



Legislation Text

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Res. No. 361

Resolution calling upon the United States Congress to pass, and the President to sign, the End Hedge Fund Control of American Homes Act.

By Council Members Avilés, Gennaro, Louis, Hanif and Won

Whereas, New York City is currently experiencing a severe affordable housing shortage, with the median rent for a 1 bedroom apartment over \$4,000 in Manhattan and approximately \$3,000 in Brooklyn and Northwest Queens as of November 2023, according to reporting by real estate appraisers Miller Samuel, and the cost of home ownership among the highest in the United States; and

Whereas, According to the National Alliance to End Homelessness, rising rents and increasing costs due to inflation are major drivers of homelessness, with a 2020 study by the United States Government Accountability Office finding that a \$100 increase in median rent was associated with a 9% increase in the estimated homelessness rate; and

Whereas, According to the Community Service Society of New York's analysis of data from the 2021 New York City Housing and Vacancy Survey, nearly one third of New York City residents spend more than half of their monthly income on rent, with median rents continuing to climb faster than incomes; and

Whereas, According to the Center for New York City Affairs at the New School, there are over 1 million households in New York City with extremely low incomes, more than double the amount of affordable housing units citywide; and

Whereas, Lack of access to affordable housing has been linked to increased levels of financial strain, reduced financial opportunities, increased levels of socioeconomic inequality and segregation, negative effects

on health and educational outcomes, increased levels of crime and social unrest, and accelerating trends of gentrification and displacement; and

Whereas, One factor that may be contributing to New York City's affordable housing shortage is the entry of large private equity firms and hedge funds into the residential housing market; and

Whereas, According to reporting by the New York Times, since 2020, private equity firms have purchased hundreds of residential buildings in gentrifying neighborhoods like Bushwick, Bedford Stuyvesant, Williamsburg, and Ridgewood; and

Whereas, Hedge funds are also accelerating their rate of housing purchases nationwide, with 2021 representing the fastest year-over-year increase in hedge fund home purchases in over a decade; and

Whereas, Housing affordability advocates argue that large-scale purchases of homes by hedge and private equity funds drive up housing prices, making homes less accessible for individuals and families, particularly in markets with existing housing affordability and supply constraint issues, such as New York City; and

Whereas, When hedge and private equity funds acquire residential properties with the principal goal of maximizing return on investment, this can lead to the displacement of existing residents, increased costs for incoming residents, and a potential reduction in the overall quality of the housing stock, as repairs and renovations are delayed, ignored, or completed with low quality materials due to cost concerns; and

Whereas, New York City residents of buildings that were purchased by private equity firms have raised concerns over steep rent increases, worsening delays in response times to maintenance requests, and increased frequency of outages to essential building services like hot water and gas; and

Whereas, In October of 2022, New York State Attorney General Letitia James and a task force comprised of the Office of the Attorney General, the Tenant Protection Unit of New York State Homes and Community Renewal, the New York City Department of Housing Preservation and Development, the New York City Department of Buildings, and the New York City Law Department announced a settlement with a private

equity firm stemming from allegations of tenant harassment, unlawful management practices, denial of essential services, and unsanitary conditions threatening the health and safety of building residents; and

Whereas, S.3402/H.R.6608, also known as the End Hedge Fund Control of American Homes Act (the Act), introduced in the United States Senate by Senator Jeff Merkley, and in the United States House of Representatives by Representative Adam Smith, would seek to reduce the influence of hedge and private equity funds on the national housing market by banning certain investment funds from owning single-family homes; and

Whereas, Such investment funds would be required to sell at least 10% of their total holdings of single-family homes each year, with a \$50,000 dollar tax penalty per home per year for every home held above the required 10% reduction, and barred from owning single-family homes entirely after 10 years; and

Whereas, The Act would also impose a 50% tax on the fair market value of any single-family home purchased by such an investment fund in the future, with funds from these tax penalties going toward down payment assistance for families seeking to purchase homes held by investment funds; and

Whereas, The tax penalties and requirements of the Act would be imposed on corporations, partnerships, and real estate investment trusts that manage funds pooled from investors, and would not apply to nonprofit organizations, public housing agencies or other government entities, or single-family home builders; and

Whereas, The Act would also require families seeking to purchase homes held by covered investment funds to certify that they do not own a majority interest in any other single-family home or real estate, thereby prioritizing first homeowners, and reducing the likelihood of those homes being purchased as investment opportunities; and

Whereas, The Act's definition of a single family home includes residential properties consisting of 1-4 dwelling units; and

Whereas, Removing the influence of hedge funds and private equity firms from the national housing

market would give potential homeowners an easier time securing housing in their local communities, reduce some of the pressures currently leading to rampant inflation in the housing sector, and lead to stronger, more resilient communities inhabited by people who have a direct stake in the wellbeing of their neighborhoods; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the United States Congress to pass, and the President to sign, the End Hedge Fund Control of American Homes Act.

NRC
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