Sun Gazette

Local rental market rips into homelessness solutions

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TULARE COUNTY – Finding a place to rent in Tulare County has become ultra-competitive, and low supply paired with rising prices are having consequences on those most in need of housing.

A January survey of 76 local nonprofits and government workers showed two-thirds of respondents said affordable rental housing is the greatest need in Visalia. But a quick drive through Tulare County's biggest city will reveal more subdivisions of single-family homes being built.

Mill Creek Property Management, a large property management firm in Tulare County, has been dealing with far more single-family homes than other types of units. Jason Hutton, general manager and broker of Mill Creek said the company does offer apartments, but their newer clients seem to be bringing them more single family-homes.

"Our average [rental] price for a home is actually about $1,695," Hutton said. "Newer apartments, as long as they're in a good area, they're going for well over $1,000 which was unheard of a few years ago."

Hutton said Mill Creek has a five application maximum per property, which he said drives people nuts, but their first-come first-serve policy seems to be the fairest way to go about it. "Everybody needs a place to live, and I think if we always took the best, some people would just never get a home.

"Price has shot up. Demand has shot up. There's no need for any advertising on our properties," Hutton said. "A day, maybe two days, and we're maxed on applications…people will come to our website, see [a rental], they'll be down here in minutes with an application trying to get in line for it." But it's not just supply and demand driving up prices.

Assembly Bill 1482, Assemblymember David Chiu's (D-San Francisco) bill that caps rent increases at 5% within a 12-month period, or a 10% maximum from any rise in the consumer price index—which rose 7.5% in January, the highest in 40 years—is an example of well-intended California legislation with unintended consequences.

Exemptions to the new California law include buildings constructed in the last 15 years, condos and single-family homes—unless owned by a corporation or real estate investment trust—and duplexes where the owner lives in one of the units.

The rent control bill, which went into effect Jan. 1, 2020, is designed to protect tenants in the golden state from rent gouging. But as Golden Gate University Law Review points out, rent control often backfires and has the opposite effect of keeping housing affordable and can lead to a decline in rental housing supply by pushing property owners out of the rental market.

AB 1482 is rent control for current tenants, but when there's tenant turnover, landlords are free to raise the price to "makeup" for the loss of income on the rent-controlled property. When eviction moratoriums protecting millions of Californians who had lost their jobs in the pandemic-induced economic collapse ended Oct. 1, 2021, renters got evicted. Even with protections, the Fresno Bee reported at least 1,138 households were displaced in three San Joaquin Valley counties during the 18-month statewide eviction moratorium.

Hutton said property management's goal is not always to get the maximum dollar amount and choke everybody out of every penny they get, but they make recommendations—the property owners set the prices.

"We do recommend to our property owners that they don't max out on rent, because another goal is to try to keep a long term tenant," Hutton said. "You don't want to have a vacancy, it takes too long to recoup for the time it sits empty and you're not collecting rent."

But when local demand has property applications max out in 24 hours with no need for advertising, unit vacancies are not an issue.

Rent control side effects, rising inflation, high demand and low supply have created a housing storm in a county where pre pandemic 2019 median per capita income was $21,380, just 58% of the state median, according to the U.S. Census Bureau. Two years later, there's demand for higher wages but an inability for local businesses to pay them due to the rising cost of goods.

HOMELESS COMMUNITY HURT

Rapidly changing housing economics have also had a negative effect on progress for homelessness, particularly in the effectiveness of recent legislation.

President Joe Biden's first major legislation in office, the $1.9 trillion American Rescue Plan Act, created an Emergency Housing Voucher (EHV) program in order to assist individuals and families who are homeless, at-risk of homelessness, fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking or human trafficking, or were recently homeless or having a high risk of housing instability.

The U.S. Department of Housing and Urban Development (HUD) provided 70,000 of these vouchers to public housing authorities, 117 of which were allocated to the Housing Authority of Tulare County. For context, the Kings Tulare Homeless Alliances 2020 Point in Time report states 992 people were experiencing homelessness in Tulare County at that time. HUD gave the nonprofit working directly with the Housing Authority of Tulare County to utilize housing vouchers an exemption on conducting their 2021 report due to the COVID-19 pandemic.

Miguel Perez, executive director at Kings Tulare Homeless Alliance, said of the 117 vouchers, only 11 have been successful in placing individuals or families into housing since the program began in May of 2021.

As of Feb. 7, 88 of the 117 vouchers were actively connected to individuals or families in need of housing. Once connected to an individual or family, Perez said there's a 60-day clock to find a unit. After a maximum extension was granted, the voucher has a 120 day lifespan before being terminated.

"That's already happened 41 times. 41 individuals had a voucher, they went through the process and were unable to find a unit," Perez said. "The dynamics of the rental market and everything that's happened in the last 24 months—it's unlike anything we've seen before in this area."

Another facet of the Homeless Alliance's work, permanent supportive housing—long-term leasing or rental assistance—is hamstrung by bureaucracy. Perez said they cannot make an agreement with a landlord for a penny over HUD's fair housing market rents, generally calculated as the 40th percentile of gross rents for regular, standard quality units in a local housing market and released yearly by counties across the nation. Fair market rents exclude low-quality units, already subsidized units and units that have been built in the last two years.

Organizations like the Homeless Alliance who contract with HUD on permanent supportive housing are bound to the fair market rents in the year they sign a deal with HUD. Perez said that disconnect has created problems that have only been exacerbated by the pandemic's effect on the rental market.

"I'm working with a landlord right now who really cares about [the homeless] population we work with and has genuinely gone out of his way to try to be a part of our programs," Perez said. "Because of his financial needs…he wants to lease a unit for $800. For this particular program, I'm bound by the 2021 fair market rents, I can't even utilize the 2022 numbers."

For a one-bedroom unit, the fair market rent in Tulare County was $728. The county's 2022 fair market rent went up about 5% to $764. In a county with extreme demand for new housing and lots of subsidized housing through the work of nonprofits like Self-Help Enterprises, it's tough to operate under fair market rents that account for neither. Even if he were able to use the current number, Perez said $764 is pretty much hopeless today.

"It's almost impossible to find a one-bedroom at $764," Perez said. "You do a quick google search for apartments, and the very few you'll find you'll see what they're asking for is way above that."

The Housing Authority of Tulare County did not respond to multiple requests for information and an interview.