POLICY BRIEF
Tenants in Foreclosure: An Analysis of How Renters Experience the Financialization of Housing in Los Angeles County

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ISSUE

Much has been written about how predatory schemes of the foreclosure crisis impacted poor homeowners and homeowners of color, but less attention has been paid to the tenants. Foreclosure often doesn’t just involve owners. In many cases, the home is occupied by tenants of the former owner, who face increased insecurity when homeownership changes hands or is lost to a bank. They experience a particular risk when the purchaser is a flipper who seeks to deliver the property empty upon resale (Many purchasers in Los Angeles County since the crash have been flippers, as this report will show). Post-foreclosure a new owner has to deliver a three-day “notice to quit” to get the former owner out; however, renters after foreclosure in California are protected from this type of immediate displacement in a few ways. Month-to-month tenants may receive up to 90 days to vacate the unit, and those on a fixed-term lease are allowed to stay until the end of their term. Tenants in rent-stabilized units in the city of Los Angeles can never be evicted as a result of a foreclosure sale.

APPROACH

This study involves a mixed-methods approach, combining various forms of spatial analysis using data sets, along with a qualitative analysis of long-form interviews. The researcher presents the findings in the form of maps visualizing (1) foreclosure in Inglewood and Los Angeles County; (2) investor-purchased foreclosures in Los Angeles County, highlighting real estate investment firm Wedgewood Inc. as a case study; and (3) evictions and foreclosure-related evictions in the county.

RESEARCH FINDINGS

This report is interested in who has acquired property through foreclosure since the housing market crash of the mid-’00s. Of the 2,586 unique foreclosures that occurred in Inglewood between 2006 and 2019, 475 or 18 percent were acquired by investor entities. Of these 475 properties, 50 percent were single-family homes, 23 percent were multi-family or apartment buildings, and 17.5 percent were condominiums.

KEY TAKEAWAYS

- Eighteen percent of homes that foreclosed in Inglewood between 2006–2018 were acquired by corporate investors.
- Of these properties, 50 percent were single-family homes, 23 percent were multi-family or apartment buildings, and 17.5 percent were condominiums.
- In Inglewood and across Los Angeles County, a new investment strategy is emerging: acquiring and flipping multi-unit buildings through foreclosure in areas without renter protections and clearing out renters to deliver the property empty for resale.
acquired more than one property through foreclosure during these years. Figure 1 shows a concentration of Wedgewood’s multi-family acquisitions (shown in red circles) in non-rent stabilized municipalities. This represents a departure from Wedgewood’s usual practice of buying exclusively single-family homes through foreclosure. The company has also acquired a concentration of multi-family buildings in areas of the county without renter protections. In these areas, it is much easier to force out tenants through eviction.

RECOMMENDATIONS

- Make the recent temporary rent control and Just Cause ordinances in Inglewood permanent. Rent control is the most effective way to protect renters in the short term as development in gentrifying areas leaves them at risk of displacement. Tenants in foreclosed properties, in particular, stand to gain from renter protections because they otherwise are caught in the middle of a foreclosure transaction and have no specific protections to prevent their displacement.
- Regulate the real estate industry to stop the increasing consolidation of ownership under corporate entities. Sen. Elizabeth Warren (D-Mass.) recently introduced a housing bill that would require the Federal Housing Administration to sell 75 percent of properties it acquires through foreclosure to owner-occupants. In the same vein, San Francisco has an ordinance that holds a company that acquires more than 10 properties through foreclosure liable for 10 times the normal amount of money if they are convicted of doing anything illegal with the properties.
- Punish and strictly regulate companies with an extensive history of abusive practices towards tenants.

Figure 1: Wedgewood Inc. properties in Los Angeles County relative to renter protections

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