

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: March 9, 2020

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

FROM: Sharon M. Tso *ST* Council File No: 20-0002-S6
Chief Legislative Analyst Assignment No: 20-02-0135

SUBJECT: Resolution (Bonin/Koretz/Harris-Dawson) to Support the California Local Rent Control Initiative

CLA RECOMMENDATION:

Adopt the revised Resolution to include in the City's 2019-2020 State Legislative Program SUPPORT for the California Local Rent Control Initiative, which would allow local governments to establish rent control on residential properties over 15 years old.

SUMMARY:

Resolution (Bonin/Koretz/Harris-Dawson), introduced on January 21, 2020, states that Los Angeles is in the midst of a severe housing affordability crisis, with the current median rent for a two bedroom being \$3,200 a month and the median household income only \$51,538.

The Resolution explains that the Costa-Hawkins Rental Housing Act, which was signed into law by Governor Pete Wilson in 1995, places significant limits on the ability of cities in California to implement rent control for any single family home or condominium, in addition to any apartment constructed after February 1995. The Resolution explains further that Costa-Hawkins prohibits cities that established rent control laws prior to the Act's passage in 1995 from expanding rent control, and that, consequently, the City of Los Angeles cannot place rent control on apartments built after 1978. Finally, the Resolution states that Costa-Hawkins also prohibits cities from implementing strict rent control, known as "vacancy control," which enables landlords to raise the rental price to any amount following a tenant vacating a unit. The Resolution indicates that the Costa-Hawkins Rental Housing Act continues to impede permanent changes to local rent control ordinances, threaten the affordable rental housing stock, imperil tenants, and contribute to our worsening homelessness crisis.

The Resolution notes that on January 1, 2020, AB 1482 (Chiu), also called the Tenant Protection Act of 2019, took effect in California, caps rent increases statewide at five percent plus local inflation per year for the next ten years, and that AB 1482 expires after ten years unless extended. The California Rent Control Initiative would allow local governments to adopt rent control on housing units, with exceptions for units first occupied within the last 15 years, and units owned by natural persons who own no more than two single-family units, may appear on the ballot on November 3, 2020. The Resolution explains further that under this measure, landlords would be able to increase rent by 15 percent during the first three years following a vacancy.

The Resolution states that the City faces an affordable housing crisis that demands a long-term solution, and the California Local Rent Control Initiative would codify rent cap protections over the long-term.

Therefore, the Resolution (Bonin/Koretz/Harris-Dawson) recommends that the City include in its 2019-2020 State Legislative Program support for the California Local Rent Control Initiative.

BACKGROUND:

Prior to the passage of the Costa-Hawkins Rental Housing Act in 1995, local governments were permitted to enact rent control, provided that landlords would receive just and reasonable returns on their rental properties. Since 1995, Costa-Hawkins has prevented cities from establishing rent control on units constructed after February 1995, protected a landlord's right to raise the rent to market rate on a unit once a tenant moves out, exempted single-family homes and condos from rent control restrictions, and prevented cities from updating date-of-construction provisions in ordinances in place at the time of its passage. The City of Los Angeles passed its main rent control law, the Rent Stabilization Ordinance (RSO), in 1979. However, Costa-Hawkins also restricts rent control to units built prior to October 1978, thereby impeding the capacity for RSO to preserve the City's affordable housing stock as the housing market continues to evolve.

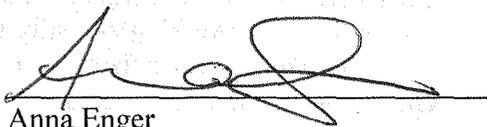
Although the consequences of Costa-Hawkins may have seemed relatively insignificant in the years immediately following its passage, the law's strict limitations on local governance have made it difficult for the City of Los Angeles to prevent and curtail increasing homelessness and housing unaffordability. In the past four years alone, the number of homeless people in Los Angeles increased by at least 33 percent, according to the Los Angeles Homeless Services authority, and the January Public Policy Institute of California report indicates that more than half of the City's households pay more than 30 percent of their income on rent.

In 2018, voters in California rejected Proposition 10, which would have allowed local governments to adopt rent control on any type of rental housing. However, voters may have the opportunity to repeal Costa-Hawkins again, should they pass the California Local Rent Control Initiative, which was approved in December of 2019 by the Secretary of State to appear on the November 2020 ballot. If passed, the new law would not lead to immediate widespread rent stabilization on California's urban housing markets due to a number of exemptions for landlords and developers. The initiative would not apply to housing first occupied within the past 15 years, it would allow landlords to increase rental rates by 15 percent during the first three years following a vacancy, and owners of one or two homes would be exempt from the proposed law. Moreover, the law would only permit, and not require, that local governments impose rent control. The California Local Rent Control Initiative would build upon AB 1482 (Chiu), approved by Governor Newsom on October 8th, 2019, which restricts rent increases to 5% each year plus inflation until Jan. 1, 2030, and prohibits landlords from evicting tenants without just cause in order to increase rent.

The Resolution has been revised to make a technical change to specify "State Legislative Program".

DEPARTMENTS CONTACTED

Housing and Community Investment Department



Anna Enger
Analyst

Attachment: Revised Resolution

RESOLUTION

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 first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, like many other jurisdictions in California, Los Angeles is in the midst of a severe housing affordability crisis, where the current median rent for a two bedroom is \$3,200 a month, while the median household income is only \$51,538; and

WHEREAS, the Costa-Hawkins Rental Housing Act, signed into law by Governor Pete Wilson in 1995, places significant limits on the ability of cities in California to implement rent control for any single family home or condominium, and any apartment constructed after February 1995; and

WHEREAS, Costa-Hawkins prohibits cities that established rent control laws prior to the Act's passage in 1995 from expanding rent control, and consequently, the City of Los Angeles cannot place rent control on apartments built after 1978; and

WHEREAS, Costa-Hawkins also prohibits cities from implementing strict" rent control, known as "vacancy control," which enables landlords to raise the rental price to any amount following a tenant vacating a unit; and

WHEREAS, on January 1, 2020, AB 1482, the Tenant Protection Act of 2019, which caps rent increases statewide at five percent plus local inflation per year for the next ten years, took effect in California, and expires after ten years unless extended; and

WHEREAS, the California Rent Control Initiative, which would allow local governments to adopt rent control on housing units, with exceptions for units first occupied within the last 15 years, and units owned by natural persons who own no more than two single-family units, may appear on the ballot on November 3, 2020; and

WHEREAS, under this measure, landlords would be able to increase rent by 15 percent during the first three years following a vacancy; and

WHEREAS, the Costa-Hawkins Rental Housing Act continues to impede permanent changes to local rent control ordinances, threaten the affordable rental housing stock, imperil tenants, and contributes to our worsening homelessness crisis; and

WHEREAS, the City faces an affordable housing crisis that demands a long-term solution, and the California Local Rent Control Initiative would codify rent cap protections over the long-term;

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 for the California Local Rent Control Initiative, which would allow local governments to establish rent control on residential properties over 15 years old.

RESOLUTION

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, like many other jurisdictions in California, Los Angeles is in the midst of a severe housing affordability crisis, where the current median rent for a two bedroom is \$3,200 a month, while the median household income is only \$51,538; and

WHEREAS, the Costa-Hawkins Rental Housing Act signed into law by Governor Pete Wilson in 1995 places significant limits on the ability of cities in California to implement rent control for any single family home or condominium, and any apartment constructed after February 1995; and

WHEREAS, Costa-Hawkins prohibits cities that established rent control laws prior to the Act's passage in 1995 from expanding rent control, and consequently, the City of Los Angeles cannot place rent control on apartments built after 1978; and

WHEREAS, Costa-Hawkins also prohibits cities from implementing "strict" rent control, known as "vacancy control," which enables landlords to raise the rental price to any amount following a tenant vacating a unit; and

WHEREAS, on January 1, 2020, AB 1482, the Tenant Protection Act of 2019, took effect in California; and

WHEREAS, this law caps rent increases statewide at five percent plus local inflation per year for the next ten years; and

WHEREAS, AB 1482 expires after ten years unless extended; and

WHEREAS, the California Local Rent Control Initiative may appear on the ballot on November 3, 2020; and

WHEREAS, this measure would allow local governments to adopt rent control on housing units, with exceptions for units first occupied within the last 15 years, and units owned by natural persons who own no more than two single-family units; and

WHEREAS, under this measure, landlords would be able to increase rent by 15 percent during the first three years following a vacancy; and

WHEREAS, the Costa-Hawkins Rental Housing Act continues to impede permanent changes to local rent control ordinances and threatens affordable rental housing stock, imperils tenants, and contributes to our worsening homelessness crisis; and

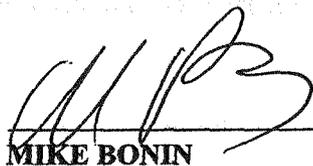
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WHEREAS, the City faces an affordable housing crisis that demands a long-term solution; and

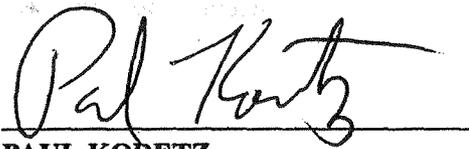
WHEREAS, the California Local Rent Control Initiative would codify rent cap protections over the long-term; and

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 Federal Legislative Program SUPPORT for the 2020 California Local Rent Control Initiative.

PRESENTED BY:



MIKE BONIN
Councilmember, 11th District



PAUL KORETZ
Councilmember, 5th District

SECONDED BY:

