

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: February 7, 2019

TO: Honorable Members of the Rules, Elections & Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 19-0002-S6
Assignment No: 19-01-0069

SUBJECT: Resolution to Support or Sponsor legislation to reform the Costa-Hawkins Rental Housing Act.

CLA RECOMMENDATION: Adopt Resolution (O'Farrell – Harris-Dawson) to include in the City's 2019-2020 State Legislative Program, SUPPORT or SPONSORSHIP of legislation which would reform the Costa-Hawkins Rental Housing Act to give cities options to enact local housing policies.

SUMMARY

Resolution (O'Farrell – Harris-Dawson), introduced November 14, 2018, advises that Los Angeles continues to face a housing crisis with 60 percent of renters rent-burdened despite an increase to the development of affordable housing. California voters rejected Proposition 10, which would have repealed the Costa-Hawkins Rental Housing Act of 1995, a State law that limits the City's ability to expand rent control measures.

The Resolution further advises that the Los Angeles Times Editorial Board affirmed that the Governor and State Legislature should address State rent control restrictions to protect tenants and encourage the construction of new units. Due to the impact of unaffordability on the City, the failure of Proposition 10 should begin a new discussion to forge creative solutions to the crisis, including "rolling rent control" whereby buildings would be subject to rent control once they reach a certain age.

The Resolution recommends that the City support or sponsor legislation that would reform the Costa-Hawkins Rental Housing Act to give cities options to enact local housing policies.

BACKGROUND

The Costa-Hawkins Rental Housing Act of 1995 (Costa-Hawkins) allows an owner of residential property to establish initial and all subsequent rental rates for units that have a certificate of occupancy issued after February 1, 1995 or were already exempt from rental controls. Costa-Hawkins has prevented local jurisdictions from creating new rent controls or expanding established rent control laws. Due to the State-wide affordable housing shortage and ongoing reduction of rent controlled units, there have been repeated attempts to amend or repeal Costa-Hawkins, which have been repeatedly rejected by the State Legislature. Proposition 10, also known as the Affordable Housing Act, was an initiative placed on the November 2018 State ballot to

repeal the Costa Hawkins Rental Housing Act. Despite representing a complete repeal of Costa-Hawkins, Proposition 10 guaranteed a fair rate of return for landlords. The initiative was rejected by voters by a margin of 59.4% to 40.6%.

Reforming Costa-Hawkins would provide cities with increased flexibility to enact laws that would aid renters and prevent displacement. Reforms could also retain measures to allow for a fair rate of return.

The 2019-2020 legislative session for the California Legislature began on December 3, 2018 and, as of this report, no legislation regarding the reform of Costa-Hawkins has been introduced in either chamber of the State Legislature.

Support or sponsorship for legislation that would reform the Costa-Hawkins Rental Act is consistent with past City efforts to expand policy options for the creation or preservation of affordable housing.

DEPARTMENTS NOTIFIED

Housing and Community Investment Department of Los Angeles


Andy Galan
Analyst

Attachments: 1. Resolution (O'Farrell – Harris-Dawson)

RESOLUTION

RULES, ELECTIONS, INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, despite efforts to increase the development of affordable housing units, the City of Los Angeles continues to face a housing crisis, with nearly 60 percent of renters spending more than 30 percent of their income toward housing and nearly 1/3 of all renters spending more than 50 percent; and

WHEREAS, California voters recently turned down Proposition 10, which would have repealed the Costa-Hawkins Rental Housing Act of 1995, a State law that limits the City's ability to expand the Rent Stabilization Ordinance (RSO) to protect more tenants; and

WHEREAS, Motion (O'Farrell-Wesson C.F. 14-0268-S14) calls on the City to evaluate the RSO and look for creative solutions to the affordability problem that, left unchecked, will become an even greater issue; and

WHEREAS, the Los Angeles Times Editorial Board affirmed that in light of the defeat of Proposition 10, Governor Newsom and the Legislature should take on the issue that Proposition 10 sought to address-namely how to ease existing State restrictions on rent control in order to protect tenants while also encouraging the construction of market and affordable units; and

WHEREAS, given the degree of unaffordability that continues to impact the City, the failure of Proposition 10 cannot be the end of discussion on the issue, rather, this is the time to start a new discussion to forge creative solutions to the crisis; and

WHEREAS, creative solutions to housing affordability might include "rolling rent control" whereby buildings would be subject to rent control once they reach a certain age; and

WHEREAS, with the majority of Los Angeles renters burdened with the high cost of housing, the status quo is unacceptable and the City of Los Angeles should seek legislation that would allow for moderate rent control provisions adopted at the local level, that focus on helping tenants live in clean, safe housing while maintaining landowners right to reasonable profit;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 State Legislative Program SUPPORT or SPONSORSHIP of legislation which would reform the Costa-Hawkins Rental Housing Act to give cities options to enact local housing policies.

PRESENTED BY: 
MITCH O'FARRELL
Councilmember, 13th District

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SECONDED BY: _____
