacancy Report in 2018 which showed that **two thirds of residential property** in Los Angeles is owned by investment interests. Congress now has before it a Bill which would mandate that investor funds sell off all single-family homes over a ten-year-period⁴.

Affordable Housing programs, and this MTC Bond, must be replaced by programs that provide equity ownership of housing for an aspiring middle class. There are new, emerging models of equity ownership to rebuild the middle class. One is an employee ownership program fostered by KKR private equity and recently featured on 60 Minutes. Another is the Joe Serna, Jr. Farmworker Housing Grant Program (FWHG), recently deployed in Half Moon Bay where workers holding a property for 20 years achieve ownership of the building (not the land). A return to post WWII low down payment, low interest rate loans and tax breaks for first-time home buyers would also help narrow the Wealth Gap. Perpetuating Parasitic Profiteering in "affordable housing" programs is both harmful to our society and perpetuates economic injustice. Whether the residences are condominiums, cooperatives, or houses: ***There will be no equity in housing until RESIDENTS have equity in their housing.***

In conclusion, the Housing Bond MTC is proposing is not only wasteful, and furthers an Intergenerational Injustice, it will not solve the REAL problem of Income Inequality - in fact, it will continue to make things worse for the Middle Class.

2 <https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/>

3 <file:///G:/ZorinDownloads/session-1-lucas-chancel-the-elephant-curve-of-global-inequality-and-growth-presentation.pdf>

4 End Hedge Fund Control of American Homes Act, by Oregon Senator Jeff Merkley. [S.3402 in the current session, S.5151 in the prior session](#)
https://www.merkley.senate.gov/wp-content/uploads/imo/media/doc/end_hedge_fund_control_of_american_homes_act_bill_summary.pdf

Most Sincerely,

Gregg A. Diequez

[Midcoast Community Council](#) Vice Chair *(writing as an individual)*

Founder: MIT Club of Northern Calif. [Energy & Environment Program](#)

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P.O. Box 370404

Montara, CA 94037

650-544-0714