



To: RCRC Board of Directors
From: Paul A. Smith, Senior Vice President Governmental Affairs
Tracy Rhine, Legislative Advocate
Date: June 9, 2020
Re: Rental Affordability Act - **ACTION**

Summary

This memo provides an overview of the “Rental Affordability Act,” which attempts to address the state’s affordable housing crisis. The Rental Affordability Act will appear on the November 2020 General Election ballot for consideration. RCRC staff is recommending the RCRC Board of Directors adopt a “No Position” position on this measure.

Background

In response to rent control policies of several larger cities, the Costa-Hawkins Rental Housing Act was enacted in 1995 to limit a local government’s ability to impose rental rate restrictions. While Costa-Hawkins did not completely prohibit locally-adopted rent control measures, it imposed the following limitations:

- Housing constructed after February 1, 1995 must be exempt from rent control;
- Housing that was already exempt from a local rent control law in place on, or before, February 1, 1995, must remain exempt;
- Exempts from rent control single family homes and other units, such as condominiums, that are separate from the title to any other dwelling units, where the tenancy began on or after January 1, 1996; and,
- Allows landlords to establish a new rental rate where the former tenant has voluntarily vacated or is lawfully evicted for cause. This is commonly referred to as “vacancy decontrol”.

In November 2018, voters considered Proposition 10, the “Affordable Housing Act,” which would have repealed the Costa-Hawkins Rental Housing Act (Costa-Hawkins) and permitted local governments to adopt rent control ordinances. Proposition 10 did not require rent control to be established in any local jurisdiction, but reinstated a local governments’ ability to develop rental policies. After much discussion, the RCRC Board of Directors ultimately adopted a “No Position” position on Proposition 10. Proposition 10 was rejected statewide with 59.8 percent of the vote. The measure only secured passage in two counties – Alameda and San Francisco.

In 2019, the Legislature adopted Assembly Bill 1482 (Chiu), California's first statewide rent cap. The rent cap sets the maximum annual increase at 5 percent for most apartment-style housing plus regional inflation and provides eviction protections to longtime tenants.

Issue

If approved by voters in November 2020, the Rental Affordability Act could add another tool to address the lack of affordable housing options in California. Specifically, the Rental Affordability Act gives local jurisdictions more authority to establish their own rent controls on housing that is 15 years or older, including for landlords who own and let three or more single-family homes. Cities and counties would be authorized to limit the amount a landlord can increase rents when a new renter moves in. And, if a city/county exercises this option, they must allow the landlord, at his/her consent, to increase rents by up to 15 percent during the first three years after the new renter moves in. Like the 2019 statewide rent cap, imposed by AB 1482, the measure would exempt units that are less than 15 years old, though unlike AB 1482 - which expires in 2030 - the changes would be permanent.

Academic research on the efficacy of rent control policies addressing long term access and affordability of housing is mixed. However, most economists agree that rent controls will lead to an overall decrease in housing construction, which will exacerbate California's housing shortage and affordability crisis. Nonetheless, rent control has been found to keep individuals in their homes longer, and allowing a local jurisdiction to develop policies that may benefit an individual community should be within the purview of the local government.

Staff Recommendation

Similar to the position from Proposition 10 in 2018, RCRC staff recommends the RCRC Board of Directors adopt a "No Position" position on the Rental Affordability Act.

Attachment

- Copy of the Rental Affordability Act