



Section 3

CALIFORNIA'S HOUSING CRISIS



Image Credit: UCLA Luskin School of Public Affairs



Image Credit: Wall Street Journal



Image Credit: Los Angeles Times

THE STATISTICS



California's Unhoused Population, 2020*

- 161,548** Total Unhoused Population
- 48,771** Chronically-Homeless Individuals
- 12,172** Unhoused Youth
- 11,401** Unhoused Veterans



Image Credit: Public Policy Institute of California

At least **22,500** people in California have become unhoused since the beginning of the pandemic.**

Sources: *California Senate Housing Committee, "Fact Sheet: Homelessness in California," (2021).

**CalMatters Official Website, May 2nd, 2023.

THE STATISTICS

PRICE OF THE SAME HOME:



CALIFORNIA
\$900,000

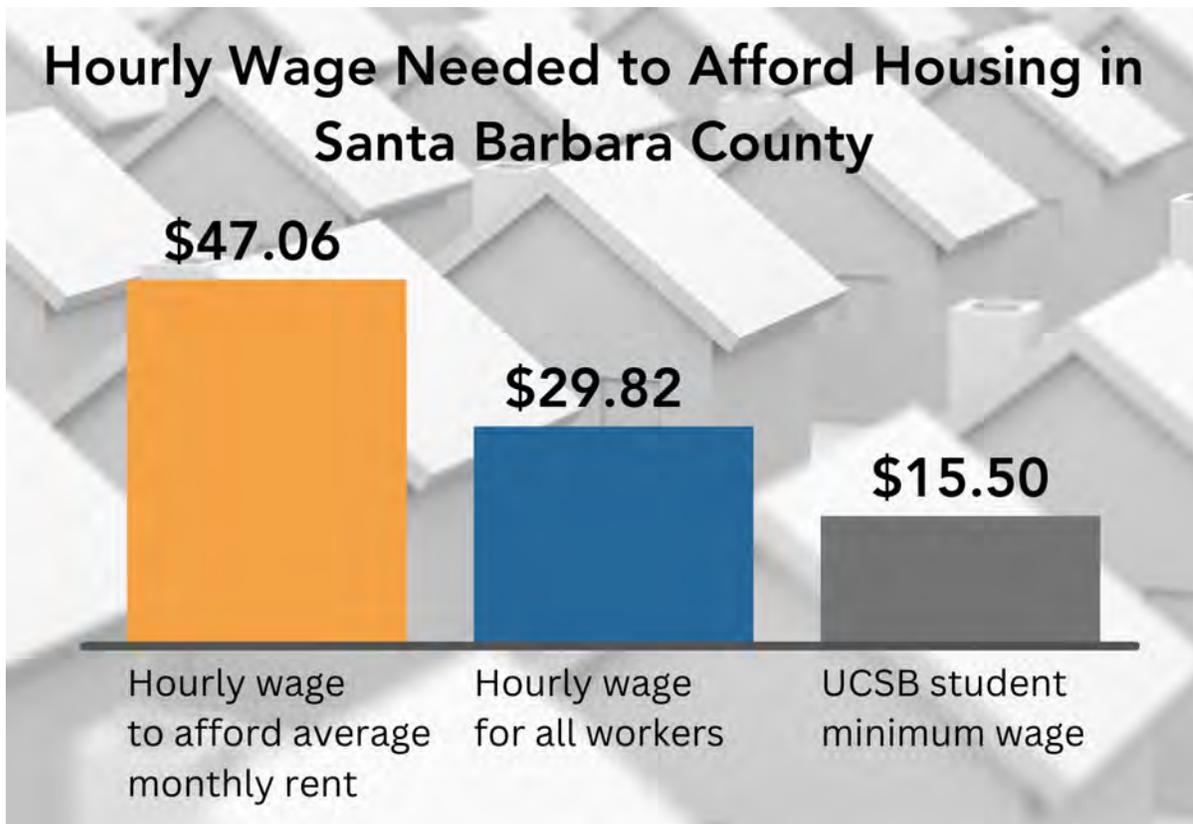


TEXAS
\$300,000

AVERAGE APARTMENT RENT:

Los Angeles: \$1,432 for a studio, \$2,225 for one bedroom
Santa Barbara: \$1,800 for a studio, \$2,500 for one bedroom
National Average: \$1,150 for a studio, \$1,320 for one bedroom

Hourly Wage Needed to Afford Housing in Santa Barbara County



Undergraduates are permitted to work full-time, but UCSB stresses that they should work 20 hours or less per week to prioritize their studies. At 20 hours a week, that averages \$1,240 a month in income at \$15.50 per hour.

Sources: Santa Barbara Foundation, "Housing Affordability: Philanthropic Solutions for Santa Barbara County" (2023), UC Santa Barbara Human Resources Official Website (2023), KTLA5.com, "Californians can save thousands when buying a home in Texas," July 8th 2023.

AN OVERVIEW

California's housing market leads the nation in unaffordability:

California's housing market is one of the worst in the nation and has long posed a challenge to policymakers and advocates seeking to address income inequities and promote equitable access to housing across the state.

Driven by a variety of factors including a lack of new construction, restrictive zoning laws, rising demand due to population growth and job creation; the crisis disproportionately affects low income and

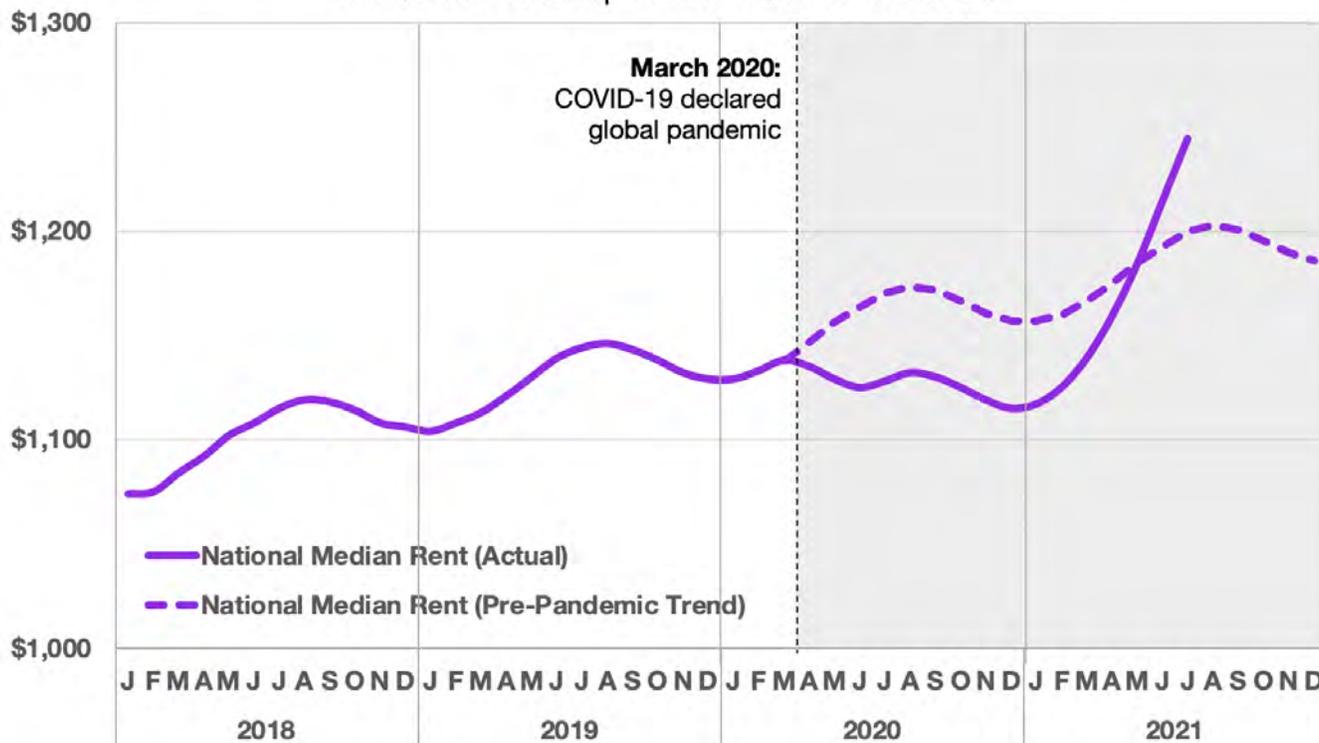
historically-marginalized communities.

These skyrocketing prices have led to a staggering housing shortage and the worst homeless crisis in the nation. Since 2020, California's overall unhoused population has increased by about 6%, compared to just 0.4% in the rest of the country.*

Out of the total population of unhoused people in the US, approximately 30% resided in California.

National Rent Growth Exceeding Pre-Pandemic Trend

National Index Up 9.4% Since March 2020



Source: Apartment List Rent Estimates

Note: Projected rent estimates assume that month-over-month price changes in 2020-2021 equal the average price changes that occurred during the same months in 2018-2019



Source: *Public Policy Institute of California, "Homeless Populations Are Rising around California," (2023).

AN OVERVIEW

Santa Barbara Rental Housing Market

California is a state with a high cost of living, but Santa Barbara stands out for having one of the most exorbitant rent prices in the nation.* Long famous as a scenic retreat for the uber-wealthy, Santa Barbara has become a desirable destination for remote workers in the wake of the Covid-19 pandemic.



In National Rankings, Santa Barbara is:

1st in Most Expensive Small Cities for 1-Bedroom Apartment Rentals

1st in Cities with the Most Dramatic Increase in Median Rent for Available Units

4th in Most Expensive Small Cities for 3-Bedroom Single-Family Home Rent

UCSB students are directly affected by rental price hikes and greater demand for housing.

Source: *Website: dwellsy.webflow.io/blog/rent-price-data.

THE UC SYSTEM

The California Master Plan

In the 1960s, California established a system of public higher education to provide all Californians with affordable access to a college degree. The California Master Plan for Higher Education coordinated the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC) systems, which remain popular and quality college options for California residents.

The UC system was originally committed to providing an accessible and affordable tuition-free education for California residents. Under the Master Plan, students were expected to pay fees for additional facilities, which included housing.

The UCs were once intended to be smaller, research-focused institutions. But over time, as the population expanded and demand for higher education increased, so did the enrollment at the UC campuses.*

In an attempt to meet this demand, tuition and fees have increased to cover instructional and operational costs at UC and CSU campuses as public spending declined per student. Now housing, not just tuition expenses, are a major financial burden for individuals pursuing a 4-year or graduate degree.



UC ENROLLMENT BREAKDOWN AS OF FALL 2022**

UC Davis	39,679
UC Berkeley	45,307
UC Santa Cruz	19,478
UC Merced	9,103
UC Santa Barbara	26,420
UC Los Angeles	46,430
UC Irvine	35,937
UC Riverside	26,809
UC San Diego	42,006
UC San Francisco	3,140

Sources: *UC Office of the President Official Website (2023).

** University of California, March 3rd, 2023

THE UC SYSTEM

UC-Wide Enrollment Increases

2012-13: 233,198

2022-23: 294,309

Total UC Students
Enrolled



Total UC Students
Enrolled*

While the California Master Plan did not directly cause the current housing crisis, it did not account for increased enrollment - and thus did not anticipate the current demand for undergraduate education. The plan did not establish a mandate for housing development and did not set aside funds for future construction.

Furthermore, the plan left each of the individual UC campuses responsible for their own student housing, with little cooperation between campuses and administration.

The increased academic prestige of UCs and location desirability have resulted in overwhelming demand that threatens to undermine the UCs broader mission.

As a result of recent pressure from Sacramento to increase enrollment across all of the UC campuses, each university crafted a long-range development plan (UCSB's LRDP is discussed in greater depth on page 14).

These LRDPs detail comprehensive strategic planning for proposed student housing in order to accommodate an expected increase in students and faculty.



Sources: *University of California, March 3rd, 2023

** UCSB Office of Budget and Planning

THE UC SYSTEM

More Students Attending UCs

For Fall 2022, the UC system's nine undergraduate campuses received a record number of nearly 211,000 first-year applications.*

According to admissions data, UCSB received 110,991 first year applications during the 2022 admission cycle, 18,000 of whom were out-of-state students.**

Most UC campuses have experienced an increased demand for on-campus housing. Waitlists for UC housing climbed to 14,000 students for Fall 2022 at all 10 campuses, a massive increase from 7,500 students at eight campuses in fall of 2021. ***



Average Monthly Rent For Off-Campus 1-Bedroom and 2-Bedroom Apartments Near UC Campuses****

Sources: *University of California Office of the President, Freshman Applications by Campus and Residency, January 11th, 2023.
 **College Gazette, February 8th, 2023.
 ***Los Angeles Times, March 14th, 2023.
 ****University of California Office of the President, Student Financial Support, March 2022.

THE UC SYSTEM

An estimated **417,000** students in California lack a stable place to sleep.*

Representing **5%** of undergraduates at UCs

10% of undergraduates at California State Universities

20% of students at California Community Colleges

The University of California Board of Regents recently approved plans for residential projects that would add nearly 8,000 beds across five UC campuses.** These projects are part of a larger UC objective to add 22,000 beds across all nine campuses by 2028.

However, these plans are still years away from being implemented.

Many UC projects are reliant on state funding that may not be guaranteed or could be delayed. UC officials have cited labor shortages, inflation, rising construction costs, and supply chain issues as some of the prominent obstacles to building new housing.



Image credit: *Los Angeles Times*. UCSC student Michael Chin lives in a trailer to be close to campus.



Image Credit: KCRW. UC Berkeley has been criticized for enrollment increases said to exacerbate the unhoused crisis.

Sources: **Los Angeles Times*, March 14th, 2023.

***The Daily Californian*, March 15th, 2023.

THE UC SYSTEM

Proposed Housing Solutions at Other UCs

How are the other UCs tackling this issue?

Due to increased applications, pressures from Sacramento to increase enrollment, and high prices of living in urban coastal communities, UC campuses have had to start reimagining housing solutions.

UC Berkeley

The main UC Berkeley campus has been constrained by opposition from the city of Berkeley and the surrounding neighborhood with regards to enrollment increases and subsequent planned housing.* As a result, UC Berkeley is considering a satellite program at Moffett Field (previously an airfield, now owned by NASA) in Mountain View, CA. This campus would focus primarily on aerospace science and engineering.**



Image Credit: UC Berkeley Aerospace Engineering

UC Los Angeles

UCLA is also considering satellite programs and off-campus locations in order to increase enrollment without adding more students on the main campus. UCLA is already working with AltaSea to develop a satellite campus in San Pedro that aims to accommodate 600 to 1,000 more students.***

UCLA is renovating Gayley Heights (previously studio units) into triple-occupancy student apartments that will be roughly 60% below market-rate.****



Image Credit: STUDIOS

Sources: *Los Angeles Times, February 24th, 2023

** Berkeley News, October 16th, 2023

*** Los Angeles Times, September 27th, 2022

****Website: <https://studios.com/ucla-gayley-heights-apartments.html>

THE UC SYSTEM

Proposed Solutions at Other UCs

UC Davis

UCD is constructing a project called "Aggie Square" at its satellite campus in Sacramento. The project will consist of science and technology buildings and housing for several hundred undergraduate students. *



Image Credit: UC Davis

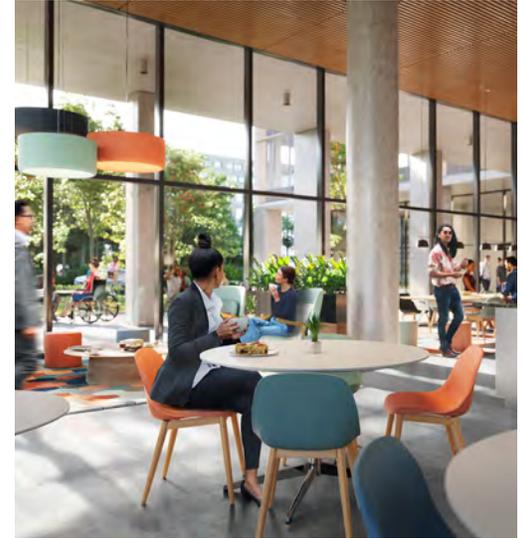


Image Credit: UC Davis

UC Merced

UCM has already completed a \$1.2-billion project that includes classrooms, research labs, and student housing that allows the campus to increase enrollment by 2,000 students.** UCM is also set to open a medical program that will increase graduate student enrollment by about 200 students***



Image Credit: UC Merced



Image Credit: UC Merced

Sources: *UC Davis, Aggie Square Development Official Website (2023).

**UC Merced "Newsroom", September 8th, 2023.

*** EdSource, October 26th, 2021.

THE UC SYSTEM

Private Finance & UC Investment in Blackstone

Does this address student housing needs?

In January 2023, The University of California's investment arm announced a \$4 billion investment into Blackstone's Real Estate Income Trust (BREIT).^{*} Blackstone, one of the nation's largest private equity firms, has long faced scrutiny for its role in the housing crisis. Critics accuse Blackstone of purchasing properties, increasing rents, and accruing equity for wealthy institutional investors. All the while, local residents are displaced from their homes and struggle to find affordable accommodations.

The decision to invest in BREIT is controversial with more than 40 organizations representing UC faculty, students, and workers, along with housing advocates condemning the deal, and demanding the university system divest from Blackstone. Critics argue that as the largest employer and landlord in the state, the University of California has a duty to ensure housing affordability and basic needs be met.^{**}

The UC itself has pledged to ensure affordable housing on numerous occasions and across its campuses. The investment in Blackstone does not follow this pledge and arguably contributes to housing scarcity by supporting the presence of private equity in the housing market.

Kathryn Lybarger, the President of American Federation of State, County & Municipal Employees (AFSCME) Local 3299, says "essentially the UC is investing in a corporation that further drives UC's own workers' housing insecurity." Lybarger, like others, calls for more sustainable investments, ones that actually better the lives of students, staff, and faculty.^{***}

Sources: ^{*}Reuters, January 3rd, 2023.

^{**}Jacobin, April 24th, 2023.

^{***}ASFCME, January 13th, 2023.



Image Credit: UC

Jagdeep Singh Bachher

**University of California
Chief Investment Officer and Vice President
of Investments**

Responsible for managing the UC pension, endowment, short-term, and total-return investment pools. He reports directly to the Board of Regents.



Image Credit: Blackstone

Stephen A. Schwarzman

**The Blackstone Group
Chairman & CEO**

Involved in all phases of Blackstone's development and investment portfolio.



“The investment office has a fiduciary duty to generate market-rate returns, which rules out investing in reduced-rent housing for students or employees.”

Nathan Brostrom, Chief Financial Officer
University of California

THE UC SYSTEM

Private Financing & UC Investment in Blackstone
Does this address student housing needs?



Image Credit: Office of Representative Katie Porter

Representative Katie Porter was a full professor at UC Irvine's School of Law before joining Congress in 2018.

Crisis or Opportunity?

Rep. Katie Porter (D-CA), of Irvine responded to the Blackstone deal stating, "**while Californians struggle with the high cost of housing, private equity firms like Blackstone have exploited this ongoing crisis to pad their profits at the expense of students, workers, and families.**" Porter, like many, calls for an end to 'Wall Street Landlords.'^{*}

Given the urgent need for affordable student housing across the UC system, UC investment in BREIT signals that the state's housing crisis is considered financially lucrative as opposed to a problem to solve. According to the deal's critics, **the Blackstone deal also does not guarantee a better rate of return over other traditional investments.** This leads many to believe, including experts and members of the general public, that this deal warrants much-needed additional scrutiny and transparency to understand the primary motivations guiding UC investment decisions.^{**}

Our Concerns

For the Blum Center Student Leader Team, this investment deal raises more questions than answers. As students attending a public university, we want to understand why the university system's pension fund is at odds with its pledge to provide affordable student housing. **We want to know why sustainable and ethical investments are not being prioritized to improve conditions for UC students, faculty, and employees.**

Sources: ^{*}*The American Prospect*, February 28th, 2023.

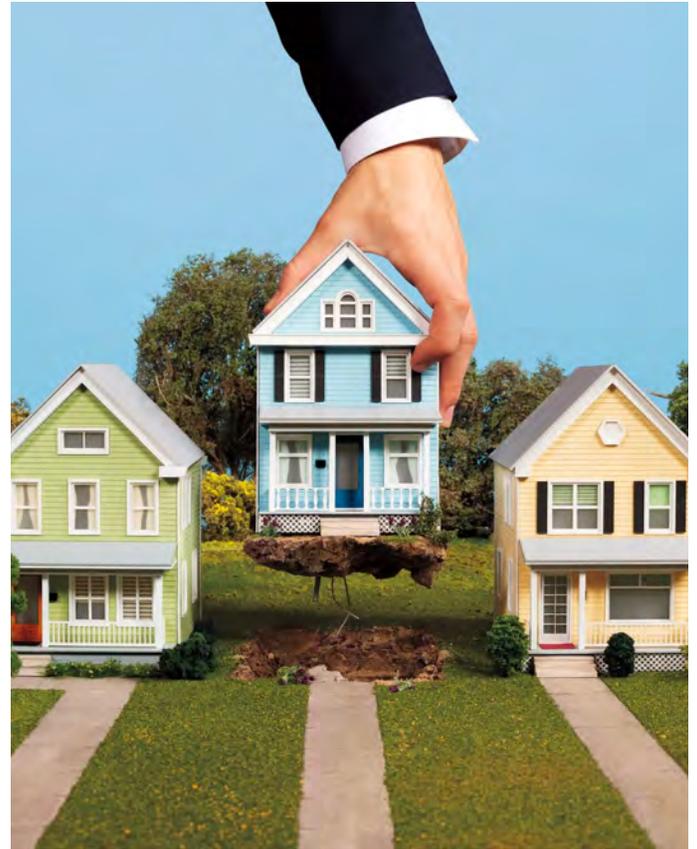
^{**}*Los Angeles Times*, January 20th, 2023.

PRIVATE EQUITY & CORPORATIONS

Corporate Landlords

What are the consequences of increased corporate investment in available student housing stock?

Corporate landlords are large investment firms (hedge funds, private equity firms, or real estate investment trusts) that acquire single-family homes or apartment buildings in order to extract rent from tenants while holding properties for the long-term.



Standout Facts

- Before 2010, institutional landlords didn't exist in the single-family market; now, there are 25-30 large corporate owners of single-family units.*
- Between 2011 and 2017, \$36 billion was spent on more than 200,000 homes by some of the largest private-equity groups and corporations in the world.**
- A study conducted in Atlanta found that large corporate owners of single-family rentals were 8 percent more likely than small landlords to file eviction notices.***

Sources: *New York Times, March 5, 2020.

**The Atlantic, February 13, 2019.

*** Federal Reserve Bank of Atlanta Study: Community and Economic Development Department (2016).



"Students are the perfect market if you really want to make a profit on housing. Students make great tenants because you can pack them in, jack up rents, and ensure high turnover."

Dr. Richard Flacks
Professor Emeritus of Sociology
University of California, Santa Barbara

INTERVIEW WITH THE BC STUDENT LEADER TEAM

PRIVATE EQUITY & CORPORATIONS

Student Housing

Why are students targeted by corporate investors?

Student housing in college towns is emerging as a highly attractive and lucrative investment for corporations and real estate developers.

Student housing provides consistent and predictable demand as universities struggle to provide sufficient housing accommodations for students on campus. The resulting student need for housing represents a stable cash flow for property owners.

Students often live with roommates and in compact living arrangements, enabling housing developments to encourage overcrowding.

This approach further increases rental income.



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