

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: April 30, 2020

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

FROM: Sharon M. Tso
Chief Legislative Analyst

Council File No: 20-0002-S53
Assignment No: 20-04-0451

SUBJECT: Resolution (O'Farrell-Martinez) to Support Legislation to Suspend or Lift the Provisions of Costa-Hawkins

CLA RECOMMENDATION:

Adopt Resolution (O'Farrell-Martinez) to include in the 2019-2020 State Legislative Program SUPPORT for legislation to suspend or lift the provisions of Costa-Hawkins.

SUMMARY:

Resolution (O'Farrell-Martinez) (C.F. 20-0002-S53), introduced on April 22, 2020, states that prior to the outbreak of COVID-19, the State of California was already in the midst of a housing affordability crisis which disproportionately affects low-income renters. The Resolution notes that although the measures taken to contain the virus have limited the ability of many families to earn their livelihood to pay their rent, the Costa-Hawkins Rental Housing Act (Costa-Hawkins) prohibits local jurisdictions from establishing rent control on buildings with a certificate of occupancy issued after 1995, insulating those units from any kind of rent control. The Resolution explains further that the Costa-Hawkins Act ensures that the City of Los Angeles cannot expand Rent Stabilization Ordinance (RSO) protections past 1978, and that a much more equitable approach for renters is a dynamic threshold that changes annually, similar to the recently passed AB 1482 (Chiu).

The Resolution states that on March 30, 2020, Mayor Garcetti halted rent increases for the duration of the COVID-19 pandemic, but that further action will be necessary to adequately protect the City's residents. The Resolution explains that local rent control for non-RSO units may only be accomplished through a suspension or lifting of the provisions of the Costa-Hawkins Act, thereby providing additional assistance for millions across the State of California and preventing further homelessness. The Resolution therefore recommends that the City include in its 2019-2020 State Legislative Program support for legislation or administrative action by the State Legislature or Governor that would suspend or lift the provisions of the Costa-Hawkins Rental Housing Act for the duration of the local emergency to allow local governments to enact rent increase moratoriums on market-rate rental units.

BACKGROUND:

Costa-Hawkins, passed in California in 1995, prohibits cities from establishing rent control on units constructed after February 1995; protects a landlord's right to raise the rent to market rate on a unit once a tenant moves out; exempts single-family homes and condos from rent control restrictions; and prevents cities from updating date-of-construction provisions in ordinances in place. Passed in 1979, the City of Los Angeles's rent control law, the Rent Stabilization Ordinance (RSO) applies to rental units built before 1978. However, Costa-Hawkins restricts rent control in the City to those units built

prior to October 1978, thereby limiting the effect of the RSO to a narrow portion of the City's housing stock.

The provisions of Costa-Hawkins have contributed to California's affordable housing crisis and has made it difficult for the City to address it. Without the capacity to establish rent control on the vast majority of units in the housing stock, the City and State were both unable to curtail the crisis in its early stages and have struggled to protect rent burdened tenants from falling into homelessness. The intention of Costa-Hawkins to protect homeowners, at the expense of renters, would be well-suited to a city with a housing market primarily composed of owner-occupied units, but has proven to be problematic in practice for a city in which the vast majority of residents are rent-burdened tenants. The City of Los Angeles has evolved over the course of the past four decades to become one of the country's cities with the highest percentage of renters. According to the LA Times, fewer than 40 percent of the City's units today are owner-occupied. Moreover, 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.

The COVID-19 pandemic requires that governments at the local, county, state, and federal levels consider policies that ensure the protection of public health. The economic devastation of the pandemic as a result of extraordinary rates of unemployment and job loss has greatly increased the gravity of the financial burdens imposed on renters. Suspending Costa-Hawkins for at least the duration of the emergency period can be understood as a legislative move to navigate and manage the fallout of the pandemic that is already occurring. Extending rent control measures to units that are not currently under the City's RSO would provide an opportunity to moderate the severe economic impacts of the pandemic. The Wall Street Journal reports that nearly a third of renters in the United States did not pay rent in April. Hence, whether or not the provisions of Costa-Hawkins remain in effect, a sizable portion of renters are unable to pay their rent and are choosing not to do so. If the State Legislature were to suspend the provisions of Costa-Hawkins during this period of emergency, the City of Los Angeles would be better positioned to protect its residents in their economic recovery, thereby also aiding their landlords in recovering their income from their investment properties in the long-term.

DEPARTMENTS CONTACTED:

Housing and Community Investment Department
Department of City Planning

Anna Enger - rg

Anna Enger
Analyst

Attachment: Resolution

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, prior to the outbreak of COVID-19, the State of California was already in the midst of housing affordability crisis which disproportionately affects low-income renters; and

WHEREAS, the spread of COVID-19 and measures taken to limit its spread have limited the ability of many families to earn their livelihood to pay for rent and basic necessities; and

WHEREAS, the Costa-Hawkins Rental Housing Act (Costa-Hawkins) prohibits local jurisdictions from establishing rent control on buildings with a certificate of occupancy issued after 1995, insulating those units from any kind of rent control; further, the Costa-Hawkins Act ensures that the City of Los Angeles cannot expand RSO protections past 1978, a much more equitable approach for renters is a dynamic threshold that changes annually, similar to the recently passed AB 1482 (CHIU); and

WHEREAS, on March 30th Mayor Garcetti took action and increased protections for residents living in RSO properties, halting rent increases for the duration of the COVID19 pandemic, further action would be needed to greatly increase the universe of protections for the City's 4 million plus residents; and,

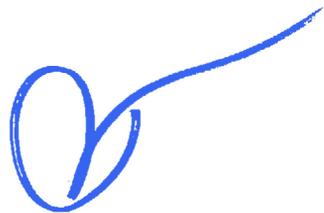
WHEREAS, local rent control for market-rate units (non-RSO units) may only be accomplished through a suspension or lifting of the provisions of the Costa-Hawkins Act, eliminating this established preemption could prevent people to fall into homelessness and provide additional assistance for millions across the State of California; and,

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 legislation or administrative action by the Governor of California, or the State Legislature, that would suspend or lift the provisions of the Costa-Hawkins Rental Housing Act for the duration of the local emergency to allow local governments to enact rent increase moratoriums on market-rate rental units.

PRESENTED BY: 

MITCH O'FARRELL
Councilmember, 13th District

SECONDED BY: 



APR 2 2 2020

ORIGINAL