

Analyst Name Mary Thompson
Today's Date 5/6/2020
Advocacy Area Social Policy
League Position 1 Housing (State)
League Position 3 Meeting Basic Human
Needs (National)
Subject Rental Affordability Act
Bill Amendment Assessment Choose an item.

Bill Number & Author Proposal 19-0001 (Weinstein et al)
Eligible for the Ballot 2/3/2020
Date Bill Amended Click here to enter a date.
League Position 2 Land Use (State)
League Position 4
Secondary Position Analysis Recommended
Secondary Position Area Choose an item.

LA Recommendation (check one): **Support** **Oppose** **Support if Amended** **Take No Position**

DESCRIPTION OF BILL AND ARGUMENTS THAT JUSTIFY LEAGUE ACTION

PRESENT LAWS:

Costa-Hawkins Rental Housing Act (1995)

1. Costa-Hawkins places limits on municipal rent control ordinances.
2. It exempts single-family homes and condos from rent control restrictions; it exempts housing units constructed after February 1995 and any housing previously exempted from rent control prior to February 1995.
3. It allows landlords to raise rents to the current market value after a tenant leaves.

Tenant Protection Act of 2019 (AB 1482)

1. It imposes a statewide rent cap of 5% plus inflation (or 10% total, whichever is lower) per year on residential real properties that are 15 years of age or older and not already subject to local rent control ordinances under Costa-Hawkins.
2. The rent cap applies to properties that contain at least two units (unless the owner lives at the property where there is a duplex or an accessory unit.)
3. It requires landlords to have and state "just cause" to evict tenants who have occupied the premises for a year, with provisions for rent relocation funds or rent waiver in the case of a "no fault" eviction.
4. It allows landlords to raise rents to the current market value after a tenant leaves and requires landlords to then conform with the rent cap described in the Act.
5. The sunset provisions of the Act will cause it to expire after 10 years (January 1, 2030).

THE BILL

Proposal 19-0001 (the Rental Affordability Act) has been cleared for the November 3rd statewide ballot as an initiative statute.

1. The measure amends Costa-Hawkins to allow local governments to establish and control rental rates on all housing that is more than 15 years old (built before 2006).
2. Exemptions are made for single-family dwellings or housing units owned by landlords (natural persons) who own no more than two dwellings/housing units.
3. The measure allows local laws to control rental rates following a vacancy by permitting a landlord to increase the rental rate on a vacated unit by no more than 15 percent in addition to any other increase allowed under a local ordinance over the subsequent three years following a vacancy,
4. The measure requires that rent control laws allow landlords a fair rate of return.
5. There is no sunset provision in this measure.

ARGUMENT (S): In your argument, please include a citation to the specific part of the League position that you believe supports your recommendation and explain how it supports your recommendation.

I recommend support for this measure based on the following:

1. Our **Principles** that LWV supports responsible government and a system to "share in the solution of economic and social problems that affect general welfare."
 2. Our **Housing** position to support affordable housing and equal opportunity in housing is undermined by the current crisis we face in the housing shortage statewide and the draconian pressure now with Covid19. This is affecting employment and the capacity of growing numbers of residents to pay rent or mortgage. These dire conditions touch a large and rising percentage of our population, widening the equity gap, and hindering equal opportunity in housing.
 3. Our **Land Use** position calls for decisions to be made at the lowest level of government, while current Costa-Hawkins state law removes ability of local governments to make those decisions.
 4. Our national position of **Meeting Basic Needs** for housing supply is jeopardized as our housing supply in California is now inadequate and jeopardized for those in the rental market due to current housing and Covid-19 conditions.
- In September 2019, LWVC supported the Tenant Protection Act of 2019 citing our positions on equal opportunity to housing, sustainable communities, protection of the rights of tenants and landlords, and the removal of barriers to the development of low- and moderate-income housing.
 - In 2018, LWVC supported the repeal of Costa-Hawkins with a YES vote on Proposition 10, citing support for local communities to respond to the housing crisis in ways appropriate for each locale.

COMMENTS:

The LAO characterizes this measure as a "narrowing" of limits on local rent control laws in Costa-Hawkins, allowing cities and counties to apply rent control on more properties than under current law. It codifies a requirement that landlords are allowed a fair rate of return.

Prior Legislation

- During the 2017/2018 legislative term, AB 1506 to repeal Costa-Hawkins was introduced. It failed in the Housing & Community Development Committee.
- In November 2018, 59 percent of voters rejected Proposition 10 which would have allowed local governments to adopt rent control on any type of rental housing.

History of this Measure

- Following the defeat of Prop 10 in November 2018 and numerous legislative attempts to address housing costs, proponents of this measure requested a circulating title and summary on April 18, 2019 and reached a 25% signature collection threshold by August 7, and 50% by August 29, requiring joint committee hearings in the legislature.
- Meanwhile, sponsors of AB 1482, introduced on February 22, were amending the bill and gaining endorsement by Governor Newsom by August 7. Further amendments tightened language on just-cause evictions and lengthened the sunset provisions to 10 years, leading to Governor Newsom's approval on October 8th.
- Proponents of this measure submitted nearly a million signatures on December 5; signatures were certified, and the measure became eligible for the November ballot on February 3, 2020.

COMMENTS, CONTINUED:

Background

Based on Census data between 2000 and 2017, nationwide renter populations increased a median of 31 percent while those in owner-occupied units increased by a median of only 7 percent. Over 17 million people are renters in California. Of those renters, more than 9 million tenants were considered rent burdened, spending more than 30 percent of their incomes on housing.

About 23 out of 482 California cities have strong rent control ordinances. Prior to the signing of the Tenant Protection Act in October 2019, several cities (City of Commerce, Culver City, Redwood City, and Vallejo) enacted emergency, temporary ordinances to impose rent control pending enactment of permanent rent control. Local sentiments for rent control vary: between 2016 to 2019, there were 17 rent control questions on local ballots, with 7 passing and 10 failing.

California's housing shortage, and rental properties in particular, is reflected in intense upward pressure on rental rates, made less affordable by stagnant wages, reduced access to mortgage credit, demographic shifts (millennials with strong rental tendencies), and "gentrification" and re-development causing market rates on redeveloped properties. A 2018 study by UCLA found that higher median rent and home prices are strongly correlated with more people living on the streets or in shelters.

Movements asserting housing as a basic human right have led to protests such as Moms 4 Housing, a group of homeless black mothers who commandeered an empty home in Oakland in fall 2019 and more than a dozen families who seized vacant, government-owned homes in the El Sereno neighborhood of Los Angeles in March 2020.

While economists argue that rent control ignores the message of rising prices (i.e., build more housing), some studies show that rent-control policies have been effective at shielding tenants from evictions and sudden rent increase.

Current Situation: COVID Impacts

- **Eviction Moratorium** – On March 27, 2020, Governor Newsom signed an executive order banning the enforcement of eviction orders for renters affected by COVID-19 through May 31, 2020. Statewide and national rent strikes are gaining strength arguing for "Food, Not Rent." Landlords are worried about paying mortgages and other bills. The CA Apartment Association is urging members to stop evictions, cancel planned rent increases, waive late fees and pursue state and federal aid.
- **House Everyone** - The Covid crisis has led to an urgent response by some cities like San Diego and Los Angeles to immediately remove people living on the street to protect public health, with increasing sentiment that cities should commandeer hotel rooms for people experiencing homelessness.
- **Longer Term Effects** - Widespread unemployment and slow unemployment benefits will further impact rent-burdened tenants. Financially impacted landlords could lead to eventual foreclosures, disrupting tenants. Perceptions against building greater density could limit increase in affordable housing.

Fiscal Analysis (LAO)

Overall, the measure would likely reduce state and local revenues in the long term, largely in property taxes, depending on how communities respond to the measure. Local government costs could increase due to administrative and regulatory costs.

(boldface indicates financial contributions as of 5/6/20)

Supporters

Bernie Sanders, Senator (D-VT)
Maxine Waters, Congresswoman (D-CA 43)
Dolores Huerta, Founder, Dolores Huerta Foundation
Alliance of Californians for Community Empowerment (ACCE)

AIDS Healthcare Foundation

National Lawyers Guild of Los Angeles

Opponents

California Apartment Association
Prometheus Real Estate Group
Essex Property Trust