

## RE: Can The New Home Company meet King County's housing needs?

Dear Council Member,

I write on behalf of the Culinary Workers Union Local 226, largest affiliate of the hospitality and food service workers union, UNITE HERE. Our union works to ensure the long-term viability of working communities, of which access to affordable housing is a key component. With this in mind, we ask you to consider carefully any potential licensing or housing development of The New Home Company (NYSE: NWHM), a Southern California concentrated luxury home builder with a connection to billionaires who aided Donald Trump's rise to power.

New Home CEO Larry Webb told *Builder Magazine* in April 2016 that Seattle is among the potential new markets for the company.<sup>i</sup> As you know, one of the largest problems facing Seattle at this moment is affordable housing. According to a 2015 report by the Housing Affordability and Livability Agenda (HALA) advisory committee, around 45,000 Seattle households spend more than half of their income on housing.<sup>ii</sup>

Affordability, determined as households spending no more than 30% of their income on housing, is a problem for Seattle families in particular. In February 2017 40% of single-family homes listed in Seattle cost \$1 million or more.<sup>iii</sup> New Home's average sales price in 2016 was \$2 million according to financial filings.<sup>iv</sup> This figure is apparently at odds with the needs of Seattle residents, where the median home price has gone up by \$100,000 in the last year.<sup>v</sup>

In addition to rising costs of home ownership, Seattle faces considerable growth; the city's population is expected to increase by 120,000 people in 2035.<sup>vi</sup> Rapid development and turnaround is essential to accommodate this increase. Since 2014, New Home has been seeking to develop land in Calabasas and is now on its third proposal.<sup>vii</sup> During the general election last year, Calabasas voters rejected New Home's initial proposal by a nearly 2-to-1 margin.<sup>viii</sup> This loss at the ballot box came despite New Home spending \$104,124 related to the ballot initiative.<sup>ix</sup> According to a Calabasas newspaper, New Home allegedly even hired "project advocates to engage with the public wherever the petitions might be" and in one alleged incident they "arrived [at a grocery store parking lot] and began acting aggressively toward the petitioners" opposed to New Home's proposed project. Police were called to the scene but did not witness disruptive behavior when they arrived. A New Home representative told a local newspaper, "There was no intimidation, just information."<sup>x</sup>

New Home may be looking at expanding into King County at large. One of their shareholders and venture partners, IHP Capital, is already building in Issaquah.<sup>xi</sup> If New Home expands in King County, we hope you will raise questions about John Laing Homes, a builder that was run by four New Home executives and directors<sup>xii</sup>, including current New Home director Wayne Stelmar who was John Laing's CFO until February 2009, the same month the company filed for Chapter 11 bankruptcy.<sup>xiii</sup>

Here in Nevada, we know about John Laing through a class-action lawsuit and disciplinary fine.<sup>xiv</sup> In 2011, a settlement was approved in *In Re: Kitec Fitting Litigation*, a class action filed on behalf of the 849 Nevada households that had eroding copper pipes installed by plumbing subcontractors in homes built by John Laing. In 2006, the Nevada State Contractors Board suspended the license of J.L.H. Realty & Construction, a John Laing affiliate, and fined it \$14,000 for various violations including: substandard workmanship, failure to comply with a written request, and failure to establish financial responsibility.

At a moment when King County is using development incentives<sup>xv</sup>, subsidized housing<sup>xvi</sup>, and a Regional Affordable Housing Task Force to increase affordable housing for residents, working with responsible

builders is a necessity. Cities are also looking at ways to address the issue: Seattle city council recently changed zoning in the Upper Queen Anne with the goal of creating 600 new affordable housing units.<sup>xvii</sup>

Lastly, we wish to draw your attention to New Home's connection to the Trump agenda. Mr. Sam Bakhshandehpour, a director at New Home, also works for people who helped propel into power an administration and political leaders who attack immigrants, women, LGBTQ communities, worker rights, seniors, and the poor. The principals behind Fertitta Capital, where Mr. Bakhshandehpour is a managing director, were major funders of the Trump Victory joint fundraising committee, according to Federal Election Commission filings. And as reported by *The New York Times*, one Fertitta Capital principal also gave \$207,000 to the president's inaugural committee.<sup>xviii</sup>

New Home's connection to the Trump administration appears to be at odds with the values and needs of the residents and workers in King County and its cities. Not only did Mr. Trump lose four out of every five votes cast in King County during the 2016 general election,<sup>xix</sup> but the Trump administration's proposed policies may worsen affordable housing for King County families. The 2018 budget proposed by the Trump administration in May 2017 calls for substantial cuts to anti-poverty programs including a \$7.4 billion reduction in housing and community development assistance, a \$3 billion cut to the community development block grant program and the elimination of billions in public housing funds.<sup>xx</sup>

Clearly county and city housing authorities could see big cuts to their budgets if such proposals move forward, including \$24 million from the Seattle Housing Authority, \$180,000 from the county's annual block grants that support homeless shelters, \$290,000 from the county program that provides temporary rental assistance, \$8 million in block grant funding for sewer and sidewalk projects, park improvements and Americans with Disabilities Act improvements, and \$3.6 million from a the federal Home Investment Partnerships Program, which funds affordable housing and rental assistance in the county.<sup>xxi</sup>

As King County and Seattle pursue policies that may allow more affordable housing for its residents, we must ask King County residents if they want to do business with a luxury builder who has been unable to pass a project proposal in Calabasas, California, whose leadership is tied to a company that was disciplined in Nevada, and who has a connection to the Trump agenda? Will this builder contribute to the prosperity of King County's working communities?

If you have any questions, please feel free to contact me at [cmunoz@culinaryunion226.org](mailto:cmunoz@culinaryunion226.org) or (702) 383-7922.

Regards,

Cassandra Muñoz

Culinary Workers Union Local 226

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<sup>i</sup> According to a February 2016 conversation between *Builder* magazine and TNHC CEO Larry Webb [http://www.builderonline.com/land/local-markets/the-new-home-company-excited-for-phoenix-expansion\\_o](http://www.builderonline.com/land/local-markets/the-new-home-company-excited-for-phoenix-expansion_o)

<sup>ii</sup> [http://murray.seattle.gov/wp-content/uploads/2015/07/HALA\\_ActionPlan\\_2015.pdf](http://murray.seattle.gov/wp-content/uploads/2015/07/HALA_ActionPlan_2015.pdf)

<sup>iii</sup> Lloyd, Sarah Anne. "40% Of Seattle Homes Are Listed at \$1M or More." *Curbed Seattle*, Curbed Seattle, 15 Mar. 2017, [seattle.curbed.com/2017/3/15/14930886/seattle-homes-listed-million-dollars](http://seattle.curbed.com/2017/3/15/14930886/seattle-homes-listed-million-dollars).

<sup>iv</sup> *The New Home Company, Inc 10-K Annual Report*. (2017). Retrieved from [https://www.sec.gov/Archives/edgar/data/1574596/000157459617000012/nwhm10-k\\_q4x16.htm](https://www.sec.gov/Archives/edgar/data/1574596/000157459617000012/nwhm10-k_q4x16.htm)

<sup>v</sup> Rosenberg, Mike. "King County Home Prices Grow \$100,000 in a Year for First Time; West Bellevue Jumps 41 Percent." *The Seattle Times*, The Seattle Times Company, 23 Aug. 2017, [www.seattletimes.com/business/real-estate/king-county-home-prices-grow-100000-in-a-year-for-first-time-ever/](http://www.seattletimes.com/business/real-estate/king-county-home-prices-grow-100000-in-a-year-for-first-time-ever/).

<sup>vi</sup> [http://murray.seattle.gov/wp-content/uploads/2015/07/HALA\\_ActionPlan\\_2015.pdf](http://murray.seattle.gov/wp-content/uploads/2015/07/HALA_ActionPlan_2015.pdf)

<sup>vii</sup> <http://www.cityofcalabasas.com/projects/west-village.html>

<sup>viii</sup> <http://www.lavote.net/election-results#year=2016&election=3496>

<sup>ix</sup> <http://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1378869&session=2015&view=contributions>

<sup>x</sup> Belmond, Sylvie. "Petitioners Want Vote on New Calabasas Hotel." *The Acorn*, The Acorn Newspapers, 14 July 2016, [www.theacorn.com/articles/petitioners-want-vote-on-new-calabasas-hotel/](http://www.theacorn.com/articles/petitioners-want-vote-on-new-calabasas-hotel/).

<sup>xi</sup> <http://www.ihpinc.com/project-portfolio/west-coast>

<sup>xii</sup> Larry Webb, Wayne Stelmar, Joan Marcus-Colvin, and Thomas Redwitz all list John Laing in their descriptions. *The New Home Company, Inc., Form S-1 Registration Statement*, (2013). p. 1-5, 164. Retrieved from

<https://www.sec.gov/Archives/edgar/data/1574596/000119312513259859/d521537ds1.htm>

<sup>xiii</sup> *In Re: WL Homes LLC*, 471 B.R. 349, 2012 WL 1766659, 56 Bankr.Ct.Dec. 139

<sup>xiv</sup> <http://www.nscb.state.nv.us/pdfs/newsreleases/2006/060322%20Henderson%20Disciplinary%20Action%20Against%20Four.pdf>

<sup>xv</sup> "Development Incentives." *Development Incentives - King County*, KingCounty.gov, [www.kingcounty.gov/depts/community-human-services/housing/services/affordable-housing/incentives.aspx](http://www.kingcounty.gov/depts/community-human-services/housing/services/affordable-housing/incentives.aspx).

<sup>xvi</sup> <https://www.kcha.org/>

<sup>xvii</sup> <http://seattle.legistar.com/LegislationDetail.aspx?ID=3127223&GUID=87D337BD-3D31-4133-AE73-E65036007849&Options=&Search=>

<sup>xviii</sup> Nicholas Fandos, Rachel Shorey, "[From N.F.L. Owners to Florida Retirees, a Who's Who of Inaugural Donors](http://www.nytimes.com/2017/04/20/us/politics/from-n-f-l-owners-to-florida-retirees-a-whos-who-of-inaugural-donors)," *The New York Times*, 4/20/2017.

<sup>xix</sup> <https://info.kingcounty.gov/kcelections/Results/web-results.aspx?eid=5>

<sup>xx</sup> Fessler, Pam. "Trump Budget Deals 'Devastating Blow' To Low-Income Americans, Advocates Say." *NPR*, NPR, 23 May 2017, [www.npr.org/2017/05/23/529711392/trump-budget-deals-devastating-blow-to-low-income-americans-advocates-say](http://www.npr.org/2017/05/23/529711392/trump-budget-deals-devastating-blow-to-low-income-americans-advocates-say).

<sup>xxi</sup> <https://www.seattletimes.com/seattle-news/politics/inslee-trump-budget-blueprint-incredibly-harmful-to-washington/>