



California Apartment Association

[Redacted]
[Redacted] caanet.org

January 29th, 2018

Mayor Sam Liccardo & City Council
200 E. Santa Clara St.
San Jose, CA 95113

Mayor Liccardo and the City Council

On the January 30th Council agenda, item 3.3, you will be considering the 2018 Legislative Guiding Principles. A component of those guiding principles prioritizes the repeal of Costa Hawkins. Recently, the State Legislature vigorously debated the topic of Costa Hawkins and they ultimately voted to reject the proposal. Despite the intent of the Legislature to maintain Costa Hawkins, the City is still pursuing it's repeal.

Costa Hawkins serves an important role in the development of new housing and the maintenance of existing housing. The continued push for legislation to repeal Costa Hawkins, when it will not add any new housing units or make housing any cheaper, is a lost opportunity. It's time that the City takes its significant influence to support legislation that address those challenges.

The California Apartment Association is asking the Council to not prioritize the repeal Costa Hawkins and instead focus on housing focused legislation that will actually produce housing and do something meaningful to address the affordability challenges. One such bill is Senate Bill 827 by State Senator Scott Wiener. This bill would focus on housing developments around transit options.

I have attached a copy of a letter co-signed by 10 statewide organizations that all opposed Assembly Bill 1506, which called for the repeal of Costa Hawkins. This letter goes into greater detail on why maintaining Costa Hawkins is so critical.

Sincerely,

[Redacted Signature]

Anil Babbar

Vice President Public Affairs

California Apartment Association



January 4, 2018

The Honorable Richard Bloom
California State Assembly
State Capitol, Room 2003
Sacramento, CA 95814

RE: AB 1506 (Bloom) – Costa-Hawkins Repeal – Rent Control - Oppose

Dear Assembly Member Bloom:

The organizations listed here have taken an oppose position on AB 1506, your legislation that proposes to repeal the Costa-Hawkins Rental Housing Act, a California law that created a statewide formula for local governments to follow if they elect to implement rent control. Costa-Hawkins was a response to stringent rent control laws that had proven to hurt tenants, landlords, and local housing markets.

While Costa-Hawkins does allow local governments to pass a rent control law, the important provisions of the state law help to ensure that the local housing market is not hampered by stringent controls. Most important, the state law (1) exempts new construction built after 1995 from local rent control laws, (2) exempts single-family homes from any form of rent control, and (3) requires all local rent control laws to contain a “vacancy decontrol” provision to allow the rental price to increase after a tenant moves out. If Costa-Hawkins were to be repealed, cities and counties in California could adopt rent control measures without any limitations.

History has shown us that rent control clearly does more harm than good. AB 1506 would be devastating to California’s ongoing housing crisis and would have very serious and harmful consequences to our economy. Among other things, it would:

- **Spread Extreme Rent Control Throughout California**– By overturning long-standing state policy, AB 1506 gives the green light to extreme versions of rent control throughout California.

- **Stop New Housing Construction** - New housing development would come to a standstill under AB 1506. What developer and builder in his or her right mind would build in a city that controls rents on new construction? In a recent report, the Legislative Analyst concluded that “Rent control will do nothing to increase our supply of affordable housing and, in fact, likely would discourage new construction.”¹
- **Expand Rent Control to Single-Family Homes and Condos** – AB 1506 would expand rent control to single-family homes and condominiums. The majority of rental units in California are located within small properties owned by “mom and pop” landlords. AB 1506 targets family owned-and-operated rental homes.
- **Provide a Strong NIMBY Tool** – AB 1506 is a dream come true for individuals who want to stop new housing development (not in my backyard advocates) in California. In fact, one of the same proponents of the measure unnecessarily sponsored a local ballot measure last year in Los Angeles to stop all housing construction in the city.
- **Diminish the Quality of Housing** – Under AB 1506, rental property owners would not be able to afford to adequately maintain their buildings. According to the Legislative Analyst, “By depressing rents, rent control policies reduce the income received by owners of rental housing. In response, property owners may attempt to cut back their operating costs by forgoing maintenance and repairs. Over time, this can result in a decline in the overall quality of a community’s housing stock.”
- **Hurt Low-Income Individuals & Families** – Numerous studies have shown that while rent control seeks to help low-income tenants, gentrification in strict rent control cities occurs.² Cities with strict rent control see more renters with higher incomes and higher education after the implementation of strict rent control.³ Rental units are hoarded by these tenants who benefit by rent control regardless of their income. According to the Legislative Analyst, “Households looking to move to California or within California will continue to face stiff competition for limited housing, making it difficult for them to secure housing that they can afford.” The Analyst confirmed that, rent control would “benefit the more affluent renters.”
- **Lower the Number of Rental Units** – Not only would AB 1506 halt new housing construction, it would certainly result in a loss of rental units throughout the State. Cities with stringent forms of rent control, such as San Francisco and Santa Monica, have lost large numbers of rental units as a result of rent control. Rental property owners convert their housing to another use – owner-occupied, tenancies in common – or keep their units off the market altogether.

¹ *Perspective on Helping Low Income Californians Afford Housing*, February 9, 2016. <http://www.lao.ca.gov/Publications/Report/3345>

² Michael St. John and Associates, “Rent Control in Perspective: Impacts on Citizens and Housing in Berkeley and Santa Monica Twelve Years Later.” (Berkeley: St. Michaels and Associates, 1993)

³ *Rent Control Issues and Impacts 2003 Sacramento Regional Research Institute, SACTO and CSUS, July 2003*

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While the intended goal of rent control may be laudable on its face, the reality is that people who were not intended to be the beneficiaries of rent control – middle- and upper-class savvy professionals – benefit the most; they stay for extended periods of time in the units, forcing low-income renters into higher-priced, distant housing, further away from their jobs and schools.

Rent control is universally regarded as a failed experiment. It is a politically expedient, reckless response that hurts California's housing market. We encourage you to focus on viable, long-term solutions to California housing challenges. The best way to impact California's housing crises and to truly help the state's individuals and families over the long term is to focus on housing production.

Thank you for your consideration.

Respectfully,

California Apartment Association
California Association of Realtors
California Building Industry Association
California Business Properties Association
California Chamber of Commerce
California Downtown Association
California Federation of Independent Businesses
California Mortgage Bankers Association
Civil Justice Association of California
Federation of CA Builders Exchanges

cc: Assembly Member David Chiu
Assembly Member Rob Bonta
Senator Ben Allen
Assembly Housing and Community Development Committee Members