CITY OF GLENDALE, CALIFORNIA
REPORT TO THE:

Joint ☐ City Council ☒ Housing Authority ☐ Successor Agency ☐ Oversight Board ☐

November 13, 2018

AGENDA ITEM

Agenda Item: Discussion and Direction on Consideration of an Ordinance Establishing a Program of Residential Rent Control/Rent Stabilization

(1) Motion Directing Staff to Draft an Ordinance Establishing a Program of Residential Rent Control/Rent Stabilization;
(2) Introduction of an Urgency Ordinance Enacting a Six-Month Moratorium on Rent Increases;
(3) Motion To Receive and File Report on Proposed Consideration of an Ordinance Establishing a Program of Residential Rent Control/Rent Stabilization in Glendale or Provide Direction, as Deemed Appropriate, on Any Alternative Programming;
(4) Resolution of Appropriation From the General Fund in the Amount of $150,000 for Education and Staffing Outreach Efforts Related to Urgency Rent Control Ordinance Efforts or, for Research, Analysis, and Staffing Costs Associated with any Alternative Direction Provided.

AUTHORITY ACTION

Public Hearing [ ] Ordinance [X] Consent Calendar [ ] Action Item [X]

Report Only [ ] Approved for November 13, 2018 calendar

ADMINISTRATIVE ACTION

Signature

Submitted
Philip Lanzafame, Director, Community Development.....

Prepared
Peter Zovak, Assistant Director, Community Development .....

Sipan Zadoryan, Housing Associate, Community Development

Approved
Yasmin K. Beers, City Manager .....

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Reviewed

Michael J. Garcia, City Attorney .....

Lucy Varpetian, Senior Assistant City Attorney .....

Robert P. Elliot, Director, Finance .....

RECOMMENDATION

That the Glendale City Council (City Council) receive and file this report and provide direction on consideration of an ordinance establishing a program of residential rent control on certain residential units within the City of Glendale or consider alternative programming. If City Council directs staff to prepare a rent control ordinance, then staff recommends introduction and adoption of an urgency ordinance enacting a six-month moratorium on rent increases while staff prepares a draft ordinance. Finally, if direction to prepare a rent control ordinance or evaluate alternatives is authorized, then staff requests approval of a Resolution of Appropriation from the General Fund for education and staffing outreach efforts related to urgency rent control ordinance efforts or, for research, analysis, and staffing related to costs associated with any alternative direction provided.

SUMMARY

Over the course of the last 2 years, the City Council and Glendale Housing Authority (Housing Authority) have held a series of meetings and recevied numerous reports on affordable housing related issues impacting residents. The analysis provided and discussions held were similar to actions taking place simultaneously in other communities. The data shows that there are challenges of rising housing costs, in particular rapidly rising and unaffordable rental rates on lower income households, and that it is impacting nearly all California communities. Much of the discussion and evidence pointed to the fact that housing production, on a statewide level, has not kept pace with increasing demand, lagging household income and revenue sources are not available to pay for housing, and there are a host of political and economic issues outside the purview/control of the City.

Despite the number of internal and external challenges in providing affordable housing options, the City Council/Housing Authority has taken substantive actions aimed to help address/promote the development of more housing affordable across all segments of the community. Those actions led to the adoption of an Affordable Housing Strategy (Strategy) in December 2017 and an Affordable Housing Legislative Platform in July 2018.

The Strategy provides a framework of how the City intended to address affordable housing development priorities and workload moving forward. Examples of such priorities and workload include:

- Creation of an Inclusionary Zoning ordinance *(ongoing)*;
- Creation of a Development Impact and In-Lieu Fee revenue stream for affordable housing production *(ongoing and included in the current discussion of an Inclusionary Zoning Ordinance)*;
- Commitment of affordable housing funding for new housing projects – *(a Statement of Interest has been issued to developers and Housing staff have identified and are currently pursuing possible land acquisition opportunities)*;

- Land use changes allowing the construction of Accessory Dwelling Units and adoption of the Tropico Center Plan (*completed/ongoing*);
- Setting a Legislative Platform for federal and state lobbying efforts geared toward benefitting Glendale and its residents, in the area of affordable housing (*ongoing*); and
- Development of a Right To Lease ordinance to provide tenants some stability in a volatile rental market and to minimize displacement caused by significant rental rate increases (*ongoing, proposal pending*).

The affordable housing Legislative Platform is a sustained and ongoing process that conveys to legislators, policymakers, the public, and the media where the City Council/Housing Authority stands on important housing policy positions via new regulations and policies. The adopted Legislative Platform for Glendale contains 4 legislative proposals that staff is currently working on with its state lobbyists, and both state and federal representatives. The proposals are:

- Rent Increase Noticing - *Propose new timelines (30, 90, 120 days) for landlords implementing rent increases on all multifamily rental units;*
- Repurposing Outstanding Redevelopment Subordinate Taxable Tax Allocation Bonds for Affordable Housing - *Repurpose stalled Glendale redevelopment bonds in the amount of $24-$27 million to affordable housing;*
- Landlord Property Tax Rebate/Reduction for Section 8 Participation - *Provide a property tax rebate or reduction to multifamily property owners who, during the course of the full year, rent a unit to a Section 8 applicant; and*
- Capital Gains Tax Relief for Affordable Housing Land Sales: *Provide financial incentives to owners selling property for affordable housing purposes.*

Despite the extensive efforts of the City Council, Housing Authority, and City staff, community members have continued to express concern about the need for more immediate measures to address rental costs. During this time frame, two resident driven ballot intitiatives for rent control in Glendale were initiated. Both inititiatives failed to qualify for the ballot. The first initiative was deemed inadequate due to legal/procedural errors in its circulation while the second attempt garnered less than half of the required 11,000 signatures to place it on the ballot.

The City Council/Housing Authority also previously held two meetings on the subject of rent control and rent mediation efforts (staff reports attached as Exhibit 1). General information was presented on the concept and history of rent control and some of the arguments made by opponents and proponents of the measure.

No further direction on rent control was provided at that time; however, most recently, at its meeting of September 18, 2018, the City Council requested that a report on rent control once again be prepared for discussion. This request followed the action of the Los Angeles County Board of Supervisors who a week earlier (September 11, 2018) had voted to adopt an interim rent control ordinance in anticipation of a permanent ordinance for unincorporated Los Angeles County areas.

This report provides general information on rent control, some of the key policy points associated with the concept and implementation of an ordinance, some specific information on the County proposal and, if City Council directs preparation of a rent stabilization ordinance, consideration of adoption of an emergency ordinance establishing a moratorium on rent increases for six months while a permanent ordinance is drafted. Also presented within this report are possible alternatives to a traditional rent control program and some conceptual housing programs in-lieu of rent control for consideration.

FISCAL IMPACT

Given certain factors discussed later in this report, there can be significant fiscal impacts/costs associated with the implementation and adoption of a rent control program. Significant time and effort must first be dedicated toward crafting a program and creating an inventory and database of the city's housing stock. Significant outreach and education must be made in advance of, during, and after implementation of an ordinance to both residents within Glendale and to Glendale property owners and management companies throughout the region. Following that, a significant commitment must then be made toward staffing and managing (monitoring) a rent control program. Highly regulated programs will require a significant number of staff, including a manager, administrative personnel, analyst(s), technology staff and software product, accounting staff, legal staff and services, hearing officers and possibly even a rent control board.

No affordable housing funding can be dedicated to creation, enforcement, or oversight of a rent control ordinance as it does not meet the mandated definitions and requirements of affordability necessary to expend housing funds. Most cities (depending upon program size) either subsidize operations using General Funds or fund their program through a cost recovery fee assessed against multi-family property owners that would be subject to the ordinance.

In order to estimate the cost of a rent control program, more information must be obtained on the key elements of program design as directed by the City Council; however, a minimal program is estimated to cost approximately $6,000,000 as explained later in this report. Once key elements can be agreed upon, staff could then begin to estimate and calculate program costs. If the City wished to have the program operations paid for by a cost recovery fee, then a fee assessment would be required to be performed by an outside specialized consulting firm. More information on potential fiscal impacts are provided later in this report.

Preparation of the work described above is considerable and complex and is estimated to take approximately 6-8 months to complete. In the interim, staff is concerned about the immediate potential impacts to renters that have arisen from this public discussion of rent control. Specifically, it appears that some landlords are taking pre-emptive measures to either raise rents or evict tenants. This would undercut the purpose of any potential future rent control regulation and considerably impact its implementation.

Accordingly, if City Council directs staff to prepare a rent stabilization ordinance, staff proposes City Council consider an urgency ordinance that would freeze rents for a six-month period (or other period of time deemed reasonable by City Council) until an ordinance is drafted and submitted to Council for its review and consideration. Accordingly, a Resolution of Appropriation has been prepared in the amount of $150,000. Again, because no housing funds can be utilized for this effort, the appropriation is proposed from the General Fund. Funding for an urgency ordinance would primarily go toward immediate education and staffing outreach efforts related to urgency ordinance efforts.

The account strings for transfer are:

From:	25300-101-000	$150,000	Unallocated, General Fund
To:	47000-101-181	$150,000	Miscellaneous, General Fund, CDD Administration

If the City Council declines to move forward with a permanent rent control program and the aforementioned urgency ordinance and were to direct staff to develop programs in lieu of it, staff would still seek adoption of the Resolution of Appropriation to utilize funding; however, these costs would be associated with development of said housing programs.

BACKGROUND/ANALYSIS

What is Rent Control/Rent Stabilization?

Rent control is the regulation of how much landlords may raise rents on qualified apartment units/tenants from year to year. Rent stabilization is the new nomenclature for these programs as they now go beyond simply controlling rents to developing more intricate policies that offer deeper protections to tenants in an effort to keep people in their homes and maintain stability within a neighborhood or community. Programs also include some flexibility to landlords so as to withstand court challenges. The extent to which these objectives are achieved or other unintended consequences (increased rents, deferred maintenance, and lack of new development) are realized is open to debate and the subject of many academic studies on both sides of the issue. Programs vary in scope and degree of regulation, but are generally designed to address the following areas:

- Control (or regulate) rental rates;
- Rental unit registries and inspections;
- Just-cause for eviction requirements;
- Tenant protections against retaliation; and
- Relocation assistance for non-fault tenant evictions in particular circumstances.

A standard rent stabilization program will permit automatic or inflationary rent increases on an annual basis, typically, but not always, using the Consumer Price Index (CPI) as a measurement. Other policy considerations include tenant buyouts, relocation fees, inspections, and hardship considerations to name a few. Rent levels are not uniform across all units, so they typically vary per unit, per project, and per household and thus require extensive accounting, monitoring and oversight.

The idea of regulating rents received attention throughout the Unites States beginning primarily in the 1940's as a result of concerns with the national economy during World War II (Emergency Price Control Act of 1942). With the end of the war and the normalization of the economy, the Act was allowed to expire in 1947; however, it was replaced with the Federal Housing and Rent Act that remained in effect for a number of years before control was eventually given to states and cities. It was at this time that New York City took control over its local program and it has since become the longest running rent control program in the United States.

As seen in Table 1 below, for the longest time, rent control/rent stabilization in California was limited to only 12 cities. Then, due to recent housing challenges indicated earlier in this report, a slew of new housing initiatives resulted in three new communities adding rent control, some 30 years after the last city to do so. As of the writing of this report, out of over 450 municipalities in California, there are now a total of 15 cities with rent control/rent stabilization programs, along with the County of Los Angeles on record to implement one on November 13, 2018.

Table 1

California Rent-Regulated Laws by Market	
City	**Year Rent Control First Introduced**
Berkeley	1972
Los Angeles	1978
Beverly Hills	1978
Santa Monica	1979
San Jose	1979
San Francisco	1979
Palm Springs	1980
Oakland	1980
Los Gatos	1980
Hayward	1983
East Palo Alto	1983
West Hollywood	1985
Richmond	2016
Mountain View	2016
Alameda	2016
County of Los Angeles (Unincorporated)	2018/2019

**Notes: Rent control was introduced in Santa Rosa from August 2016 to June 2017, but was repealed by ballot initiative in a special election.*

In addition to the above, National City in San Diego County will be voting on a rent control/rent stabilization ordinance in November after a successful resident initiative qualified the measure for the ballot. More locally, much like Glendale's example, supporters of ballot initiatives calling for rent control in the cities of Pasadena, Long Beach and Inglewood did not garner enough valid signatures to qualify the measures for their fall elections.

It is important to note that rent control it is not a mechanism to provide affordable housing, as it is not based upon a renter's income or ability to pay. In fact, many of the cities with rent control (San Francisco, Los Angeles, and Santa Monica) still struggle with the issue of affordability despite rent control measures having been in place for nearly 40 years. What rent control/rent stabilization can do is stabilize rents for existing tenants moving forward, improve predictability for tenants in the future, and preserve the existing cost of housing, albeit unaffordable by definition, that may otherwise become too expensive to retain.

Rent control/rent stabilization simply provides a rent standard for units based upon a rent schedule that is frozen at a particular point in time (most often at some point prior to adoption of an ordinance) and allows rent increases per some set standard, typically CPI or some fixed amount deemed to be reasonable. While the tenants may receive a slight rollback or reduction in rent at the initiation of a rent control ordinance and the security of an objective and/or measured method in which rent increases are tied, it can often take time in terms of occupancy of the same unit, combined with increasing household income, before a unit may become "affordable" to a resident. The duration of more time with that same tenant in the same rent controlled unit may result in reaching a point that the unit is considered below market rate and rent control is no longer needed.

Rent control/rent stabilization ordinances are frequently the subject of litigation. While certain program design features or procedural processes of certain agencies may have been found to be at fault in some court decisions, the courts have generally and consistently affirmed that rent control legislation is a constitutionally valid exercise of city's police power so long as it provides certain constitutional safeguards that permit landlords with a fair return on their investment.

What are the Arguments in Favor and in Opposition to Rent Control/Rent Stabilization?

There is great disagreement on the issue of rent control/rent stabilization and many studies touting its successes and failures can be found and debated without resolution. For brevity, staff has attached two of the most recent studies available that present some data and argue points on both sides of the issue. They include a 2018 Stanford University report titled *"The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco"* that highlights some of the unintended negative consequences rent control has had in San Francisco (Exhibit 2) and a Berkeley University Haas Institute 2018 report titled "*Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California's Renters"* that looks favorably on the concept of rent control (Exhibit 3).

Conclusions reached in the Stanford study state that:

- Landlords of properties impacted by rent control respond over the long term by substituting to other types of real estate, in particular by converting to condos and redeveloping buildings so as to exempt their properties from rent control;
- Rent control led to a city-wide increase in San Francisco rents due to deceased housing supply; and
- In some of the more affluent neighborhoods of San Francisco, tenant turnover in rent-controlled apartments was actually higher, than other areas, creating a disparity in the program and rents.

Conclusions reached in the Berkeley study state that rent control:

- Provides housing stability for existing tenants;
- Is a cost effective and responsive policy approach;
- Improves affordability; and
- Preserves economic diversity.

For additional perspective, staff has presented a compilation of comments/statements/opinions on the issue. These comments are not cited by source; however, they come from the various publications, articles, studies, and people that staff has obtained or spoken to and they represent opinions by those on both sides of the issue. They are consistent with the anecdotal comments heard thus far in Glendale's debate on the issue.

Comments In Favor of Rent Control:

"By responding to the urgent needs of residents facing displacement, rent control gives us a chance to continue working on a long-term strategy that integrates renter protections with housing production. The key concern is timing."

"Rent control and just-cause evictions should be understood as anti-displacement measures with implications beyond housing policy. Displacement causes reverberations beyond individual families; local school districts, local businesses, and local governments are negatively affected when their students, employees, and constituents leave abruptly."

"Claims that rent control has negative effects on development of new housing are generally not supported by research, but if there are some modest effects in that direction, they should be mitigated by other policy and investment mechanisms."

"Rent Control and just-cause evictions are the most effective tools for the immediate stabilization of rents and communities, many cities are reluctant to implement these policies."

"Landlords are profiting from unearned income that results from simple ownership of a scarce good rather than from activities that produce goods and services or import their quality."

"Government action is responsible for a portion of increased property values, no matter what property owners do. Limiting how these costs are passed on to tenants can reduce the burden on tenants."

"If homeowners can benefit from Prop 13 and control their home's costs via property taxes, why can't tenants benefit from the control of their rent."

Comments In Opposition to Rent Control:

"Rent control does not achieve or expand affordable housing."

"Rent control has existed in Santa Monica and San Francisco for a long time and they are just as expensive communities as those cities without rent control."

"Rent control measures that reduce the potential for rental income over time substantially shifts the incentives for property owners. The introduction of rent control laws creates an environment where property owners are more likely to convert their rental units to other uses, reducing the number of rental units on the market."

"Rent control is not means-tested, and thus does not specifically target the renters that need it most."

"Rent control discourages investment in properties and leads to deterioration of units and neighborhoods, creating additional strains on the community."

"Rent control will discourage much needed new construction and investment in communities."

"Rent control discourages new housing opportunities and resident turnover by encouraging people to stay in their units."

"Rent control will not only limit short term financial gains via rent restrictions, but will limit long term return on investment in sales of properties as well."

"Rent control is wrong and smacks of socialism."

Which Units are Eligible and Which are Exempt from Rent Control/Rent Stabilization?

Under the Costa Hawkins Act of 1995, there are State mandated exemptions from rent control/rent stabilization ordinances. The Costa-Hawkins Rental Housing Act was a compromise between local and statewide interests that allowed for rent control to continue, but

placed limits on rent control regulations in local jurisdictions. Costa-Hawkins was billed as an important step toward maintaining the existing supply of rental units and making the development of new housing supply viable in communities with rent control.

There are three main provisions of Costa Hawkins:

- It prevents cities from establishing rent control—or capping rent—on units constructed after February 1995;
- It exempts single-family homes and condos from rent control restrictions; and
- It protects a landlord's right to raise rent to market rates on a unit once a tenant moves out.

Costa-Hawkins ensures that newly built units, which received a certificate of occupancy on or after February 1, 1995, would not be subject to rent control, alleviating fears of property owners and developers that cities would impose rent control even on newly constructed properties. Additionally, Costa Hawkins exempts single family and condominium developments, typical developments representative of an ownership housing product. Finally, Costa-Hawkins allows for vacancy "de-control", guaranteeing the ability/right for property owners to charge market rate rents upon the vacancy of a rent-controlled unit, thereby providing potential for resetting of rents and increased income over time. Proposition 10, which would have repealed Costa-Hawkins, was defeated at the polls on November 6, 2018.

Aside from Costa Hawkins, agencies have the authority to create certain added exemptions from rent control/rent stabilization ordinances, depending upon the policy direction and program design they wish to achieve. If interested, there are arguments that can be made for looking at additional exemptions beyond Costa Hawkins in a local rent control/rent stabilization program. They include possible exemptions of:

- duplexes (either both units rented or those in which the owner lives in one unit);
- triplexes (either all three rented or those in which the owner lives in one unit); and
- Smaller multi-family properties (i.e. 4-5 or less);
- ADUs (by ordinance, ADUs can be rented separately if the owner of the property lives in the main home. If the owner does not live in the main home, then both the main home and ADU must be rented to a single party).

A survey of other cities with rent control/rent stabilization ordinances shows a common thread of additional exemptions that should be considered and clarified. They are:

- Hotels, motels, inns, bed and breakfasts and other short-term rentals;
- Hospitals, convents, residential care facilities, dormitories and other group homes; and
- Government-owned residential units (none in Glendale) and other units governed by County, State or Federal housing law and funding such as an affordable housing project developed by the Housing Authority in partnership with a private developer. *

*Staff is not recommending that Section 8 units be exempted from a potential rent control/rent stabilization ordinance. While an exemption to the ordinance could be considered an incentive for landlords to rent to Section 8 tenants, it could also quickly become an outlet for a landlord to increase rents disproportionately in an attempt to make financial gains on an assisted tenant. At this point, staff is recommending that Section 8 tenants be given the same protections of rent control/rent stabilization as all other tenants; however, this position may change as more analysis is considered.

What are the Housing Characteristics of Glendale Renters?

In its report of July 26, 2016 to the City Council and Housing Authority, staff provided a snapshot of some of the characteristics of housing in Glendale using US Census data, with focus on renter housing needs and demands, and their relation to the immediate county and state demographics. The data demonstrated that the issue of housing affordability has been and continues to be widespread throughout the state, impacting both renters and homeowners equally.

There is no systematic tracking of rental units, rents, and rent increases in Glendale, so staff must again rely on US Census data for much of its updated analysis when it comes to statistics reporting. To the degree possible, staff has provided updated housing data relative to renter criteria for City Council information. Much of the data is current only to 2016 and 2017, so it does not capture any activity that has taken place in 2018 in Glendale or the region.

As can be seen in Chart 1 below, the 2017 median rents for Glendale, compared to the neighboring communities of Pasadena, Burbank, Los Angeles, Santa Monica, and the County of Los Angeles, places Glendale at approximately the middle of the sample size. While Glendale median rents are higher than Los Angeles city and county, they are approximately $100 lower than neighboring Pasadena and Burbank, and approximately $200 lower than Santa Monica. This is consistent with the data presented in 2016.

Chart 1

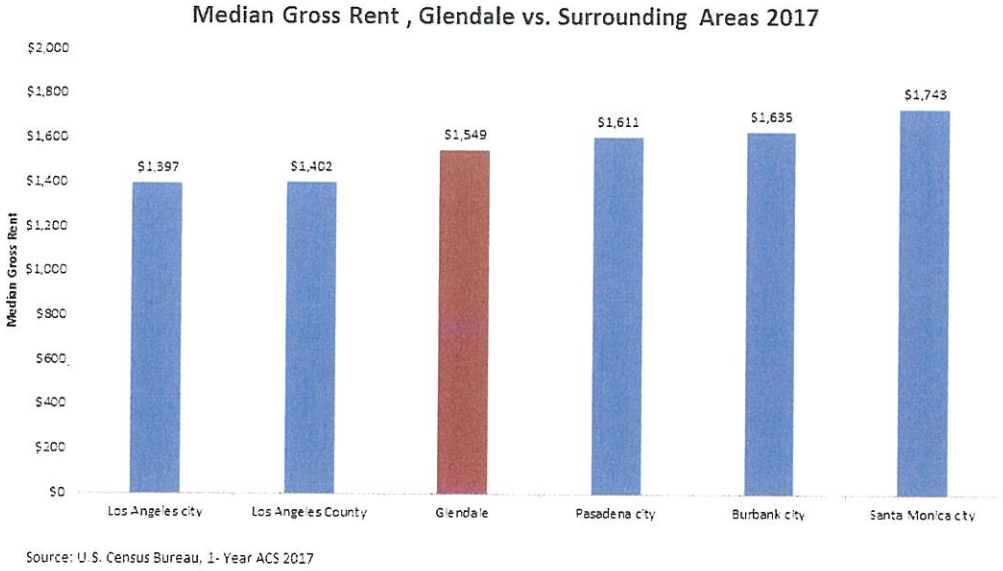
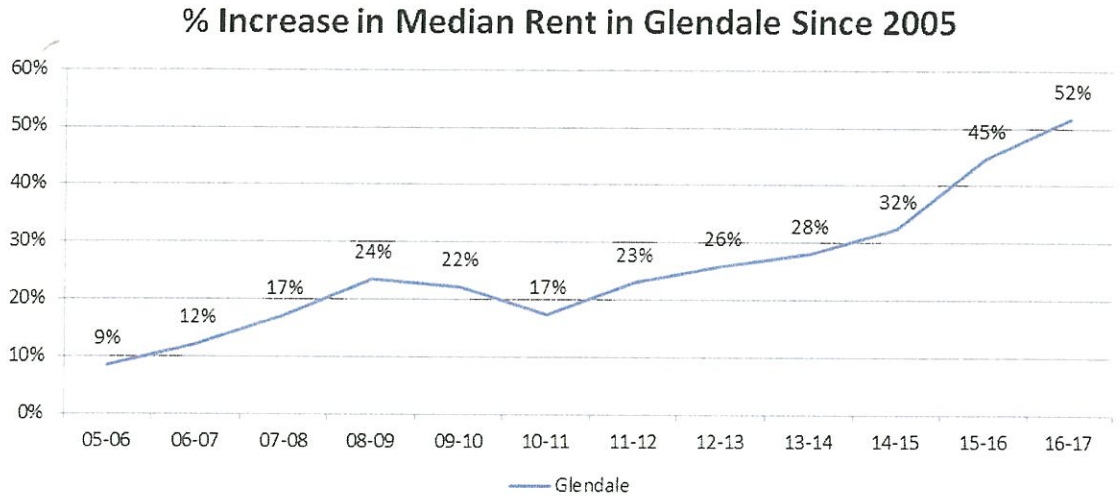


Chart 2-A below tracks the increase in rents in Glendale starting from a base year of 2005. With the exception of slight decreases in rent during 2008-2011, rents have steadily been increasing in Glendale and are currently 52% higher than rent levels in 2005, but only at an average of 4% per year. So, while the current 2017 rent median places Glendale at the middle of the range compared to surrounding cities, it does reflect a fairly consistent level of increases over time.

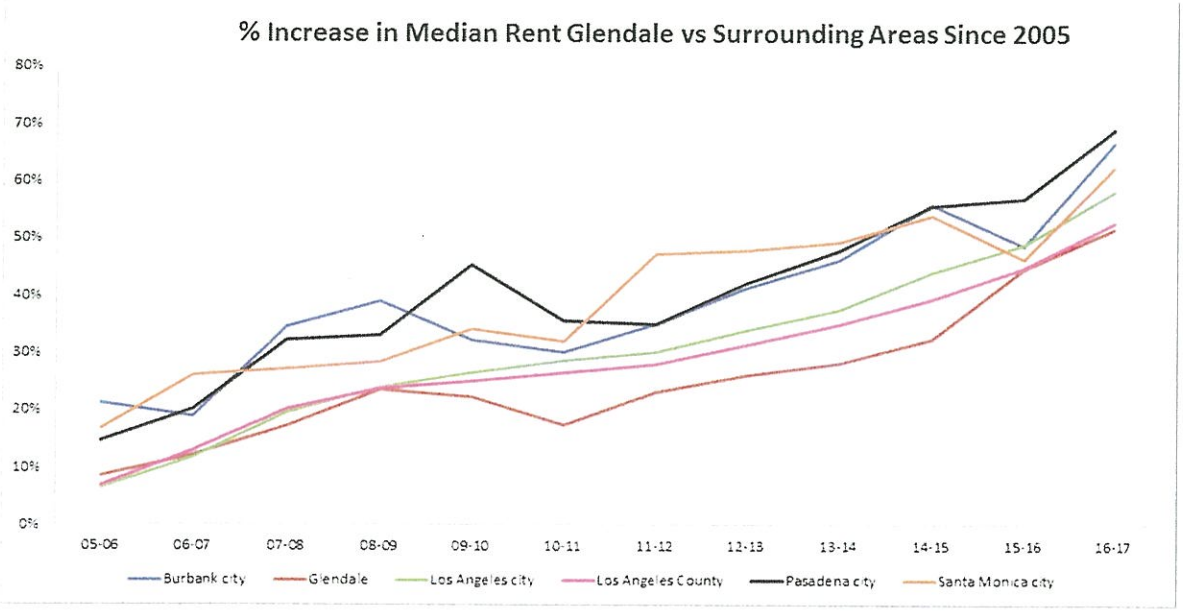
Chart 2-A



Source: U.S. Census Bureau, 1- Year ACS 2017

As can be seen in Chart 2-B, this is lower than the percentage in increases experienced by four neighboring cities and Santa Monica, again indicating that Glendale is not an outlier when compared to the region. Below Chart 2-B is a table that contains the data represented in the chart. The data provides the median rents for the comparable cities for each year since 2005.

Chart 2-B



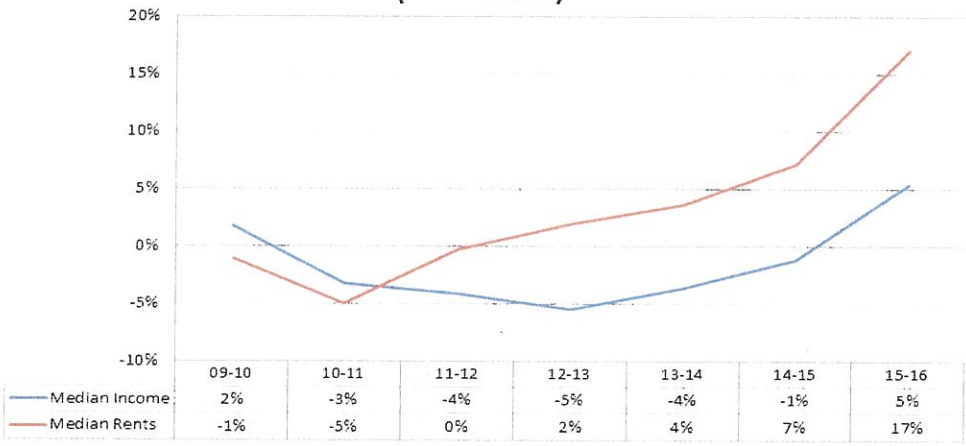
Median Rents and Percentage of Increase in Median Rents Since 2005													
City	2005	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17
Burbank city		21%	19%	35%	39%	32%	30%	35%	41%	46%	56%	49%	67%
Burbank city $	$981	$1,188	$1,167	$1,320	$1,363	$1,296	$1,276	$1,323	$1,386	$1,433	$1,528	$1,459	$1,635
Glendale		9%	12%	17%	24%	22%	17%	23%	26%	28%	32%	45%	52%
Glendale city $	$1,022	$1,110	$1,146	$1,198	$1,263	$1,249	$1,200	$1,259	$1,288	$1,309	$1,354	$1,479	$1,549
Los Angeles city		6%	12%	20%	24%	27%	29%	30%	34%	37%	44%	49%	58%
Los Angeles city $	$883	$939	$986	$1,056	$1,094	$1,117	$1,135	$1,148	$1,182	$1,214	$1,271	$1,315	$1,397
Los Angeles County		7%	13%	20%	24%	25%	26%	28%	31%	35%	39%	45%	53%
Los Angeles County $	$918	$980	$1,036	$1,103	$1,136	$1,147	$1,161	$1,175	$1,205	$1,239	$1,279	$1,330	$1,402
Pasadena city		15%	20%	32%	33%	45%	36%	35%	42%	48%	56%	57%	69%
Pasadena city $	$954	$1,093	$1,146	$1,261	$1,269	$1,385	$1,294	$1,287	$1,356	$1,410	$1,484	$1,496	$1,611
Santa Monica city		17%	26%	27%	28%	34%	32%	47%	48%	49%	54%	46%	62%
Santa Monica city $	$1,074	$1,255	$1,354	$1,364	$1,378	$1,440	$1,417	$1,580	$1,587	$1,604	$1,654	$1,572	$1,743

Source: U.S. Census Bureau, 1- Year ACS 2017

Chart 3 below provides a comparison of percentage increases of median rents in Glendale in comparison to median incomes, from 2009 to 2016. The data shows that while rents and incomes were relatively comparable to each other in 2009 and 2010, a significant divergence between the two began to occur beginning in 2011. From that point on, median rents in Glendale rose, while median incomes decreased or only slightly increased. Despite an uptick in incomes in 2016, the percentage difference in median rents to median income is at a recent high of 12%. This disparity demonstrates that incomes are not increasing at the levels that rents are increasing.

Chart 3

% Increase in Median Rent vs % Increase in Median Income in Glendale (2009-2016)

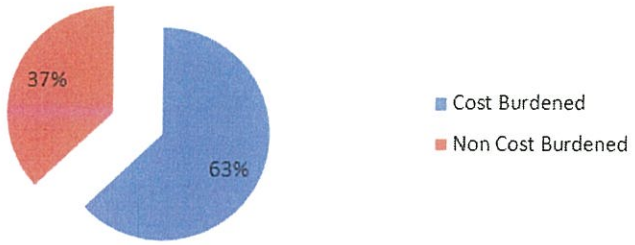


Source: U.S. Census Bureau, 1- Year ACS 2017

Chart 4-A below examines the number of households in Glendale that are considered cost burdened in relation to their rents versus their incomes for 2017. Cost burdened is defined as rent that exceeds 30% of a household's income. Data below shows that 63% of Glendale renter households in 2017, approximately 30,200 renter households, are cost burdened with relation to their housing. Additionally, more than 39% (approximately 18,700) of renter households are paying more than 50% of their income toward rent.

Chart 4-A

Renter Occupied Households that are Cost Burdened in Glendale 2017

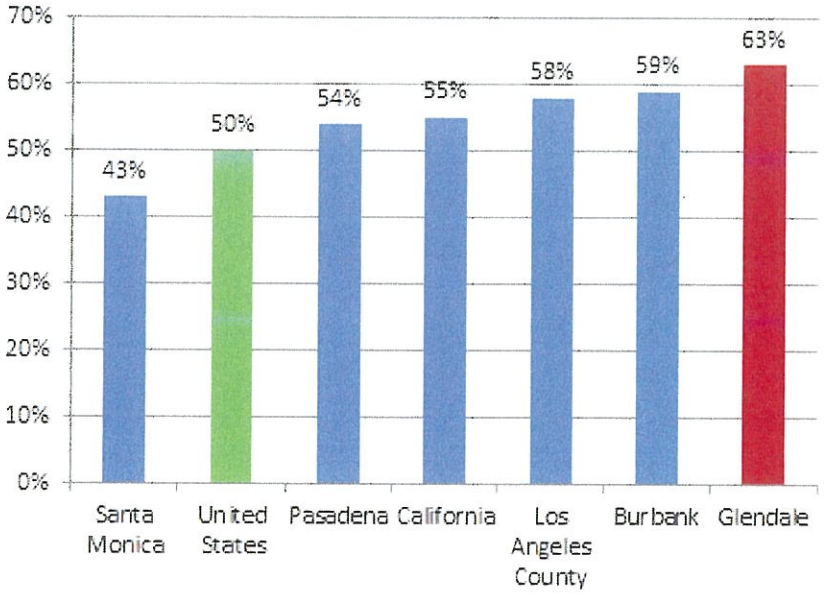


Source: U.S. Census Bureau, 1- Year ACS 2017 B25070

Chart 4-B below takes a look at the rent burden ratios of Glendale compared to surrounding cities and the nation. In this comparison, Glendale has the highest ratio of renters who are paying more than 30% of their incomes towards rent at 63%, while the remaining communities are dispersed within the 50% range.

Chart 4-B

% of Renter Households that are Cost Burdened 2017



Source: U.S. Census Bureau, 1- Year ACS 2017 B25070

As can be seen in the data presented above, Glendale rents, in relation to the surrounding communities, is not an outlier, and is in fact at or near the middle range. More importantly, the data seems to show that while rents have been increasing, incomes have not, or have not increased at the same pace, thus compounding the problem for tenants. So, if Glendale median rents place Glendale in the middle range relative to the surrounding communities, then one could assume the issue may not be the rents being charged are excessive, but that the level and/or frequencies that rents are being raised/increased are problematic, especially to those households on fixed incomes. Based upon anecdotal evidence, it also appears that some of these escalating increases in rents are taking place on properties that are changing in ownership, either through a sale of properties or through a transfer from one familial entity to another, and whose investment portfolio strategies are more aggressive due to market conditions and expected returns.

How Many Rental Units in Glendale Could be Impacted by a Rent Control/Rent Stabilization Ordinance?

Staff has taken multiple approaches to try to best estimate how many potential residential rental units in Glendale may be impacted by a potential rent control/rent stabilization ordinance.

First, staff consulted with data from the US Census. The most recent 2017 data, shown below in Table 2, estimates a total of approximately 80,000 housing units in Glendale, with an error margin of +/- 2,725 units. Of that, approximately 51,500 represent multifamily units of two or more on a parcel.

Table 2

	Glendale city, California	
	Estimate	Margin of Error
Total:	79,620	+/-2,725
1, detached	25,715	+/-1,966
1, attached	2,302	+/-767
2	2,695	+/-927
3 or 4	6,463	+/-1,122
5 to 9	11,058	+/-1,456
10 to 19	11,569	+/-1,763
20 to 49	12,044	+/-1,633
50 or more	7,655	+/-1,320
Mobile home	119	+/-145
Boat, RV, van, etc	0	+/-210

For the purposes of trying to determine post-1995 Costa Hawkins exempt units, Census data indicates that approximately 5,123 units were constructed after 1995 and should be exempt. This leaves approximately 46,400 units that could potentially be subject to a rent control/rent stabilization ordinance, per US Census data.

Staff's second approach was to consult with Glendale Water and Power utility billing records. Staff attempted to identify the number of rental housing units, exempting single family and condominiums, based upon utility coding and address service and billing. As seen in Table 3 below, this method reveals that there may be approximately 46,900 units meeting this description. Of that, it is unknown as to how many units may be post-1995 Costa Hawkins so if the Census methodology described above is subtracted (5,123 units), that new net number of possible targeted units could be approximately 41,700 units.

Table 3

All Multi-Family Units	47477
All Multi-Family Properties	6454
All Multi-Family 2+ Units	46839
All Multi-Family 2+ Properties	5819

Finally, staff contracted with a title company in an attempt at trying to quantify the number of multifamily residential units. Using the same criteria as the other searches, the title company identified approximately 43,400 multifamily units of two or more units on a parcel in Glendale, of which approximately 41,400 units were developed prior to 1995 Costa Hawkins.

While there is conflicting information at this time as to the number of possible units that could be subject to a rent control/rent stabilization ordinance, the number is expected to be approximately 40,000 – 45,000 units, taking into consideration Costa Hawkins exemptions. In addition, based upon the data, staff estimates that approximately 5,800 potential landlords/property owners could be subject to a proposed ordinance.

What are the Program Design Parameters of a Rent Control/Rent Stabilization Program?

There are a limited number of agencies in California with rent control/rent stabilization programs. While each program may be similar in overall design, each has differing nuances in place due a number of factors such as local demographics, market considerations, and housing inventory, to name a few.
In discussing a rent control/rent stabilization program design with some of these various agencies, the question asked of Glendale staff was what level of compliance and legitimacy it wished to achieve with its program. The degree that agencies wish to protect tenants and allow landlords a fair rate of return on investment and compliance flexibility will dictate program design features and complexity. Simply passing a rent control/rent stabilization measure without public education and outreach, without rent and unit registry tracking, without an outlet to receive and investigate complaints or rule on variance requests, and without a mechanism or body to resolve disputes places a great burden on constituents on both sides and will likely lead to program abuse and ineffectiveness.

Most rent control/rent stabilization programs are overseen by a rent control board. The purpose of the board is to provide policy direction to staff on elements of a rent control program. The rent control board can either be appointed by the city council of the agency implementing rent control or it could be designed as an elected position requiring voting of the general public. In addition to setting policy of the program, the board also acts as an appeal body to decisions made by the program hearing officer.

Below, is a glossary of the various terms and program design features that staff has identified as of now, related to the operations of a rent control/rent stabilization program for City Council consideration. Also, attached as Exhibit 3, is a table comparing some of the select agencies who operate a rent control/rent stabilization program and how they have addressed these program features.

Table 4
Definitions

Banking	The ability for property owners to apply a rent increase not taken one year and apply it to the following year's increase.
Base Rent	The reference point from which the lawful Rent shall be determined and adjusted.
Buyouts	A written agreement where a property owner pays a tenant money or other consideration to voluntarily move out of a Rent Stabilization Ordinance unit.
Exemptions	This provision would describe properties that are not covered by a Rent Stabilization Ordinance. Examples could include smaller properties or those built after a certain date, hotels, motels, etc.
Inspections	A process in which all Rent Stabilized units are systematically or by complaint inspected for habitability.
Owner Adjustment/Hardship	A property owner may apply for an additional rent increase percentage if expenses were incurred which prevent the property owners from receiving a just and reasonable return on the rental property as a whole.
Pass-Through	A process in which property owners are permitted to allocate portions or all of certain fees/costs such as registration fees or utility costs to their tenants rent schedule.
Relocation Fees	No-fault evictions would require the payment of relocation assistance.
Rent Board/Commission	A public body, either elected or appointed by City Council, that provides a forum for tenants and property owners to appeal decisions issued by the hearing examiner concerning rents, property maintenance, housing services and other important landlord-tenant issues. The board/commission also reviews the Rent Stabilization Ordinance and the regulations to propose appropriate changes to better implement and enforce the law.
Rent Cap	A maximum allowable rent that is established for each unit, this amount is usually based on a percentage of the Consumer Price Index. A floor and a ceiling could be established so CPI could never be below the established floor or above the established ceiling.
Rent Registration	Managers of residential rental units that are not exempt under the Ordinance and are placed on the market to be rented, must be registered with the City. Information such as unit numbers, rental rates, and tenant identifiers are collected.
Tenant Adjustment	A process in which tenants can apply to have their rent decreased if a housing service is substantially reduced or eliminated.

What are the Costs of Staffing and Operating a Rent Control/Rent Stabilization Program?

As stated earlier in this report, there can be significant fiscal impacts/costs associated with the implementation and adoption of a rent control/rent stabilization program. Management of a program requires not only direct staffing, but also a significant amount of indirect support and staffing from other departments/divisions such as City Attorney, Code Enforcement, Finance, Licensing, Planning, Information Services, and Building and Safety. All of these departments/divisions have a role either in the start-up or ongoing operations of a rent control/rent stabilization program.

The ultimate rent control/rent stabilization model adopted by the City Council would dictate the costs of operating a program. There would be significant time and effort first dedicated toward crafting a program and creating an inventory and database of the city's housing stock. Extensive outreach and education must be made in advance of, during, and after implementation of an ordinance to both residents within Glendale and to Glendale property owners and management companies throughout the region. Highly regulated programs will require a substantial number of staff, including a manager, administrative personnel, analyst(s), technology staff and software product, accounting staff, legal staff and services, hearing officers and possibly even a rent control board.

No affordable housing funding can be dedicated to enforcement or oversight of a rent control ordinance as it does not meet the mandated definitions and requirements of affordability

necessary to expend housing funds. Most cities (depending upon program size) either subsidize operations using General Funds or fund their program through a cost recovery fee assessed against multi-family property owners that would be subject to the ordinance.

In order to estimate the cost of a rent control program, more information must be obtained on the key elements of program design as directed by the City Council. Once key elements can be agreed upon, staff could then begin to estimate and calculate program costs. If the City wished to have the program operations paid for by a cost recovery fee, then a fee assessment would be required to be performed by a specialized outside consulting firm.

There are a limited number of cities in California with rent control/rent stabilization programs and each program has distinct differences which can make the project of staffing needs difficult. For comparison purposes, Table 5 below provides a breakdown of the costs and staffing levels associated with the programs of just 5 cities in California with such programs. The annual costs range from $20.7 million at the highest range to $2.5 million annually at the lowest range. Staffing needs vary from 83 staff members at the highest to 12 members at the lowest. Glendale, with a minimum of approximately 40,000 – 45,000 potential units that would be subject to a potential ordinance, falls roughly in the middle of these agencies, thus staffing and costs could be very roughly/preliminarily estimated in excess of 20 staffers and $6 million respectively.

Table 5

	Berkeley	Santa Monica	West Hollywood	Los Angeles City	Mountain View
Year Implemented	1978	1979	1984	1978	Nov-16
Qualifying Units	19,436	27,542	16,895	631,000	15,742
Employees Budgeted	20.75	24	12	83	N/A
Budget	$5,243,029	$5,181,693	$2,800,000	$20,654,612	$2,500,000
Fee	$250	$198	$144	$24.51	$124

What Actions Did the Los Angeles County Board of Supervisors Take on Rent Control?

At their meeting of September 11, 2018, the Los Angeles Board of Supervisors, on a 4-1 vote, authorized County officials to (1) draft, within 60 days, an interim ordinance placing a temporary limit on rent level increases and evictions without just cause; and (2) provide analysis of how the interim ordinance may help formulate the creation of a permanent administrative structure for permanent tenant protections.

The Board of Supervisor's actions came after a nearly year-long effort of review, analysis and recommendations that were made by a Tenant Protections Working Group (Working Group) that was established by the Board. Those recommendations and Executive Summary of the final report are attached as Exhibit 5. The Working Group was a ten-member panel appointed by the Board that held public information meetings from January 2018 to August 2018. To provide a fair and impartial work product, the Working Group was moderated by an outside, non-County, professional facilitator with outside legal counsel that was contracted to provide an expertise in tenant protections and rent stabilization policies.

As directed, the proposed interim ordinance will be applicable only to unincorporated County residential dwelling units and will include the following features:

- Establish the base rent level as of September 11, 2018 (date of Board vote);
- Provide a maximum rent increase amount of 3% annually;
- Establish an inspection and rent registry function;
- Require just-cause for tenant evictions; and
- Extend for a term of 6 months from adoption with options to extend the interim ordinance as necessary.

If approved, the interim ordinance is expected to impact approximately 50,000, pre-1995 Costa Hawkins units, in unincorporated Los Angeles County. At the time of writing this report, County staff is focusing on the implementation of a 6-month moratorium on rent increases. Staff has yet to completely analyze and develop a complete program design, budget, and staffing needs for a potential long-term ordinance. Currently, a 12-person team representing four departments of the County is working on this assignment.

Alternatives to Rent Control/Rent Stabilization

During the course of research and discussion on this topic, staff had been asked to identify possible alternatives to a rent control/rent stabilization program. Those alternatives brought to staff's attention and some alternatives that staff has developed are listed below.

Voluntary/Mandatory Rent Mediation:

Some research and some landlords have pointed to a Rent Mediation Program as the solution to the rental housing challenge. However, based upon the City of Glendale experience with a failed rent mediation program in 2001 and the lack of success cited by other agencies, the rent mediation programs being offered are not considered to be effective. These rent mediation measures which, as a non-rent control measure, are a non-binding mediation process intended to resolve landlord/tenant disputes. The lack of success of these programs are attributed to the high level of housing demand that makes landlords less inclined to compromise or negotiate on solutions if they feel that they can simply satisfy their objectives with the next tenant in line for a unit.

Right To Lease:

An earlier attempt to develop a measure called Right To Lease ordinance failed to gain any support by both Glendale renters and landlords and to date the City Council has tabled the item for future discussion. The proposed Right To Lease ordinance was discussed as an amendment to the current Just Cause Eviction ordinance and would have mandated that landlords offer tenants a one-year lease agreement, along with an option year, in which the initial lease and option year rent is predefined. Under the proposal, landlords would also have to offer subsequent year leases within specific time frames after that. Many felt that while the proposal was intended to provide more stability in a volatile rental market, it did nothing to address housing costs. Renters stated that the proposal took no action to address rents, while landlords claimed that the proposal was too difficult and burdensome to implement and track.

Housing staff has developed two ideas, or concepts, that provide hybrid designs to a traditional rent control/rent stabilization program that it would like to offer for consideration. While rent control/rent stabilization are core components of each concept, there are some nontraditional

variations to them in attempt to make the program more palatable to those on both sides of the issue. Both require additional legal review and analysis if there was interest in pursuing them.

Additionally, a rent subsidy program has been suggested to directly address the gap in income versus market in making housing more affordable, albeit on a limited basis.

Rent Control Concept #1: Rent Control With a Sunset Clause:

Many of the objections to a rent control/rent stabilization program cite the long-term loss of property value and the disincentive to develop new housing product. If there is a desire to establish a rent control/rent stabilization ordinance while being cognizant of the long term concerns with its potential impact on landlord's and investors, the City Council could consider establishing a rent control/rent stabilization ordinance that would expire, or terminate, after a certain number of years (e.g. 5 -10 years) or per some set of economic indicators such as CPI, incomes, or vacancy rates.

Coupled with an Inclusionary Housing requirement and a continued robust affordable housing development program, short-term relief and stability can be provided while long-term an affordable housing stock can be developed to provide a wider range of housing for Glendale's lower income households. By exempting units built after 1995 and allowing for vacancy deregulation (the ability to return a rent-controlled unit to market rate when vacated), the typical objections to rent control are somewhat mitigated and then extinguished upon sunset of the program.

The downside of a term program like this is that it is often very difficult to terminate, or take away, a benefit previously provided. If there is not a suitable concentration of affordable units available upon sunset, rent prices would be expected to spike considerably in the time after program termination. This would likely lead to a slew of new rent concerns and would become the focus of critics and proponents moving forward and leading up to the proposed termination date. Also, a temporary program would not offer any start-up or annual savings in staff operating the program, it would simply end operations at the term and would require staff downsizing at that time.

Rent Control Concept #2: 50-50 Program: Rent Control With In-Lieu Fee/Opt-Out Option:

Staff has also developed the parameters of a hybrid concept of a traditional rent control/rent stabilization program that may satisfy renters while providing enough flexibility to garner support of the proposal by landlords. Like the Rent Control Sunset Clause proposal previously discussed, this concept is not in effect anywhere in CA and would be a new proposal that would require more vetting and analysis.

The proposal would require rent control/rent stabilization to be applied to all units (100%) located on every parcel/project with more than 3 units. The property owner then has the option to reduce the required rent controlled units down from the mandated 100% of units to as low as a minimum of 50% of the rental units on every parcel by exercising an "opt-out" provision of the program that would mandate an "in-lieu" fee be paid for the units that the landlord wished to retain as market rates units.

The units subject to the rent control measure would be identified and agreed to by both City staff and the landlord. City staff would place priority on designating rent controlled units that are reflective and comparable to the unit and bedroom count composition of the project as a whole.

Emphasis would be placed on restricting the units of those residents who have the most need financially, thus making it the first rent control program based upon merit or needs of residents.

For those restricted units, property owners would pay an annual monitoring fee established by the City under the rent control program. For the "opted-out" units, the property owner would pay a separate, higher, per unit "in-lieu" fee annually to "exempt" their remaining units from the program. Funding generated by the in-lieu fees would then be used to operate an affordable housing program(s) designed to help address the needs of those households that do not fall under or live in a rent restricted unit.

Again, this proposal is only conceptual at this time and has not received a full legal vetting and requires much more analysis and program design if City Council is interested in pursuing the idea. It represents an outside of the box thinking that may help appeal, at some level, to both landlord and tenants that are split on the issue. The idea allows financial flexibility to landlords by not restricting all of their units, but also provides for the establishment of a fund that could be ongoing to assist those not living in rent restricted units. In addition, as program tenants move out, the unit rent can be brought back to market with the next neediest unit on the property taking its place. The idea also addresses the issue of trying to direct a rent control program to those tenants determined to be the most in need of assistance. While vetting this proposal with rent control practitioners in other agencies, one respondent observed that this type of rent control program proposal crosses from a consumer protection measure that is typical to all existing programs to a new affordable housing program measure, because of the nature of its design.

It should be noted that design of a program like this would be much more problematic for staff to administer and monitor. That said, it may provide an innovative way to address the housing crisis affecting renters.

Alternative #3: Subsidy Program for Housing:

One concept that has been broached by members of the City Council and some members of the community is the development of a new housing related subsidy program. Given that interest, staff has modeled some scenarios in Table 6 based upon traditional affordable housing subsidy programs in order to provide more detail to the discussion so that more specific direction can be provided to staff.

The modeling provided below attempts to look at subsidy only costs associated with a program that is modeled off of three existing programs associated with funding sources familiar to Glendale: Section 8, federal HOME, and Low Moderate-Income Housing Asset Funds (LMIHAF). The estimates relate to the requirement for each program, based upon 1-BR units, assuming Low Income (80% AMI) criteria, and assuming a market rate rent of $1,400 per month. In addition, the estimates are projected using a sliding scale of the number of participants the City Council may wish to enroll in the program. The participant size is presented in increments of 500 households, up to a program size of 3,500 households in any program.

Table 6

	Section 8 Average Monthly HAP	HOME Affordable Monthly Rent 1-BR	LMIHAF Average Monthly Rent 1-BR
	$ 930	$ 909	$ 832
Program Participants	Projected Monthly Costs	Projected Monthly Costs	Projected Monthly Costs
500	$ 465,000	$ 454,500	$ 416,000
1000	$ 930,000	$ 909,000	$ 832,000
1500	$ 1,395,000	$ 1,363,500	$ 1,248,000
2000	$ 1,860,000	$ 1,818,000	$ 1,664,000
2500	$ 2,325,000	$ 2,272,500	$ 2,080,000
3000	$ 2,790,000	$ 2,727,000	$ 2,496,000
3500	$ 3,255,000	$ 3,181,500	$ 2,912,000
	Projected Annual Costs	Projected Annual Costs	Projected Annual Costs
500	$ 5,580,000	$ 5,454,000	$ 4,992,000
1000	$ 11,160,000	$ 10,908,000	$ 9,984,000
1500	$ 16,740,000	$ 16,362,000	$ 14,976,000
2000	$ 22,320,000	$ 21,816,000	$ 19,968,000
2500	$ 27,900,000	$ 27,270,000	$ 24,960,000
3000	$ 33,480,000	$ 32,724,000	$ 29,952,000
3500	$ 39,060,000	$ 38,178,000	$ 34,944,000

As can be seen in Table 6 above, if a housing subsidy program were created and modeled after Section 8 criteria, the anticipated costs strictly for the subsidy component of the program can run anywhere from approximately $5.4M annually (assuming 500 participants), to as much as $38.2M annually (serving as many as 3,500 participants). The estimates for a program modeled after HOME and LMIHAF criteria provides some reduced (approximately 40%), but still significant costs, ranging from approximately $3M annually between the two programs, assuming 500 participants, to as much as $24M annually, serving as many as 3,500 participants.

These figures cited above are strictly examples of potential programs that may be tied to some federal and state recognized standard of affordability, for program design purposes. The City does not receive funding from these sources in any way near the levels necessary or consistently to support these figures. A new funding source to fund programs of these nature, would need to be identified and secured. Also, these estimates are only based upon a Low-Income criterion. Actual household incomes will vary and thus impact program costs significantly. For example, a majority of senior households tend to be Very-Low or Extremely-Low Income, so program costs to serve all, or a portion, of those populations under these criteria would increase dramatically. Also, as market rate rents rise, and the financial subsidy gap increases, program costs will increase along with them.

If the City Council wished to create a subsidy program that is not tied to any established type of housing affordability criteria and simply provided a set, fixed payment for help with general household expenses, then the costs of such a program, while still expensive, could be easier managed. Most recently, the City of Santa Monica established such a program on a limited, 14-month, pilot basis called the "Preserve Our Diversity" program. Under their program, funded

with an allocation of $300,000 in General Funds, Santa Monica is assisting approximately 30 senior households by providing a monthly cash payment for one year. Santa Monica admitted senior households making $14,000 a year or less into the program. All are long-term residents with Extremely Low-Income (earning less than 30 percent of the area median income), rent-burdened (paying over 30 percent of income toward rent) and senior citizens (average age 68). The subsidies will average $740 a month for households of one and $1,293 a month for households of two people.

With this type of program in mind, staff has provided potential program costs levels below in Table 7, using monthly subsidy levels of $200, $300, $400, and $500 respectively as a cost guide. Again, there is no current funding available for such a program. A new funding source to fund a program of this nature would need to be identified and secured if the City Council were interested in pursuing this model.

Table 7

	Monthly Subsidy Payment	Monthly Subsidy Payment	Monthly Subsidy Payment	Monthly Subsidy Payment
	$ 200	$ 300	$ 400	$ 500
Program Participants	Projected Monthly Costs	Projected Monthly Costs	Projected Monthly Costs	Projected Monthly Costs
500	$ 100,000	$ 150,000	$ 200,000	$ 250,000
1000	$ 200,000	$ 300,000	$ 400,000	$ 500,000
1500	$ 300,000	$ 450,000	$ 600,000	$ 750,000
2000	$ 400,000	$ 600,000	$ 800,000	$ 1,000,000
2500	$ 500,000	$ 750,000	$ 1,000,000	$ 1,250,000
3000	$ 600,000	$ 900,000	$ 1,200,000	$ 1,500,000
3500	$ 700,000	$ 1,050,000	$ 1,400,000	$ 1,750,000
	Projected Annual Costs	Projected Annual Costs	Projected Annual Costs	Projected Annual Costs
500	$ 1,200,000	$ 1,800,000	$ 2,400,000	$ 3,000,000
1000	$ 2,400,000	$ 3,600,000	$ 4,800,000	$ 6,000,000
1500	$ 3,600,000	$ 5,400,000	$ 7,200,000	$ 9,000,000
2000	$ 4,800,000	$ 7,200,000	$ 9,600,000	$ 12,000,000
2500	$ 6,000,000	$ 9,000,000	$ 12,000,000	$ 15,000,000
3000	$ 7,200,000	$ 10,800,000	$ 14,400,000	$ 18,000,000
3500	$ 8,400,000	$ 12,600,000	$ 16,800,000	$ 21,000,000

As seen in the table, using the same methodology of a range of program participants from 500 to 3,500 participants, costs for a set, fixed payment, subsidy program could range from a low and high of approximately:

- $1.2M - $8.4M annually for a fixed payment of $200 per month;
- $1.8M - $12.6M annually for a fixed payment of $300 per month;
- $2.4M - $16.8M annually for a fixed payment of $400 per month; and
- $3M - $21M annually for a fixed payment of $500 per month.

Staffing costs to monitor such a program are difficult to estimate, however, for comparison purposes, the Section 8 program administers approximately 3,000 vouchers annually. That program is made up of 20 direct staff members and costs approximately $2.5M annually to administer. To the degree that a program was developed that provided set, fixed payments, staffing levels and costs may be able to be reduced somewhat. However, tenant enrollment,

qualifying, monitoring, and payment processing will expected to be required to ensure program integrity. If directed to pursue this concept, more analysis would be required.

Next Steps

If the City Council were interested in drafting an ordinance for consideration, then specific policy design direction must be given in order for staff to being program development, cost analysis, time estimations, ordinance drafting, space planning, publication and education campaigns, and the hiring of staff and outside consultants. Also, if directed, there may be some level of outreach that should be made to stakeholders in the community on this proposal.

Preparation of the work described above is considerable and complex and is estimated to take approximately 6-8 months to complete. In the interim, staff is concerned about the immediate potential impacts to renters that have arisen from this public discussion of rent control. Staff is personally aware of certain residents receiving rent increases, some of them substantial, after the last two resident initiatives were launched and more recently after the City Council's expressed interest in receiving this report. Specifically, it appears that some landlords are taking pre-emptive measures to either raise rents or evict tenants. This would defeat the purpose of any potential future rent control regulation and considerably impact its implementation.

In response, City Council may want to consider a temporary emergency/urgency ordinance that would freeze or severely limit rent increases until an ordinance is drafted and considered. At their meeting of September 11, the County of Los Angeles Board of Supervisors implemented such an ordinance and capped increases during this time to no more than 3%. No eviction protections are being proposed during this time, as the City's current Just Cause Eviction process is anticipated to provide enough protection to tenants until further refinement as part of the rent control/rent stabilization study.

An urgency ordinance accomplishing this has been prepared by the City Attorney's Office and is part of this agenda item. The ordinance in crafted to set a rent freeze date of September 18, 2018, the date that the City Council requested this staff report. The draft urgency ordinance – consistent with the Costa-Hawkins Rental Housing Act – exempts single family homes, units in a common interest development (e.g. condominiums and townhomes), and units that received a certificate of occupancy on or after February 1, 1995. The ordinance also exempts units in hotels, motels, dormitories and other similar types of non-residential units. An urgency ordinance requires four (4) City Council votes to be adopted as an urgency and to take immediate effect. If the ordinance is adopted with three (3) votes, it will take effect in 30 days. If the interim measure is adopted, and a permanent measure is not ready for consideration at the end of the six-month period, staff will return to Council for consideration of an extension, which may include additional features, including allowable increase and fair return provisions. City Council may also adopt the urgency ordinance if it desires to freeze rents while the City analyzes any of the alternatives to a rent control.

If City Council were to elect to pursue alternative programming or concepts to rent control/rent stabilization, then specific direction would be needed by staff to then evaluate and prepare recommendations at a future meeting date for consideration. Depending upon the direction, this could take approximately 5-8 months to vet and possibly begin implementations. As stated earlier in this report, any new programming of any sort would require additional staffing requirements. Given the time necessary to pursue this alternative, City Council may want to consider whether or not the circumstances and challenges facing renters in this interim period justifies a temporary rent freeze as outline in the proposed urgency ordinance.

ALTERNATIVES

Alternative 1: City Council direct staff to draft an Ordinance establishing a program of residential rent control/rent stabilization in Glendale by Council order in combination with an urgency ordinance while a permanent ordinance is being drafted.

Alternative 2: City Council may receive and file this report and/or provide direction, as appropriate, on any alternative programming.

Alternative 3: City Council may direct staff to draft a program of residential rent control/rent stabilization in Glendale to be placed on a future ballot in combination with an urgency ordinance while a permanent ordinance is being drafted and voted on by the electorate.

Alternative 4: City Council may elect to consider any other alternative not proposed by staff.

CAMPAIGN DISCLOSURE

Not applicable at this time.

EXHIBITS

1. Rent Control Staff Reports of April 26, 2016 and July 26, 2016.
2. Report: "*The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco*". (Stanford)
3. Report: "*Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California's Renters*". (Berkeley)
4. Rent Control Program Comparisons
5. Report of the Los Angeles County Tenant Protections Working Group.

MOTION

Moved by Council Member _____, seconded by Council Member _____, that the Council hereby directs staff to prepare a Rent Stabilization Ordinance as described in the Report to Council dated November 13, 2018 and further directs as follows:

Vote as Follows:

Ayes:

Noes:

Absent:

Abstain:

APPROVED AS TO FORM

CITY ATTORNEY

DATE 11/7/2018

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ORDINANCE NO. ____

AN URGENCY ORDINANCE OF THE COUNCIL OF THE CITY OF GLENDALE, CALIFORNIA, ESTABLISHING A TEMPORARY MORATORIUM ON CERTAIN RESIDENTIAL RENT INCREASES IN THE CITY OF GLENDALE

WHEREAS, pursuant to Article XI, Section 7 of the California Constitution, the City of Glendale ("City") may make and enforce all regulations and ordinances using its police powers;

WHEREAS, despite the extensive efforts of the City Council, Housing Authority, and City staff, community members have continued to express concern about the need for more immediate measures to address rental costs and the availability of affordable, decent, safe, and sanitary rental housing;

WHEREAS, renters occupy about 67 percent of the City's housing stock and 63 percent of renters are cost burdened under the federal definition, meaning they spend more than 30 percent of their income on housing;

WHEREAS, given the housing cost burden faced by many City residents, excessive rental increases threaten the public health, safety, and welfare of City residents, including seniors, those on fixed incomes, those with low and moderate income levels, and those with other special needs to the extent that such persons may be forced to choose between paying rent and providing food, clothing, and medical care for themselves and their families;

WHEREAS, housing insecurity and excessive rent increases could result in homelessness and displacement of low-income families;

WHEREAS, the City currently does not regulate rental amounts or rent increases;

WHEREAS, at its meeting of September 18, 2018, four members of the City Council requested that a report on rent control once again be prepared for discussion;

WHEREAS, the City Council finds and determines that in light of the announcement to consider a rent stabilization ordinance be adopted, landlords of rent control eligible properties will have an immediate incentive to serve notices to raise rents thereby displacing many tenants in the City who, because of a critically low vacancy rate, will be compelled to find housing elsewhere and at higher rents;

WHEREAS, the City Council finds and determines that a temporary moratorium on residential rent increases for eligible rental units is necessary because rent increases imposed in anticipation of a rent stabilization law would defeat the intent and purpose of any potential future regulation and substantially impair its effective implementation; and

WHEREAS, based upon the above-described facts and circumstances, and for these same reasons, the City Council finds that this ordinance is necessary as an emergency measure for preserving the public peace, health and safety, and therefore that it shall take effect immediately upon its adoption.

NOW, THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF GLENDALE:

Section 1. The foregoing recitals are true and correct and incorporated herein as though set forth in full.

Section 2. Definitions.

A. Base Rent. The Rent that was in effect for a Unit on September 18, 2018.

B. Housing Services. Housing Services include, but are not limited to, repairs, maintenance, painting, providing light, hot and cold water, elevator service, window shades, and screens, storage, kitchen, bath and laundry facilities and privileges, janitor services, Utility Charges that are paid by the Landlord, refuse removal, furnishings, telephone, parking, the right to have a specified number of occupants, the right to have pets, and any other benefit, privilege, or facility connected with the use or occupancy of any Rental Unit. Housing Services to a Rental Unit shall include a proportionate part of services provided to common facilities of the building in which the Rental Unit is contained.

B. Landlord. An owner of record, lessor, sublessor, or any other person, entity or non-natural person entitled to receive Rent for the use and occupancy of any Rental Unit, or an agent, representative, predecessor, or successor of any of the foregoing.

C. Moratorium Period. The period of time between the effective date of this Ordinance and its automatic expiration on the 180th day after adoption.

D. Property. All Rental Units on a parcel or lot or contiguous parcels or contiguous lots under common ownership.

E. Rent. All periodic payments and all nonmonetary consideration including, but not limited to, the fair market value of goods, labor performed or services rendered to or for the benefit of the Landlord for use or occupancy of a Rental Unit and Housing Services under a Rental Housing Agreement.

F. Rental Housing Agreement. An oral, written, or implied agreement between a Landlord and a Tenant for use or occupancy of a Rental Unit and Housing Services.

G. Rental Unit. A building, structure, or part thereof, or land appurtenances thereto, or any other rental property rented or offered for rent for residential purposes and Housing Services.

H. Tenant. A Tenant, subtenant, lessee, sublessee, or a person entitled under the terms of a Rental Housing Agreement to the use or occupancy of a Rental Unit.

Section 3. Imposition of Temporary Moratorium on Residential Rent Increases.

A. During the Moratorium Period, no Landlord shall charge Rent for any Rental Unit in amount that exceeds the Base Rent, unless that Unit is exempt by this Ordinance or state law. This moratorium shall not apply to any Rent increase which, after lawful notice to the Tenant, took effect prior to September 18, 2018.

B. Exemptions. The following Rental Units are exempt from the entirety of the moratorium established under this Ordinance:

1. Units in hotels, motels, inns, tourist homes and rooming and boarding houses which are rented to transient guests for a period of fewer than thirty (30)

days, including all units subject to the transient occupancy tax ordinance codified at the Glendale Municipal Code Chapter 4.32.

2. Units in a hospital, convent, monastery, extended medical care facility, asylum, non-profit home for the aged, or dormitory owned and operated by an accredited institution of higher education;

3. Units which an government entity owns, operates, or manages, or, if other applicable federal or state law specifically exempt such units from municipal rent stabilization and eviction controls.

4. Single-Family Dwellings, units within a common interest development, including condominiums and townhouses; and duplexes;

5. Rental Units with an initial certificate of occupancy dated on or after February 1, 1995 pursuant to the Costa-Hawkins Rental Housing Act (Cal. Civ. Code § 1954.52), or any successor Act thereto.

C. Initial Rents. This moratorium does not affect or regulate the initial Rent at which a Rental Unit is offered.

D. Affirmative Defense. In any action by a Landlord to recover possession of a Rental Unit, the Tenant may raise as an affirmative defense any violation of or noncompliance with any of the provisions of this Ordinance.

E. Period of Effectiveness. This moratorium, unless extended by the Council, is only effective for the Moratorium Period as defined herein. It is presumed that Rents in effect as of the effective date this Ordinance provide a fair return to Landlords; as such, given the short duration of the Moratorium Period, the Council finds that this moratorium does not deny any Landlord a just and reasonable return.

F. Petition for Relief from Moratorium. If, during the Moratorium Period, a Landlord believes the application of this moratorium's limitation on Rent increases deprives the Landlord of the ability to receive a just and reasonable return, the Landlord may petition the city manager for a determination of the amount of Rent necessary to provide the Landlord with a just and reasonable return and authorization to charge such Rent. The city manager shall establish a procedure for reviewing such petitions, which shall take into account the procedures and factors set forth in case law.

Section 4. Enforcement Procedures. The City, at its sole discretion, may choose to enforce the provisions of this ordinance through administrative fines and any other administrative procedure set forth in Chapter 1.20 of the Municipal Code, as amended. The City's decision to pursue or not pursue enforcement of any kind shall not affect a tenant's rights to pursue civil remedies.

Section 5. Civil Remedies. A Tenant may bring a civil suit in the courts of the state alleging that a Landlord has violated any of the provisions of this Ordinance or any regulations promulgated hereunder including that the Landlord has demanded, accepted, received, retained a payment or payments in excess of the lawful Rent, failed to maintain a Rental Unit in compliance with applicable health and safety and building codes, including but not limited to Civil Code Sections 1941.1 et seq. and Health and Safety Code Sections 17920.3 and 17920.10, or decreased Housing Services. In a civil suit, a Landlord found to violate this Ordinance shall be liable to the Tenant for all actual damages, including but not limited to the damages described in this Section. A prevailing Tenant in a civil action brought to enforce this Ordinance shall be awarded reasonable attorneys' fees and costs. Additionally, upon a showing that the Landlord has acted

willfully or with oppression, fraud, or malice, the Tenant shall be awarded treble damages. No administrative remedy need be exhausted prior to filing suit pursuant to this Section.

Section 6. Severability. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance or the application thereof to any person or place, is for any reason held to be invalid or unconstitutional by the final decision of any court of competent jurisdiction, the remainder of this Ordinance shall remain in full force and effect.

Section 7. Effective Date and Expiration Date. This ordinance shall take effect immediately upon its adoption and shall terminate on the date that is 180 days after the date of adoption.

Section 8. If the urgency component of this Ordinance is deemed invalid by a court of competent jurisdiction or does not obtain the 4/5 vote necessary for passage as an urgency ordinance, the City Council intends that this Ordinance becomes effective on the thirtieth (30th) day after its passage.

Adopted by the Council of the City of Glendale this ____ day of _____ , 2018.

_____
Mayor

ATTEST:

_____
City Clerk

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

I, ARDASHES KASSAKHIAN, City Clerk of the City of Glendale, certify that the foregoing Urgency Ordinance No. was passed by a 4/5 vote of the Council of the City of Glendale, California, at a regular meeting held on the ____ day of _____ 2018, and that the same was passed by the following vote:

Ayes:
Noes:
Absent:
Abstain:

_____
City Clerk

MOTION

Moved by Council Member _____, seconded by Council Member _____, that, with respect to the Report to Council dated November 13, 2018 pertaining to rent stabilization, the Council hereby notes and files the report and provides direction pertaining to alternatives to rent stabilization as follows:

Vote as Follows:

Ayes:

Noes:

Absent:

Abstain:

APPROVED AS TO FORM

CITY ATTORNEY

DATE 11/7/2018

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RESOLUTION NO. _____

RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE MAKING AN APPROPRIATION

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE:

SECTION 1: That the sum of $150,000 is hereby appropriated and/or transferred from the following accounts to the following accounts:

ACCOUNTS	DESCRIPTION	FROM	TO
25300-101-000	Unallocated, General Fund	$150,000	
47000-101-181	Miscellaneous, General Fund, CDD Administration		$150,000

To appropriate funding for education and staffing outreach efforts related to urgency rent control ordinance efforts or, research, analysis, and staffing costs associated with any alternative direction provided.

SECTION 2: The Director of Finance is authorized to make such other revisions, individual appropriation line-items, changes in summaries, fund totals, grand totals, and other portions of the budget document as necessary to reflect and implement the changes specified in this resolution.

SECTION 3: The City Clerk shall certify to the adoption of this Resolution.

Adopted this_____day of _____, 2018.

_____
Mayor

ATTEST:

_____
City Clerk

CITY OF GLENDALE
DATE 11/7/18
APPROVED AS TO FINANCIAL
PROVISION FOR $ 150,000

_____
Director of Finance

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

I, Ardashes Kassakhian, City Clerk of the City of Glendale, do hereby certify that the foregoing Resolution No._____was adopted by the Council of the City of Glendale, California, at a regular meeting held on the_____ day of _____, 2018, and that the same was adopted by the following vote:

Ayes:
Noes:
Absent:
Abstain:

_____
City Clerk

APPROVED AS TO FORM

_____
CITY ATTORNEY
DATE 11/7/18

8 A 4

EXHIBIT 1

CITY OF GLENDALE CALIFORNIA
JOINT REPORT TO THE CITY COUNCIL AND HOUSING AUTHORITY

April 26, 2016

AGENDA ITEM

Agenda Item: Report

Informational Report Summarizing Past Efforts and Discussions on Rent Control, Rent Mediation, and Other Citywide Rent Affordability Related Issues

(1) City Council Motion To Receive and File Report Or Provide Staff Further Direction As Deemed Necessary;
(2) Housing Authority Motion To Receive and File Report Or Provide Staff Further Direction As Deemed Necessary.

AUTHORITY ACTION

Public Hearing [ ] Ordinance [ ] Consent Calendar [ ] Action Item [ ]
Report Only [X]
Approved for April 26, 2016 calendar

ADMINISTRATIVE ACTION

	Signature
Submitted Philip S. Lanzafame, Director, Community Development	
Prepared Peter Zovak, Deputy Director of Housing, Community Development	
Approved Scott Ochoa, City Manager	
Reviewed Michael J. Garcia, City Attorney	
Jess Duran, Director, Community Services and Parks	

RECOMMENDATION

The Department of Community Development recommends that the Glendale City Council (City Council) and Glendale Housing Authority (Housing Authority) receive and file this informational report on City of Glendale past efforts and discussions on rent control, rent mediation, and other citywide rent affordability related issues.

SUMMARY

The purpose of this report is to provide a brief summary of past efforts and discussions made/held by the City related to rent control, rent mediation, and other citywide rent affordability related issues.

This report comes at a time when the City Council and Housing Authority have been hearing increasing concerns from residents/constituents on the impact housing costs are having on households, particularly lower income households. According to Glendale Water and Power, residential vacancy rates for apartments in Glendale have consistently been below 2% for the last five years, with the March 2016 report set at a vacancy rate of 1.38%. Also, census data for the City, State and the country show a demand for affordable housing across the board for lower income households.

Through the affordable housing programs and projects directly offered over the years, the City of Glendale (City), in partnership with the Housing Authority, continues to demonstrate its commitment to provide balanced, quality housing for lower income residents. The City has provided a variety of housing options (rental, homeownership, emergency shelter, transitional housing) for the Glendale community and continues to do so despite the challenges in accessing funding and finding appropriate sites for development.

In addition to its work locally, the City has been active in lobbying efforts on legislative measures at the state and federal level that would result in more affordable housing production. The City of Glendale's Legislative Platform, adopted by Council in 2013, outlines the City's position on legislative matters and serves as the foundation for the City to support, remain neutral, or oppose positions on legislation. This Legislative Platform has allowed the City of Glendale to advocate for state and federal legislation and act quickly when advocacy is needed, particularly in the area of affordable housing. By supporting measures increasing the availability of alternative funding sources, the City has been able to successfully leverage these sources of funding with local projects/programs to expand opportunities for Glendale residents. Advocating for more Section 8 funding from HUD, and more tax credits through the State has been a critical goal for the City. Also, identifying a local source of funding for affordable housing has been a goal of the City as well and staff continues to explore options for future City consideration.

Finally, with regards to the issue of rent control and rent mediation, back in 2001, the City convened a committee of stake holders within the community to look at the housing challenges facing the Glendale community at that time. Among other things, the year-long work of the committee focused on issues facing the rental community. After much debate and discussion, the recommendation by the committee was to look at alternative methods such as rent mediation and just cause eviction, in lieu of rent control, as tools to help address the then demands of the rental market.

FISCAL IMPACT

This report is for informational purposes only. There are no fiscal impacts.

BACKGROUND/ANALYSIS

Census Data:
As demonstrated in census data and in existing affordable housing programs and projects in Glendale, the demand for affordable housing is large. This dilemma is not unique to Glendale as the same concerns are being heard in cities neighboring Glendale and throughout the state and some parts of the nation. According to a recent report from the State Legislative Analyst Office, an average California home costs approximately 2½ times the average national home price ($440,000 versus $180,000) and the average California rent is approximately 50% higher than the rest of the country ($1,240 versus $840). According to the report, even California's least expensive housing markets are more expensive than the national average.

According to the Census 2014 Population Estimator, Glendale has a population of approximately 200,000 people. There are approximately 75,000 housing units within the City. Of that, approximately 25,700 are owner occupied and 45,300 are renter occupied, for an owner to renter ratio of approximately 36% to 64% (approximately 5% were vacant at the time of the survey). The most common housing problems are housing cost burden (overpayment) and overcrowded housing, which are often related. These problems apply to all levels of low income renters and to a lesser extent to low income homeowners.

Cost burden/overpayment is defined as households paying more than 30 percent of their gross income on housing related expenses. This includes rent or mortgage payments and utilities. High housing costs can cause households to spend a disproportionate percentage of their income on housing. This may result in repayment problems, deferred maintenance or overcrowding. Severe overpayment is defined as paying 50% or more of the household's gross income on housing related expenses.

According to the 2009 ACS information presented in the SCAG Existing Housing Needs Data Report, 53.3% of the total households in Glendale experience overpayment. Within most of the City's non-mountainous census tracts up to 72% of households are experiencing a cost burden that is greater than 30%.

Cost burden is the greatest challenge for small related renter households and for extremely low income elderly households. Extremely low income renter households tend to have multiple housing problems that extend beyond either cost burden or overcrowding individually. Those households with a senior citizen member are more likely to be an extremely low income household.

Affordable Housing Production:
Despite the daunting task, the City of Glendale has gone to great lengths to provide as much affordable housing as possible. Efforts include, but are not limited, to the following:

- The Housing Authority has supported and funded development of numerous affordable housing projects using affordable housing funding since its inception in 1975. These projects have provided new affordable rental housing for seniors, families, veterans and special needs populations as well as homeownership for first time home buyers. To date,

the Housing Authority has developed nearly 1,300 units of affordable housing for low income renters and homeowners.

- The Housing Authority has leveraged approximately $100 million in other agency funding to develop affordable housing projects in Glendale.

- The Housing Authority oversees a "High Performing" Section 8 Housing Choice Voucher program that serves approximately 3,042 households annually at a cost of approximately $24 million. Nearly 100% of these households served under Section 8 are extremely low income.

- The Housing Authority oversees a Continuum of Care Program for homeless persons. The City of Glendale is one of only three cities in the County of Los Angeles that operates its own homeless Continuum of Care and is eligible to receive Continuum of Care funds directly from HUD in the amount of $2.7 million annually. On an annual basis, approximately 2,097 unduplicated persons are served through Glendale's Continuum of Care through intensive case management, mental health services, substance abuse programming, employment, and housing services.

  The Housing Authority currently has 130 units of scattered site apartments in the City of Glendale for homeless persons who continue to utilize ongoing case management. CoC currently has one Transitional Housing program for families who are fleeing domestic violence. This program provides a short term subsidy for families up to 12 months and case management with linkage to employment services and ultimately to independent living arrangements.

- The City has supported and approved 14 Density Bonus Housing Applications providing a total of 170 affordable housing units for lower income households.

- The Housing Authority has funded 228 First Time Home Buyers loans assisting moderate income buyers to purchase their own home.

- The Housing Authority has funded over 650 single and multi-family rehabilitation loans/grants assisting in the preservation of over 1,600 housing units occupied by low and moderate income households in Glendale.

- The City contracts with the Housing Rights Center to provide free telephone and in-person counseling to both tenants and landlords regarding their rights and responsibilities under California law and local city ordinances. Housing Counselors are trained in landlord/tenant law and are able to inform clients of a wide-range of actions they can take to enforce their rights.

Most recently, despite the elimination of redevelopment by the State of California and the resulting loss of a substantial local funding source for affordable housing development, the City/Housing Authority have continued to identify new revenue sources for ongoing affordable housing efforts. This includes restructuring of existing development projects to generate and accelerate housing program income and issuing $7.5 million in housing bonds for future affordable housing project development.

Affordable Housing Advocacy:

The City's 2016 Legislative Platform was voted on by the City Council on March 22, 2016. On the agenda of legislation to support were four items pertaining to affordable housing production. They included:

AB 2734 – A bill to require the Dept. of Finance to determine the state general fund savings for the fiscal year as a result of the dissolution of redevelopment agencies, and upon appropriation, 50% of that amount be allocated to the Dept. of Housing & Community Development to create an equitable funding formula that is geographically balanced and would take into account factors such as poverty rates and lack of supply of affordable housing for people with low/moderate incomes in local jurisdictions.

AB 2817 – A bill that would increase the aggregate housing credit dollar amount that may be allocated among low-income housing projects under the low-income housing tax credit program pursuant to which the California Tax Credit Allocation Committee provides procedures and requirements.

SB 873 - A bill that would allow a taxpayer to sell all or a portion of a low income housing tax credit to one or more unrelated parties, with certain conditions. The bill would also require the California Tax Credit Allocation Committee to enter into an agreement with the Franchise Tax Board to pay any costs incurred by the Franchise Tax Board in administering these provisions.

"No Place Like Home" Initiative – An initiative to assist local communities in preventing and addressing homelessness. The proposals will empower local governments with additional resources and flexibility to better serve homeless individuals and families, increase access to affordable housing, address the effects of income inequality and, extend proven programs for homeless who are either disabled or in need of mental-health assistance. Funding would be used for:

- $2 billion bond to construct permanent supportive housing for chronically homeless persons with mental illness.
- $200 million, over 4 years, to provide supportive housing in the shorter-term, rent subsidies, while the permanent housing is constructed or rehabilitated.

While these measures described above do not and cannot meet all of the demand for affordable housing, it does demonstrate that the City Council/Housing Authority are committed to supporting measures at the state and federal level that could provide benefits to Glendale residents.

2001 Committee Work

In early 2001, the Glendale City Council and Housing Authority directed staff to assess options for addressing affordability issues associated with the private rental housing market. The discussions and work began in 2001 and extended into 2004. Over the years since then, subsequent City Council/Housing Authorities have requested informational staff reports and/or memorandums on that work product along with any applicable updates. The last staff report

update came in December 2008. To date, no further actions have been taken in these subsequent updates.

The discussion began in January 2001 with a review of the Glendale rental housing market, followed by an evaluation of the impacts to implementing rent control/rent stabilization, the implementation of a voluntary rent mediation program, and culminated with the passage of the Just Cause Eviction (JCE) ordinance. Table 1 below, details the chronology of the discussion and actions that have taken place to date. (The discussions have been detailed and exhaustive. Due to the volume of work done, it was not feasible to attach all the reports as an exhibit. As an alternative, a binder containing the reports was provided in the Council/Housing Authority office for review in advance of this meeting).

Of all of the proposals cited below, only the JCE Ordinance is in effect today. No action was taken on the establishment of rent control. A voluntary rent mediation program, called the "12/12 Rent Disclosure Program" and partially funded by the City, was established in 2002. However, it soon failed due to the lack of participation by landlords.

Table 1
Chronology of Past Actions

MONTH	YEAR	ACTION
January	2001	Report on rental housing market
September	2001	Report on rent stabilization
November	2001	Report regarding Rent Mediation Commission Ordinance
January	2002	Report and City Council endorsement of voluntary mediation program
February	2002	Report and motion approving $15,000 for community outreach
August	2002	Just Cause Eviction Ordinance adopted
November	2002	Initiative petition launched by Property Owners for Property Rights group to essentially prohibit rent control or any pricing limitations on the sale or rental of property
January	2003	Just Cause Eviction Ordinance amended
February	2003	Report to convene Rental Housing Issues Working Committee
June	2003	Lawsuit filed challenging initiative petition prohibiting any form of rent control
November	2003	Final report and recommendations from Rental Housing Issues Working Committee
December	2003	Report on Rental Housing Issues Working Committee task matrix
December	2003	Report on amendment to Just Cause Eviction Ordinance
February	2004	Report regarding (1) Mandatory or Model Residential House Leases; (2) Repeal of Just Cause Eviction Ordinance; and (3) Consideration of Amendments to JCE
March	2004	Lawsuit challenging initiative petition to prohibit rent control successful -writ granted based upon untimely signatures submitted

Rent Control

As one of the tools to address the issue of escalating rents and the impacts it has on low and fixed income individuals, in 2001 the City Council/Housing Authority explored the concept of rent control/stabilization for the City. While this was not the first time rent and affordability within the City was raised as a concern amongst renters, it was the first time that the Council/Housing Authority conducted serious discussions about escalating rents in Glendale.

The idea of regulating rents has received attention throughout the Unites States beginning primarily in the 1940's as a result of concerns with the national economy during World War II (Emergency Price Control Act of 1942). With the end of the war and the normalization of the economy, the Act was allowed to expire in 1947; however, it was replaced with the Federal Housing and Rent Act that remained in effect for a number of years before control was eventually given to states and cities. It was at this time that New York City took control over its local program and it has since become the longest running rent control program in the United States.

Rent control/stabilization establishes a base rent level for particular occupancies in multi-family units. These levels are not uniform across all units, so they typically vary per project. It permits automatic or inflationary increases on an annual basis, and most programs have provisions for a "fair market rate of return" increase upon showing that a reasonable investment may not be financially feasible at rent control levels. It is important to note that rent control it is not a mechanism to provide affordable housing, as it is not based upon a renter's income or ability to pay. In fact, many of the cities with rent control (San Francisco, Los Angeles, and Santa Monica) still struggle with the issue of affordability despite rent control measures having been in place for some time now. Rent control simply provides a rent standard for units based upon a rent schedule that is frozen at a particular point in time (most often a year or so prior to adoption of an ordinance) and allows rent increases per some set standard, typically Consumer Price Index (CPI). While the tenants may receive a slight rollback or reduction in rent at the initiation of a rent control ordinance and the security of an objective and/or measured method in which rent increases are tied to, it can often take time in terms of occupancy of the same unit, combined with increasing household income, before a unit may become "affordable" to a resident. With even more time with that same tenant in the same rent controlled unit, the unit may then reach a point that it is considered below market rate. At a subsequent vacancy, the unit rent then is reset to a new market rate rent level.

In California, approximately a dozen cities have adopted rent control either through charter amendment, ballot initiative, or municipal code ordinance over the years. According to staff research, no new city has adopted rent control for approximately the last 30 years. The latest city to consider the adoption of rent control was the City of Richmond. After a ten month study, a rent control ordinance was adopted by the City on a 6-1 vote in August 2015. Subsequently, a referendum petition protesting the adoption was submitted and qualified for a ballot vote. In lieu of placing the item on the ballot, the city elected to rescind the ordinance in November 2015 on a 7-0 vote.

For the purposes of rent control, up to approximately 45,000 housing units in Glendale could potentially be subject to rent control provisions, if ever enacted. That number is expected to be lower, possibly by as much as 5,000-7,000 units, because there are certain exemptions in existing state law with regards to rent control. The Costa-Hawkins Act (AB 1164) limits the ability of cities to enact rent control by providing the following unit exemptions:

1. Housing constructed after 1995 must be exempt;
2. New housing that was already exempt from a local rent control ordinance in place before February 1995 must remain exempt;
3. Single family homes and condominium units must be exempt; and
4. Rental property owners must have the ability to establish their own rental rate when units change tenancy.

Another law that affects the number of units under rent control and, according to recent media reports, is being used more and more frequently in California is the Ellis Act (CA Gov. Code Section 7060). This law allows landlords the right to evict tenants of a rent control building and remove the units from the rent control ordinance if their intent is to change the "use" of the building. Most Ellis Act evictions are used in order for landlords to convert rental units to condominium projects.

Rent control typically requires that a fee be levied against multi-family properties in order to support monitoring and administering the program. Depending upon the size and scope, new

staffing levels must be secured for this particular program. In addition to staffing, a rent control board or commission is typically required to be formulated to rule on and provide policy direction for the program and to hear appeals on program decisions and disputes.

A rent control population of the potential size of approximately 45,000 units would place Glendale in the upper category in terms of cities with rent control programs. As can be seen in the sampling of rent control cities in Table 2 below, that would place Glendale ahead of cities such as Santa Monica with a program size and budget of approximately 26,000 units/$4.7M, and behind Los Angeles and San Francisco with program sizes and budgets of 638,000 units /$15.5M and 171,000 units/$6.7M respectively.

Table 2
Rent Control City Sampling

City	Year Implemented	Qualifying Units	Employees Budgeted	Annual Cost	Annual Revenue	Registration Fee Per Unit
Los Angeles	1978	638,000	82	$15,571,892	$15,637,380	$25
San Francisco	1979	171,000	32	$6,700,000	$6,156,000	$36
Santa Monica	1979	26,335	25	$4,755,170	$4,646,090	$175
Berkeley	1978	21,000	21.5	$4,245,000	$3,900,000	$194
West Hollywood	1984	16,895	12	$2,394,940	$2,027,400	$120
East Palo Alto	1988	2,507	2.5	$650,000	$586,638	$234
Richmond	2015/Failed	9,912	N/A	$2,245,171	N/A	N/A

No administration studies were conducted when the item was previously studied in Glendale as it did not proceed far enough to quantify. Early in the Glendale process, an initiative petition to prohibit rent control was launched by a group called "Rental Property Owners for Property Rights". The petition was submitted for validation; however, a lawsuit challenging the petition was filed based upon the signature collection methodology. Eventually, the lawsuit was successful and a writ was granted denying the initiative based upon the untimely submission of signatures.

Based upon the information submitted at the time, the City Council elected not to pursue rent control and looked at other possible alternatives to address rent concerns.

Rent Mediation
As an alternative to rent control and in response to concerns about possible landlord retaliation to tenants reporting code violations for their units, a rent mediation program was pursued by the City Council. The program concept was to provide a City operated mechanism for review of rent increases, eviction notices, etc., in an effort to limit excessive increases or retaliatory actions that cause evictions. In response to a proposal from the then formed Glendale Apartment Association, a voluntary rent mediation was formulated in early 2002 and partially funded by the City ($15,000 for education and outreach funded by CDBG). In August 2002, the voluntary program was discontinued as the Glendale Apartment Association was unable to solicit voluntary compliance with the adopted program.

Just Cause Eviction
One measure that was adopted and still in effect today is the Just Cause Eviction Ordinance.

The JCE Ordinance was designed to provide well-maintained living units and discourage retaliatory evictions by landlords. The ordinance provides twelve (12) legal reasons for eviction and other issues related to the termination of a tenancy. The ordinance also provides guidance under which landlords must provide relocation assistance to tenants forced to move under certain conditions.

Both the City Attorney's Office and Community Development Department (Housing) receive multiple calls monthly from both tenants and landlords regarding the JCE, whose concerns may not rise to the level of an investigation, but nonetheless both utilize the ordinance to resolve housing disputes. When warranted, the JCE is enforced by the City, via the City Attorney's Office. To date since adoption, approximately 30 cases have been investigated by the City Attorney's Office and only one (1) case has been prosecuted.

ALTERNATIVES

Alternative 1: The City Council/Housing Authority may elect to receive and file the report as submitted;

Alternative 2: The City Council/Housing Authority may elect to provide staff further direction as deemed necessary;

Alternative 3: The City Council/Housing Authority may elect to consider any other alternative not proposed by staff.

CAMPAIGN DISCLOSURE

Not applicable at this time.

EXHIBITS

None

CITY OF GLENDALE CALIFORNIA
JOINT REPORT TO THE CITY COUNCIL AND HOUSING AUTHORITY

July 26, 2016

AGENDA ITEM

Agenda Item: Report

Follow-Up Informational Report on Rent Control, Rent Mediation, and Other Citywide Rent Affordability Related Issues

(1) City Council Motion To Receive and File Report Or Provide Staff Further Direction As Deemed Necessary;
(2) Housing Authority Motion To Receive and File Report Or Provide Staff Further Direction As Deemed Necessary.

AUTHORITY ACTION

Public Hearing [ ] Ordinance [ ] Consent Calendar [ ] Action Item [ ]
Report Only [X]
Approved for July 26, 2016 Calendar

ADMINISTRATIVE ACTION

	Signature
Submitted	
Philip Lanzafame, Director, Community Development	
Prepared	
Peter Zovak, Deputy Director of Housing, Community Development	
Sipan Zadoryan, Hourly City Worker, Community Development	
Will Provost, Hourly City Worker, Management Services	
Approved	
Scott Ochoa, City Manager	
Reviewed	
Michael J. Garcia, City Attorney	

RECOMMENDATION

The Department of Community Development recommends that the Glendale City Council (City Council) and Glendale Housing Authority (Housing Authority) receive and file this follow-up informational report. The purpose of this report is to provide follow-up information to a previous report and discussion had by both the City Council and the Housing Authority on April 26, 2016, on past efforts and discussions related to rent control, rent mediation, and other citywide rent affordability related issues within the City of Glendale. This report provides follow-up information requested at that meeting as well as new information related to the subject of affordable housing.

SUMMARY

At the joint City Council/Housing Authority meeting of April 26, 2016, a report was presented on past efforts the City of Glendale has made related to rent control, rent mediation, and other citywide rent affordability related issues. The report, attached as Exhibit 1, was requested as both the City Council and Housing Authority had been hearing increasing concerns from residents/constituents on the impact housing costs are having on households, particularly lower income households. Certain questions were raised on various aspects of the April 26th report and staff has prepared responses to them in the Background/Analysis section of this report. In addition, new information is being provided regarding changes and updates that have occurred since that initial report.

As stated previously, while the demand for affordable housing remains quite large, it is not a challenge unique to Glendale. Since the April 26th staff report, housing and the issue of affordability has been featured and discussed in the media and by regional and state policy makers on an almost daily basis. While much discussion has taken place to date, even more is expected in the coming months on how best to deal with the issue of housing affordability. Some of these regional and/or state solutions may be mandated, while other measures may allow for City of Glendale input and action.

The basic finding of this report is that the City of Glendale is not immune to the problem of housing security and affordability that exists in the region and State. In response to the growing issue, most experts suggest an "all of the above", multi-pronged, approach to improving affordability within a specific community. However, the fundamental recommendation to address the issue of housing affordability is to increase supply to address the existing and increasing demand for housing.

The report is broken down into five main sections to help inform the discussion:

- *Housing Need/Demand* – Situates Glendale in the broader regional and national context.
- *Housing Affordability in Glendale* – Provides an overview of Glendale's housing statistics.
- *Legislation* – Focuses on proposals at the state and local level that may directly impact residential development in the City of Glendale.
- *Rent Control/Rent Mediation/Just Cause Eviction* – Provides an update on rent control ordinances throughout the State, with a focus on the assessment of the rent stabilization program in the City of Los Angeles (per Council request). It also summarizes Glendale's JCE program and the potential to add additional protections for renters, pursuant to Council's previous directives.
- *Plan for Moving Forward* – Building off of previous sections, this section provides an 8-point strategy of potential policy concepts for Housing Authority consideration and to further the ongoing discussion.

FISCAL IMPACT

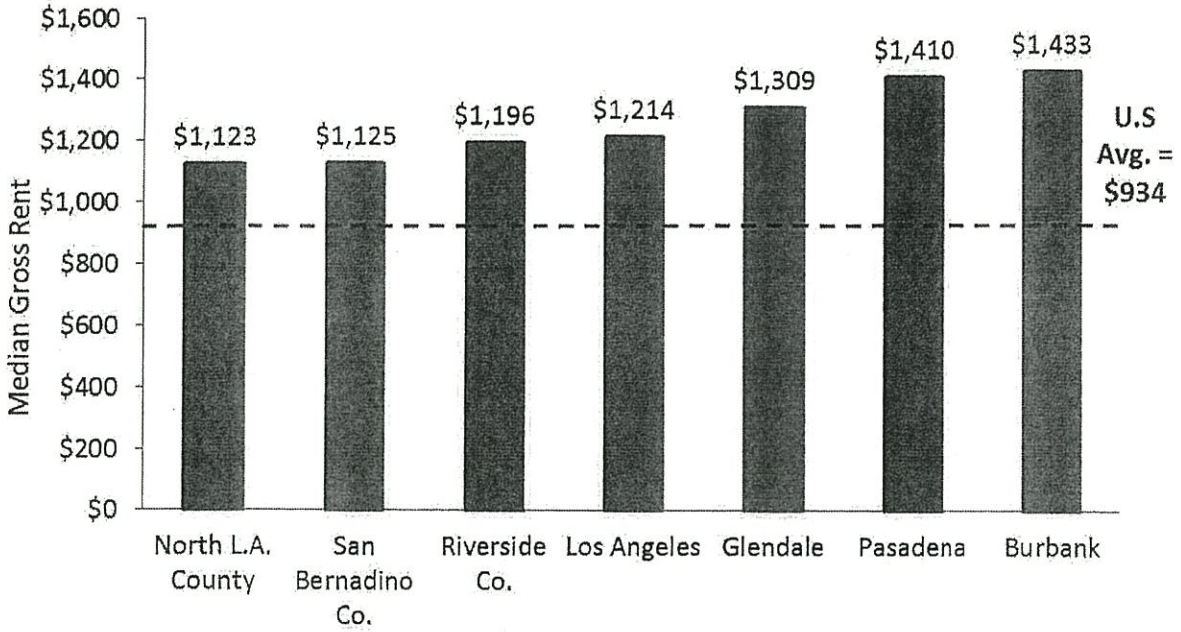
This report is for informational purposes only. There are no fiscal impacts.

BACKGROUND/ANALYSIS

HOUSING NEED/DEMAND:

The challenge of housing affordability on a statewide level has been gaining increasing attention in recent months. According to a recent report from the State Legislative Analyst Office (LAO), an average California home costs approximately 2½ times the average national home price and the average California rent is approximately 50% higher than the rest of the country. According to the report, even California's least expensive housing markets are more expensive than the national average. As demonstrated by staff in multiple examples in its April 26th report and one additional example in Figure 1, below, according to 2014 U.S. Census data, Glendale housing data places it above the median for most cities within the state for high housing costs and low housing affordability, slightly ahead of the City of Los Angeles, but below the cities of Pasadena and Burbank and major northern metropolitan areas of Northern California. In short, the issue of housing affordability is widespread and affects both the market for rental units and home ownership.

Figure 1: Median Gross Rent, Glendale and Comparison Cities, 2014



Source: U.S. Census Bureau, 5-Year ACS PUMS, 2010-2014
Note: North L.A. County includes the cities of Lancaster and Palmdale.

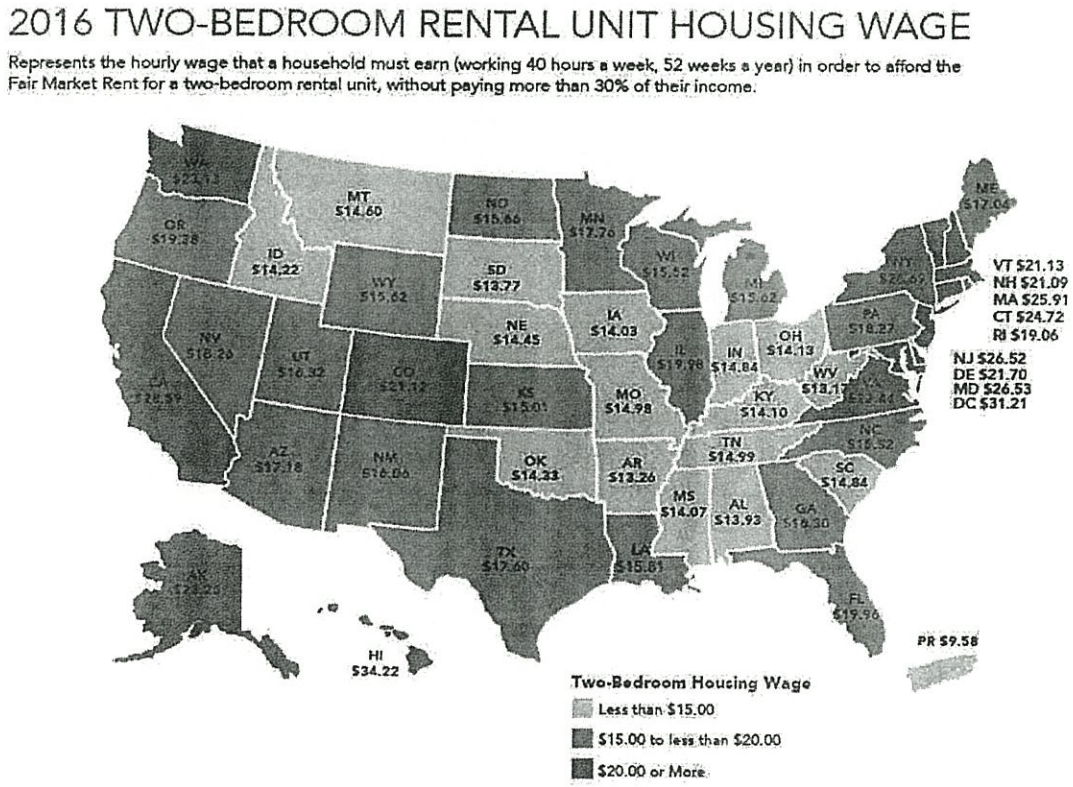
The Executive Summary of the LAO report is attached as Exhibit 2. Among a number of conclusions, the LAO report cites that the main contributors to the lack of affordable housing within the state can be attributed to the fact that:

- California's home prices and rents are higher than just about anywhere else in the country;
- Building less housing than people demand drives high housing costs;
- High housing costs are problematic for households and the State's economy;
- Recognition needs to be given to affordable housing programs; and
- More private construction must be built in coastal urban areas.

Since the LAO report issuance, multiple other reports (some excerpts attached as Exhibit 3) have been published and/or highlighted that reach similar conclusions on the housing affordability issue, mainly, the California market as a whole suffers from both a shortage of supply and the lingering effects of the housing crash and Great Recession and that it remains among the highest housing cost states within the country.

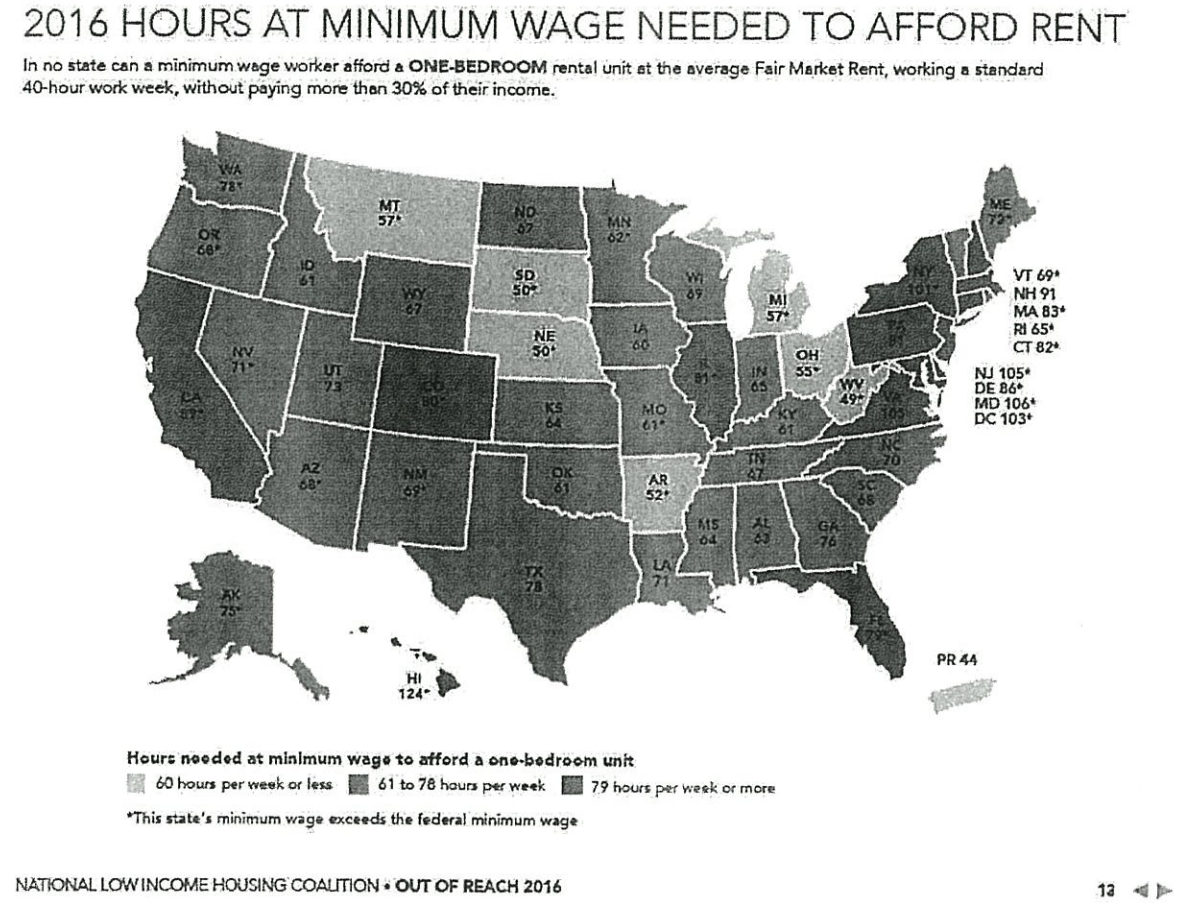
According to the National Housing Low Income Coalition, as graphed in Figure 2 below, with the exception of Hawaii and the District of Columbia, California is the highest cost state for rental housing when converted to a base pay necessary to afford housing, requiring approximately a $29 per hour wage.

Figure 2



As seen in Figure 3, below, when looking at it from a minimum wage perspective and how many hours within a week at minimum wage pay would be required to support rental of a one-bedroom housing unit, California is fifth highest in the country, behind Hawaii, New York, Virginia, DC, Maryland and New Jersey, requiring 89 hours a week.

Figure 3



According to the USC Lusk Multifamily Forecast Report, the California economy has outpaced the nation in terms of job growth and output. While this is expected to create greater demand for existing housing among those with jobs and income growth opportunities, it may also have an exaggerated and negative impact on seniors, the under-employed and unemployed. Another significant factor cited in the report is the fact that many millennials were observed to have delayed making life style decisions during the Great Recession and now, given the slow but steady California economic recovery, many are expected to be in a position to become renter and first time homebuyers in large numbers. Accordingly, rising rents in Southern California are forecasted over the next few years. Ultimately, most of the reports call for the increased construction of market rate housing balanced with a targeted affordable housing program and new project development.

According to all of the reports cited, the fundamental recommendation to address the housing issue is for more housing (both market rate and affordable) to be produced to address demand.

The housing production must take place on a state wide level across all communities in a consistent and objective manner.

HOUSING AFFORDABILITY IN GLENDALE:

As presented in the following data, alongside broader trends in the region and the state, the City of Glendale has experienced a significant increase in housing costs. Today, the median home sales price in Glendale is approximately $650,000, and the median rent is more than $1,300. Moreover, growth in housing costs have outpaced growth in the average household's income. As a result, more than 50% of households in the City of Glendale are "cost burdened", meaning that they are paying more than 30% of their income towards housing costs[1].

Below are a number of key statistics for understanding housing affordability in Glendale. Unless otherwise noted, all data were obtained from the U.S. Census Bureau, American Community Survey (ACS) using the most recently available 1-Year or 5-Year sample.

- Median Household Income: $51,020
- Median Home Value: $598,600
- Median Gross Monthly Rent: $1,309
- Percent of Households that are Cost-Burdened: 57%
- Share of Owner Occupied Households: 34%

In addition to reporting summary statistics and distributions, using the ACS Public-Use Microdata Sample (PUMS), this report estimates the number of "affordable housing units" available to households based upon their household income. The analysis presented in Figure 4 defines affordable units as rental units with a gross rent of less than 30% of a household's income, or owner occupied units with values of less than 2.5 times a household's income. As displayed in Figure 4, while households earning more than $35,000 a year appear to have a number of housing options, there is a shortage of housing available for Glendale's low-income population. In addition, these shortages are likely exacerbated as relatively higher income households utilize a share of the low income housing supply.

Figure 4 displays the distribution of households and affordable units by household income. For example, for a household earning between $35,000 and $50,000 a year, we assume the household can afford rent of $875 to $1,250, or 30% of their total income. In addition, we assume that they could afford to purchase a home worth between $87,500 to $125,000, or 2.5 times their gross income[2]. Using Census data on current home values and rents, we are then able to calculate how many units would be affordable to a household in that income bracket. In this case, there are 8,788 households earning between $35,000 and $50,000 a year, and 13,958 units that are priced within that range. Looking at the lower end of the distribution, however, there are only 6,158 units that are affordable to the 25,819 households earning less than $35,000 a year. This results in an estimated shortage of nearly 20,000 units at the low end of the income distribution. Also worth noting, is the relatively higher median age of these low income

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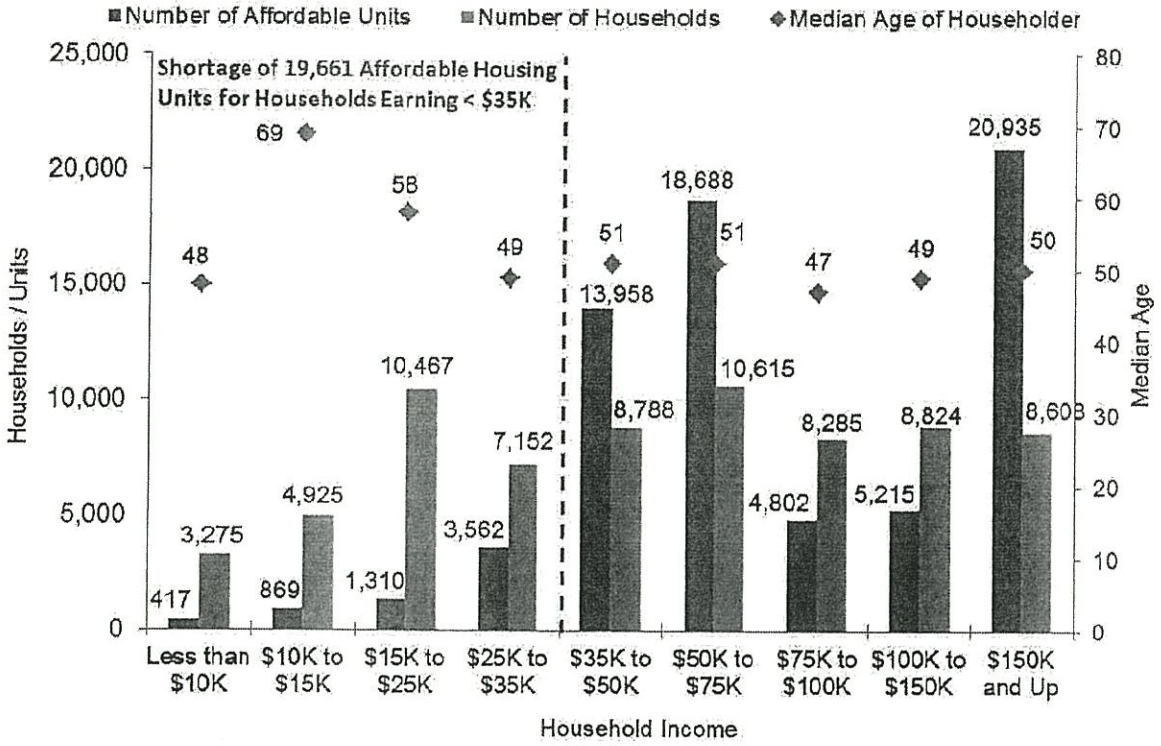
[1] According to the U.S. Department of Housing and Urban Development, cost burdened households are in need of affordable housing, as they "may have difficulty affording necessities such as food, clothing, transportation and medical care" (HUD, 2016). In addition to providing consistency with widely-used standards, the thirty percent cost burdened threshold also provides a useful framework for analyzing trends in housing affordability across communities and over time.

[2] According to Investopedia, 2.5 is an appropriate ratio to guide prospective homeowners..

households. While some of the low income households may have mortgages, since the majority of even older households in Glendale are renters, they are likely paying for housing costs based on shrinking or fixed incomes.

Figure 4: Distribution of Housing Units vs. Distribution of Household Incomes, City of Glendale, 2010 - 2014

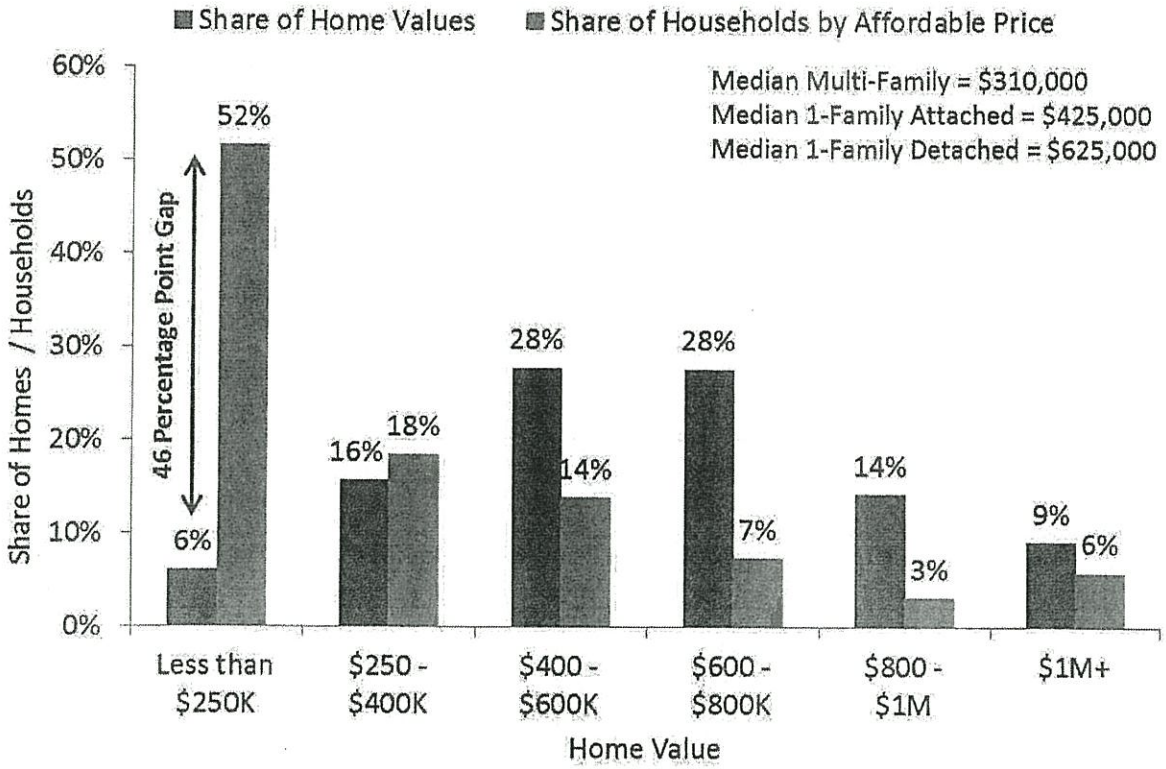


Source: City of Glendale Analysis of U.S. Census Bureau, 5-Year ACS PUMS, 2010-2014
Note: Excludes unoccupied units and units for which cash rent was not applicable.

Figure 4 provides an overview of the entire housing market in Glendale, and highlights a housing gap for households earning less than $35,000 a year. However, there are two distinct markets at play – the market for rental units and the market for prospective homeowners. Figures 5 and 6 take a closer look at each market individually. Figure 5 compares the distribution of household incomes with the distribution of home values, while Figure 6 compares the distribution of household incomes with monthly rental costs.

As can be seen from Figure 5, more than 52% of the population lives in a household that could only afford to purchase a house at a price of less than $250,000. However, only 6% of owner-occupied homes in the City of Glendale have a value of less than $250,000. Therefore, the market for homeownership is largely limited to households that can afford a house/unit worth at least $250,000 and likely more than $400,000. While Figure 4 used a "rule of thumb" to estimate the number of affordable households, in an effort to further refine those estimate, Figure 5 defines affordability as a mortgage with an estimated monthly payment of less than 30% of household income.

Figure 5: Distribution of Owner-occupied Home Values vs. Distribution of Household Incomes, City of Glendale, 2010 - 2014



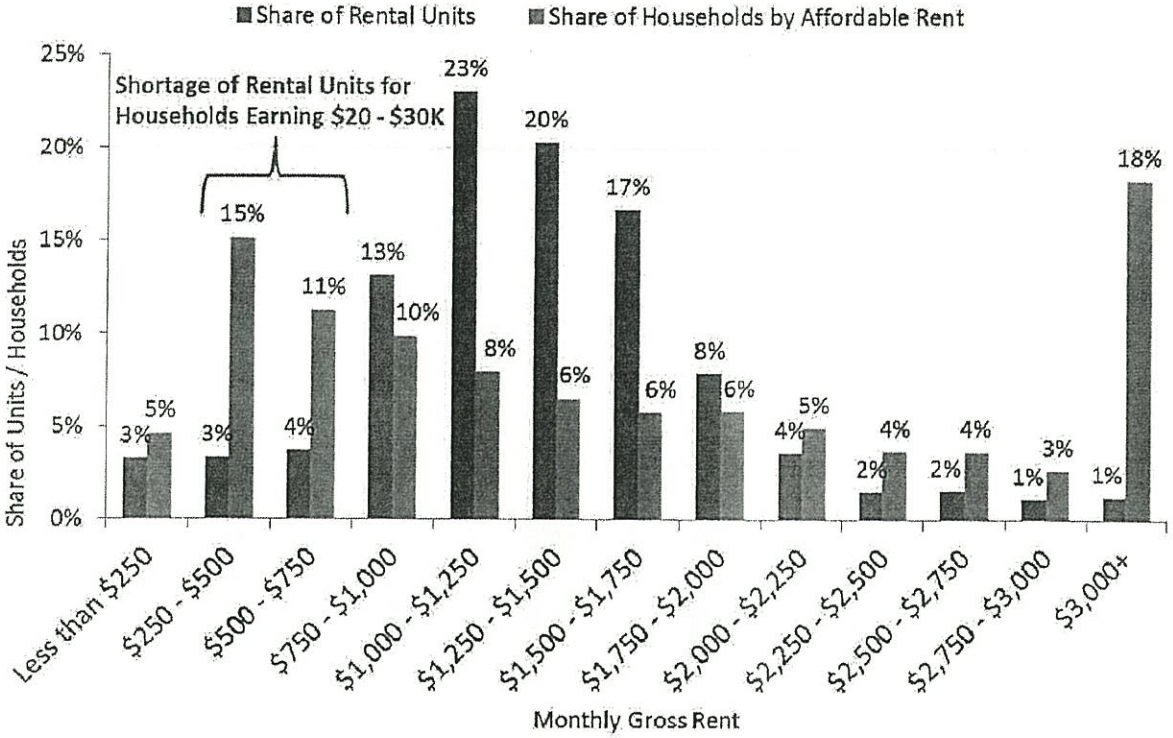
Source: City of Glendale Analysis of U.S. Census Bureau, 5-Year ACS PUMS, 2010-2014; Lending-tree Mortgage Payment Calculator, assumes 10% down-payment and 3.25% interest

The housing types used in this report are: Single-family detached, Single-family attached, and Multifamily.

- Single-family detached includes typical single-family homes, as well as manufactured homes, and other detached dwelling units.
- Single-family attached includes row houses, townhouses, etc., in which dwelling units may share a common wall.
- Multifamily includes all attached structures, such as duplexes and other apartment buildings.

Similarly, the distribution for rental units in Glendale does not align with the distribution of incomes. In particular, as seen in Figure 6, for the 26% of households earning between $20,000 and $30,000 annually, there is a severe shortage of affordable units (i.e. units that would cost less than 30% of household income). Both forceful policy directives and considerable funding will be necessary in order to realign these distributions.

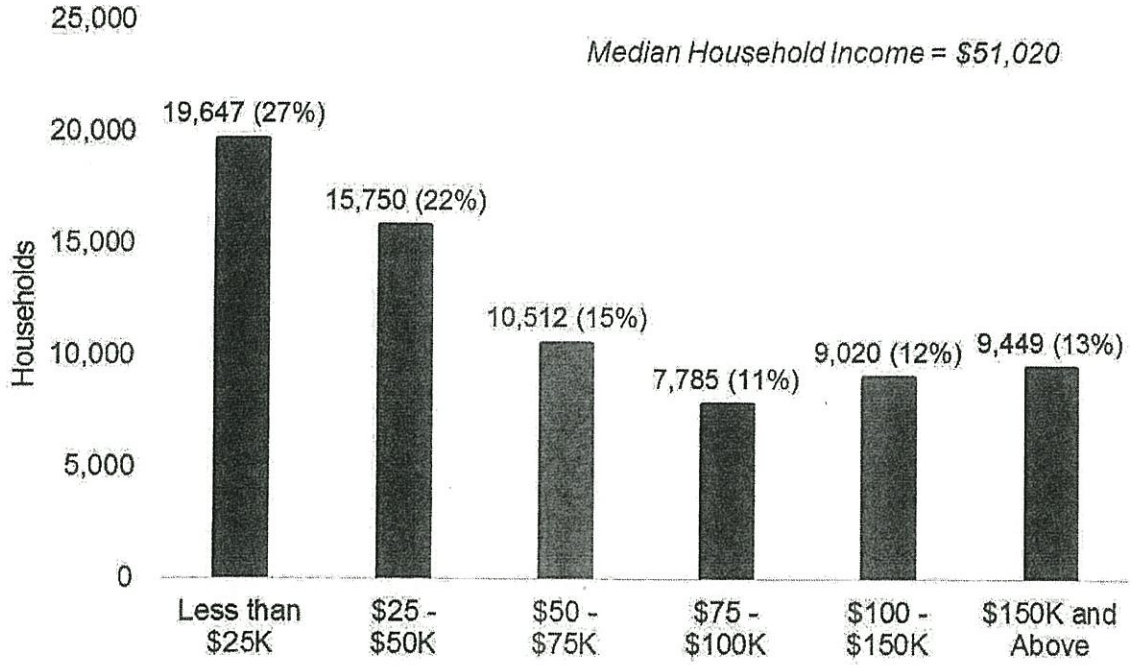
Figure 6: Distribution of Gross Rental Costs vs. Household Incomes, Glendale, 2010 - 2014



Source: City of Glendale Analysis of U.S. Census Bureau, 5-Year ACS PUMS, 2010-2014

As highlighted in previous reports, these affordability gaps are not strictly created by housing costs; they also have to do with the distribution of household incomes throughout Glendale. Although the median household income in Glendale is approximately $51,000 a year, there is considerable variation across households. Figure 7 illustrates the household income distribution throughout Glendale in 2014. As seen in the Figure, nearly 20,000 households (or 27% of all Glendale households) earn less than $25,000 per year. Similarly, one quarter of all households earn more than $100,000 annually. The middle 48% of households have incomes between $25,000 and $100,000 annually.

Figure 7: Household Income Distribution, Glendale, 2014

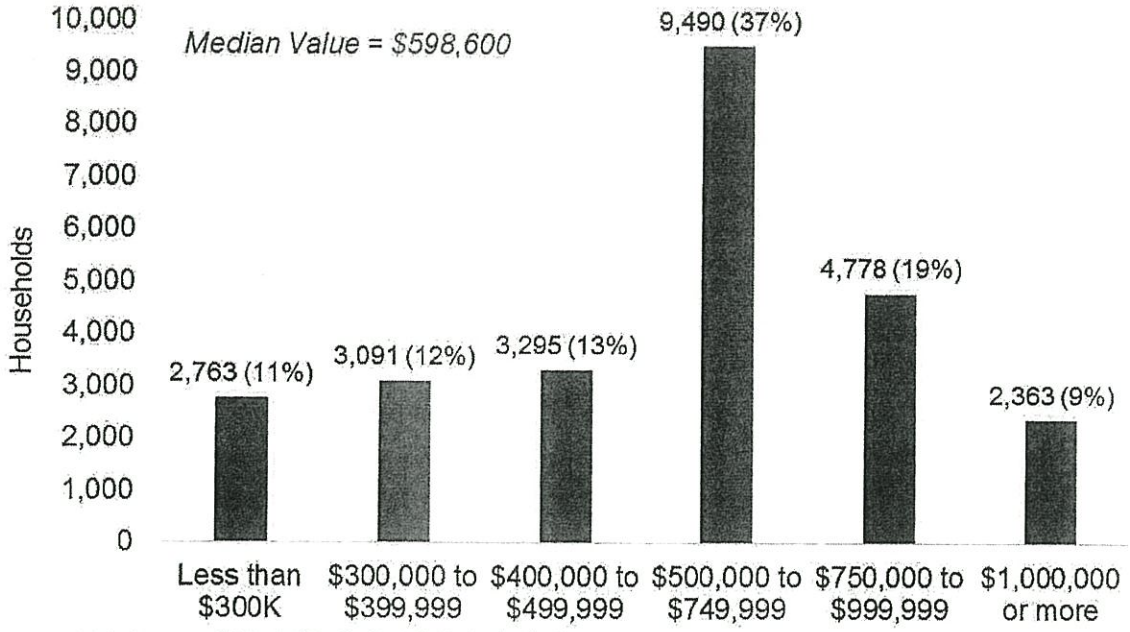


Source: U.S. Census, ACS 2014, B19001, B19013

Figures 8 and 9 display the distribution of home values and the ratio of Glendale's median value to the area's median income, respectively. As seen in Figure 8, in Glendale, 36% of the owner occupied households have a home value below $500,000, while 37% of owner occupied home values are between $500,000 and $750,000. The remaining 28% of owner occupied homes have a value in excess of $750,000. The median home value in this distribution is $598,600.

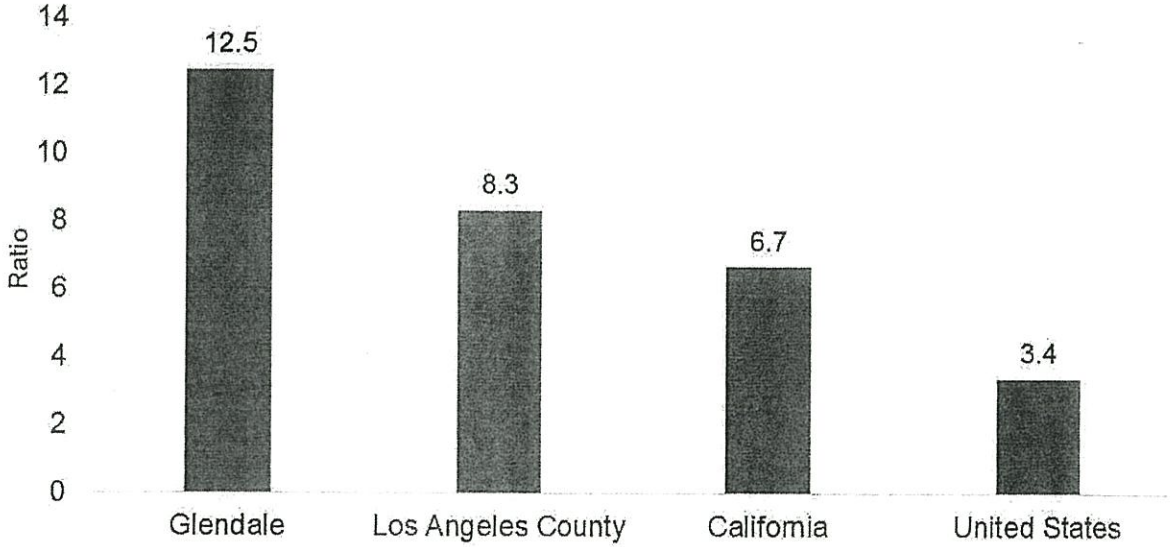
Given the aforementioned statistics, as seen in Figure 9, Glendale has a value-to-income ratio of more than 12. In other words, the average house is 12.5 times more expensive than the average household's annual income. Moreover, the ratios of Glendale, Los Angeles County, and California are more than double HUD's standard ratio, with Glendale's ratio exceeding Los Angeles County (8.3) and California as a whole (6.7). Lower ratios indicate that housing in a region is more affordable; by comparison, the ratio for households across the United States is 3.4.

Figure 8: Distribution of Owner Occupied Home Values, Glendale, 2010-2014



Source: U.S. Census, ACS 2010-2014, B25075, B25077

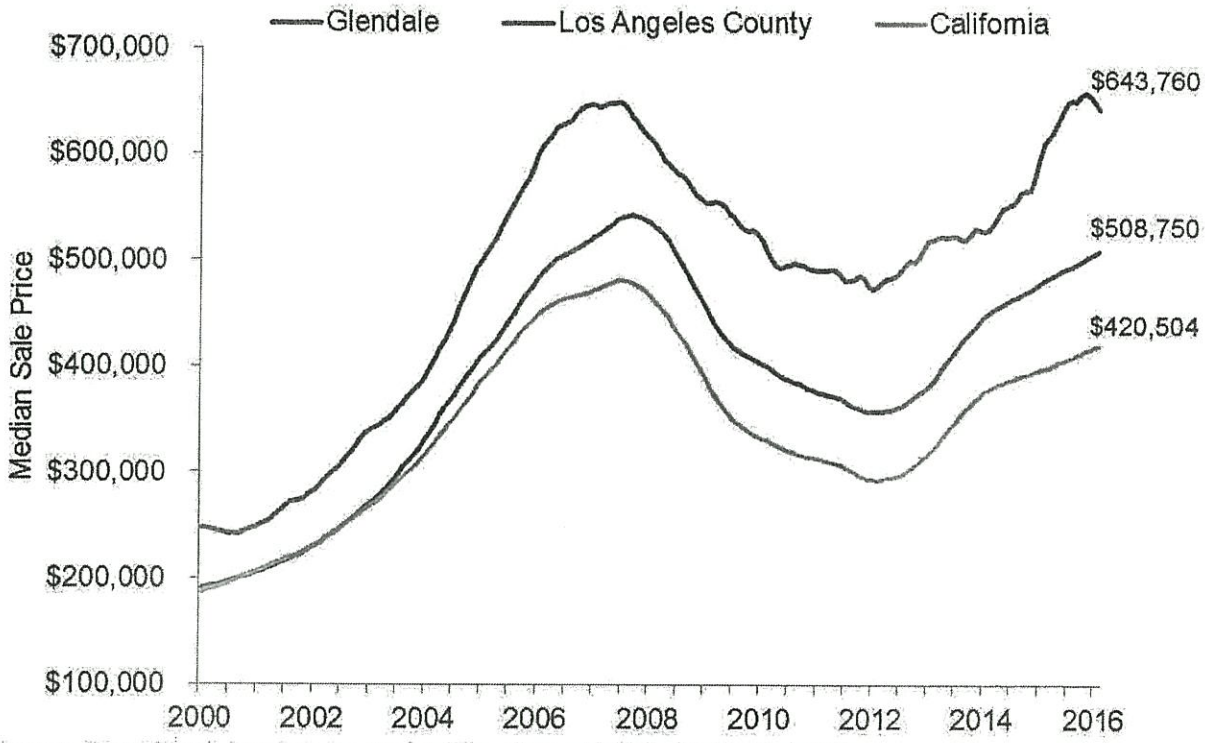
Figure 9: Ratio of Median Owner-Occupied Housing Value to Median Household Income, City of Glendale, Los Angeles County, and California, 2014



Source: U.S. Census, ACS 2014, B25077, S1901

The majority of data used in this report was obtained from the U.S. Census Bureau's most current estimates from 2014. However, Zillow offers more current data on home values that are consistent with findings from the U.S Census Bureau's data. Figure 10 displays the median sale price in Glendale from 2000 to 2016 using data provided by Zillow Research Data. These data show that Glendale's median sale price has consistently been above the median sale price of both Los Angeles County and California. In addition, Glendale's median sale price has recovered from the housing market crash, recently surpassing its pre-recession peak. As a result, Glendale's median home sale price for the 12-month period ending in April 2016 is $643,760, as compared to $508,750 in Los Angeles County, and $420,504 across California.

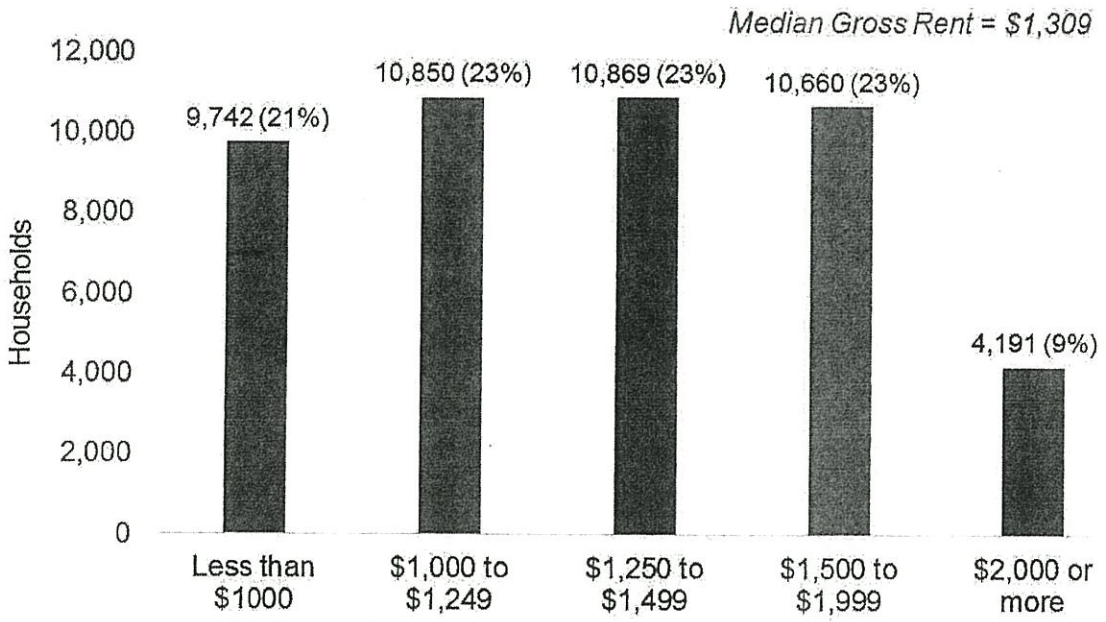
Figure 10: Median Home Sale Price, Glendale, Los Angeles County, and California, 12-Month Rolling Average, 2000 - 2016



Source: City of Glendale calculations using Zillow Research Data, Median Sale Price

In general, rental costs appear to be more affordable than ownership for the average household. Figure 11 shows the distribution of gross rental costs in Glendale. In 2014, more than 40% of households payed less than $1,250 for rent. However, as discussed previously, for households with relatively low incomes, even rents at the lower end of the distribution may be burdensome.

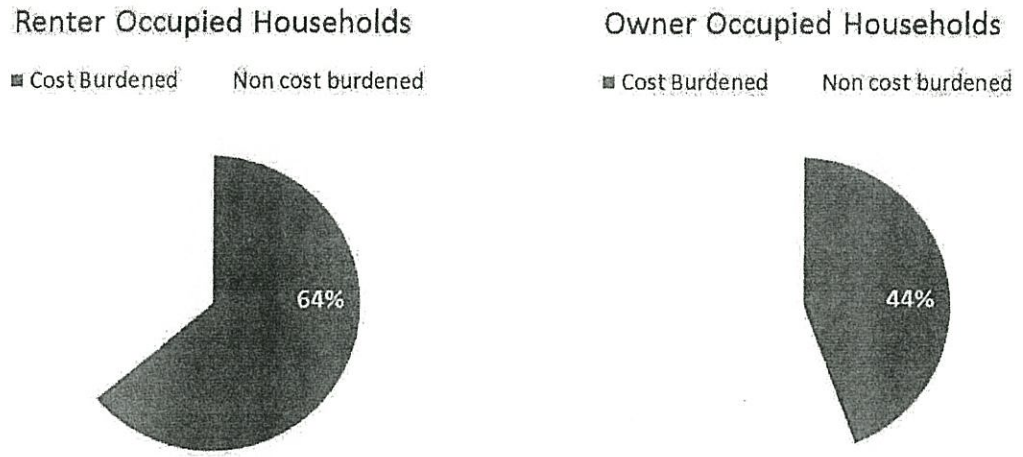
Figure 11: Distribution of Gross Rental Costs, 2014



Source: U.S. Census, ACS 2014, B25063, B2506

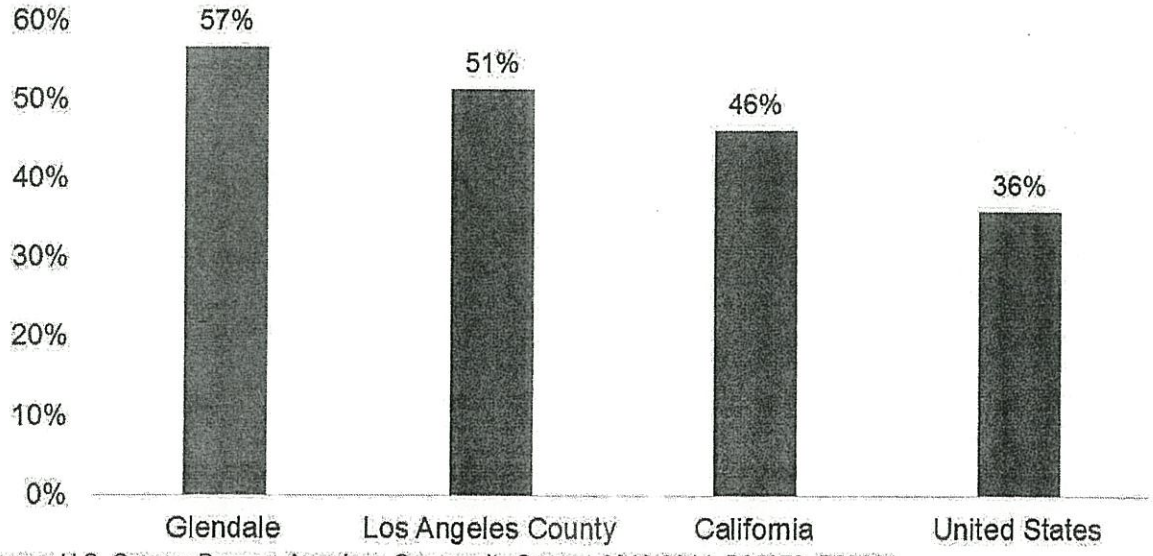
Given these high costs, many residents of Glendale pay a disproportionate share of their income to housing, when compared to other geographies. Furthermore, as shown in Figure 12, a greater portion of renter occupied households (64%) in Glendale are cost burdened when compared to owner occupied households (44%). Figure 13 displays the percent of households that are cost burdened in Glendale, Los Angeles County, California, and the United States as a whole. These data illustrate that households in Glendale are more likely to be cost burdened than households in Los Angeles County, and in California as a whole. In 2014, 57% of households paid more than 30% of their income for housing expenses.

Figure 12: Percent of Households that are Cost Burdened by Ownership Status, 2010-2014



Source: U.S. Census Bureau, American Community Survey, 2010-2014, B25070, B25091

Figure 13: Percent of Households that are Cost Burdened, 2010-2014



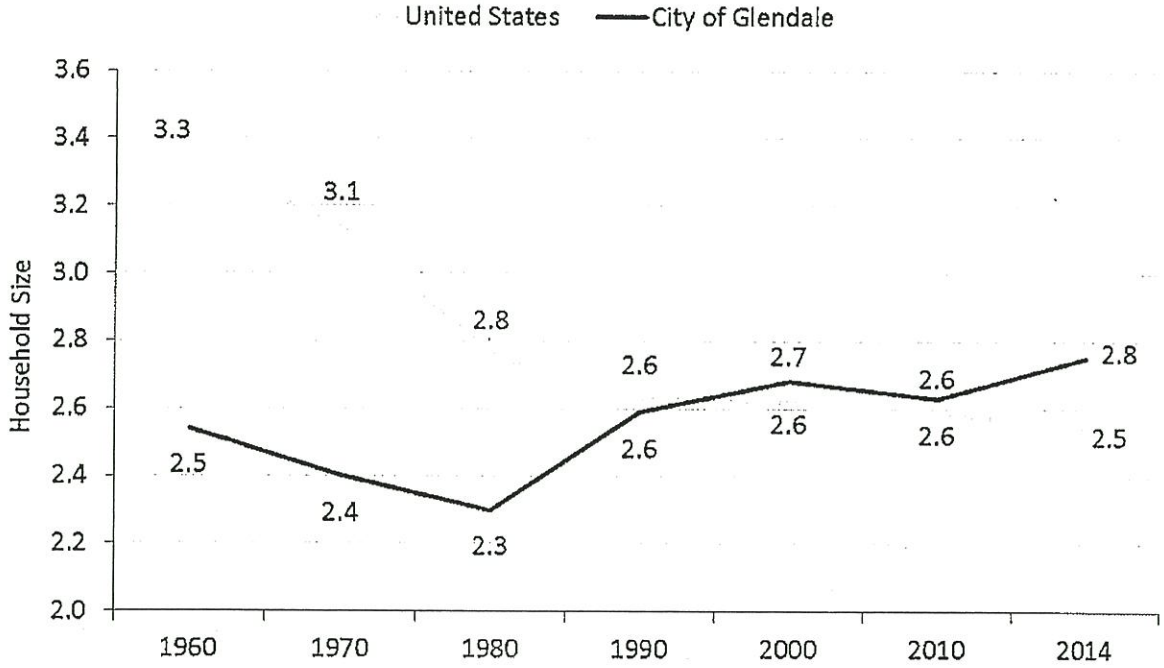
Source: U.S. Census Bureau, American Community Survey, 2010-2014, B25070, B25091

DEVELOPMENT AND DEMOGRAPHIC TRENDS:

As the number of households and population grows in Glendale, there will be continued pressure on the housing market. Without comparable growth in the number of units or a shift in Glendale's household income trends, there will likely be further upward pressure on housing costs across the city. The following charts provide a brief overview of the current housing stock and recent development trends.

Figure 14 presents the average household size for the City of Glendale and the United States from 1960 to 2014. As is displayed in the Figure, nationally there has been a consistent downward trend in the average household size, however, in recent decades the average size of a typical Glendale household has been increasing. Moreover, despite being considerably lower than the national average in 1960, Glendale's average household is now larger than the U.S. average. The relatively higher average is likely correlated with the relatively higher cost of housing in the City of Glendale and may decrease if there were more affordable units in the housing market.

Figure 14: Average Households Size, City of Glendale and United States, 1960 - 2014

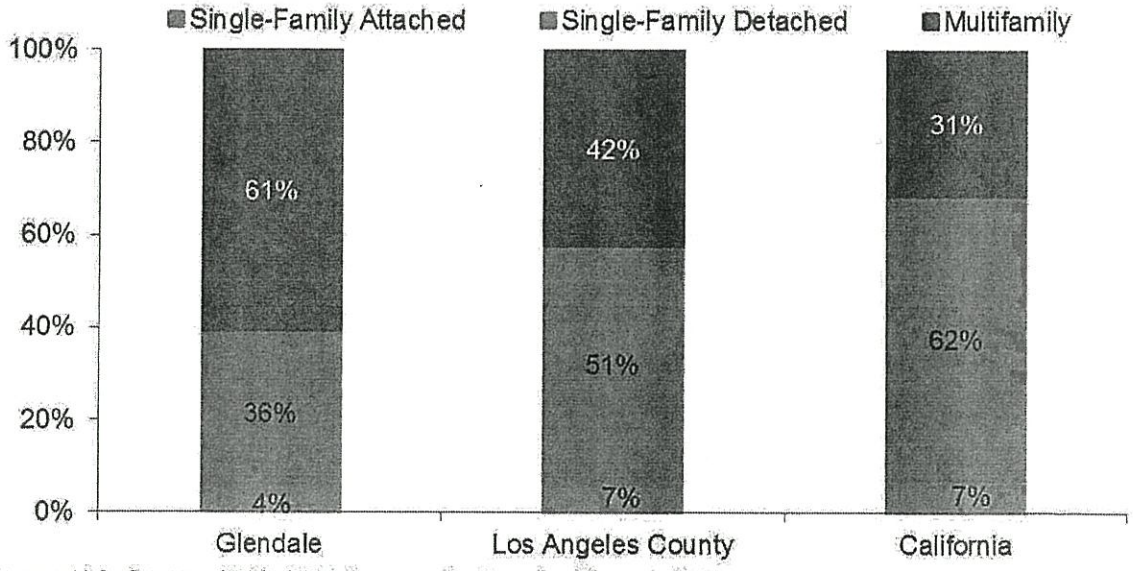


Source: U.S. Census Bureau, 1960 - 2014

Figure 15 illustrates the percentage of dwelling units by type in Glendale, Los Angeles County, and California in 2014 based on data from the U.S. Census. As mentioned previously, the housing types used in this analysis are: Single-family detached, Single-family attached, and Multifamily. Single-family detached includes typical single-family homes, as well as manufactured homes, and other detached dwelling units. Single-family attached includes row houses, townhouses, etc., in which dwelling units may share a common wall. Multifamily includes all attached structures, such as duplexes and other apartment buildings.

These data show that a majority of dwelling units (61%) in Glendale are multifamily, while a majority of dwelling units in Los Angeles (51%) and California (62%) are single-family detached.

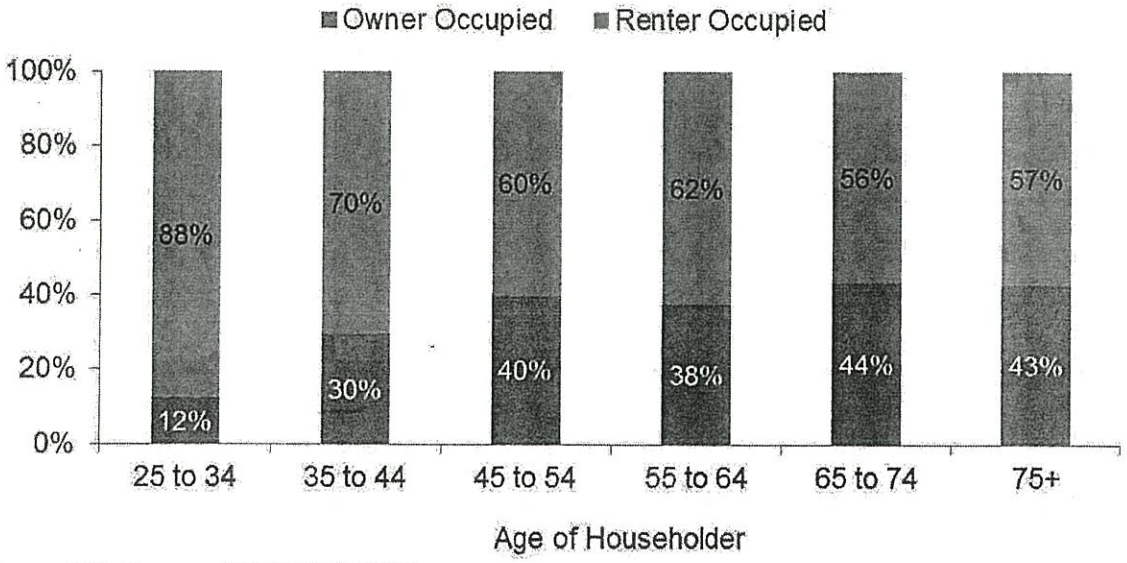
Figure 15: Dwelling Units by Type, 2014



Source: U.S. Census, 2014, CP04 Comparative Housing Characteristics

Consistent with the relatively large share of multifamily units, the majority of Glendale units are renter occupied, for households across all age groups. Figure 16 displays households by ownership status and age. These data illustrate that a higher percentage of younger householders are renters as compared to older householders, with 88% of 25 - 34 year old householders renting. Nonetheless, only 34% of all households in Glendale live in owner occupied households.

Figure 16: Households by Ownership Status and Age of Householder, 2014



Source: U.S. Census, ACS 2014, B25007

LEGISLATION:

Given the widespread nature of the issue, the state legislature has been pursuing a number of activities to mitigate the adverse impacts of high housing costs. Since the issuance of the LAO report and accompanying housing reports, state and regional lawmakers have placed affordable housing on the top of their agendas. A flurry of legislative proposals have been or are being proposed to help provide either direct or indirect assistance for affordable housing production. They are listed below. Some of them are new since the last report presented to the City Council/Housing Authority, and some are updates to what was previously presented.

- A proposed Los Angeles County "Millionaires Tax" that will allow the County to impose a tax on those households with personal income over $1 million a year to fund housing and services for the homeless.
  Status: Proposal requires State to increase local taxing authority in order to proceed.
- Approval of a Los Angeles County Homeless Initiative plan that includes 47 strategies (see Exhibit 5) to combat homelessness.
  Status: Approved by Board of Supervisors February 9, 2016.
- AB 2734 - a bill to require the Dept. of Finance to determine the state general fund savings for the fiscal year as a result of the dissolution of redevelopment agencies, and upon appropriation, 50% of that amount will be allocated to the Dept. of Housing & Community Development to create an equitable funding formula that is geographically balanced and would take into account factors such as poverty rates and lack of supply of affordable housing for people with low/moderate incomes in local jurisdictions.
  Status: Proposal has failed and is no longer viable.
- AB 2817 - a bill that would increase the aggregate housing credit dollar amount that may be allocated among low-income housing projects under the low-income housing tax credit program pursuant to which the California Tax Credit Allocation Committee provides procedures and requirements.
  Status: Currently in California Senate Appropriations Committee.
- SB 873 - a bill that would allow a taxpayer to sell all or a portion of a low income housing tax credit to one or more unrelated parties, with certain conditions. The bill would also require the California Tax Credit Allocation Committee to enter into an agreement with the Franchise Tax Board to pay any costs incurred by the Franchise Tax Board in administering these provisions.
  Status: Approved, pending Governor's signature.
- AB 1618 - "No Place Like Home" Initiative. An initiative to assist local communities in preventing and addressing homelessness. The proposals will empower local governments with additional resources and flexibility to better serve homeless individuals and families, increase access to affordable housing, address the effects of income inequality and, extend proven programs for homeless who are either disabled or in need of mental-health assistance.
  Funding would be used for:
  - $2 billion bond to construct permanent supportive housing for chronically homeless persons with mental illness.
  - $45 million in 2016-17, to provide supportive housing in the shorter-term, as well as rent subsidies, while the permanent housing is constructed or rehabilitated.

  Status: Approved, signed by Governor July 1, 2016.

- AB 1335 – "Building Homes and Jobs Act". An initiative that charges a $75 fee on recorded real estate transaction documents. The funds would be utilized to create a permanent and ongoing source of funding for affordable housing. Previous versions of the bill failed due to lack of support from the California Association of Realtors, however, after negotiations, the Association of Realtors are in support of the proposal.

Status: Proposal failed in February, 2016.

- City of Los Angeles Bond Measure – a municipal bond measure to be decided by voters this November that would result in a $1.2 billion property tax increase to pay for housing and support services for the homeless population in the City of Los Angeles. If passed, the City will be tasked with managing the development and management of a vast number of housing units in the years to come.
  Status: Anticipated to be on the November 8th ballot in 2016.

By Right Housing Proposal. Taking the lead of state and regional lawmakers, the Governor has proposed a budget amendment that calls for expediting housing development at the local level. Currently being called the "By-Right" housing proposal, the amendment would streamline housing development projects by pre-empting local discretionary land use approvals of specified housing developments by having all such approvals be considered "ministerial" actions, meaning eliminating opportunities for public review, project-level environmental review and restricting design review.

The proposal requires cities and counties to approve:

- A certain type of housing project that contains certain minimum levels of affordable units;
- As a permitted "use by right";
- With no public input;
- With limited ministerial review; and
- No CEQA compliance.

To qualify, a housing project must be:

• **General plan and zoning**: Consistent with objective general plan and zoning standards in effect at the time the application is submitted.

• **Location**: Located anywhere in the state on a site that is either immediately adjacent to parcels that are developed with urban uses or at least 75% of the perimeter of the site adjoins parcels that are developed with urban uses.

• **Affordability (TPA):** For developments within a *transit priority area*, subject to a restriction lasting 30 years requiring at least 10% of the units be affordable to lower income households or at least 5% of the units to be affordable to very low income households.

• **Affordability (non-TPA):** For developments outside a transit priority area, subject to a restriction lasting 30 years requiring at least 20% of the units to be affordable to households whose income is 80% or less of area median gross income.

Status: This proposal is pending approval of an associated housing plan in the State Legislature and as of the writing of this report, the proposal is currently in "back room" negotiations between the Governor and the legislators. The Governor rejected an earlier proposal by Assembly

Democrats for $1.3 billion for affordable housing and he countered in his May Budget Revise with his proposal to approve certain affordable housing projects "by right." Since then the Governor has offered a $400 million one-time funding for affordable housing in exchange for approval of the By-Right proposal. Labor, environmental groups and cities, including the City of Glendale, have opposed the bill due to the proposed loss of public engagement and environmental review. While discussions continue, the budget sets aside $400 million in a reserve account that will only be appropriated upon the adoption of future legislation to streamline the approval of projects. It is worth noting that this $400 million allotment would likely be enough to construct 3,500 to 7,000 units statewide, depending on the terms of the respective projects.

The proposal and negotiation strategy is a significant step by the Governor who had been criticized by affordable housing advocates for eliminating Redevelopment Agencies in 2011, which were the biggest source of funding for affordable housing. Last year the Governor vetoed bills that would have provided more funding.

RENT CONTROL/RENT MEDIATION/JUST CAUSE EVICTION:

At the meeting of April 26, 2016, staff presented information on past efforts the City had made related to rent control and rent mediation. The report outlined an extensive process in the last decade in which rent control and rent mediation were evaluated and discussed. The discussion began in January 2001 with a review of the Glendale rental housing market, followed by an evaluation of the impacts to implementing rent control/rent stabilization, the implementation of a voluntary rent mediation program, and culminated with the passage of the Just Cause Eviction Ordinance.

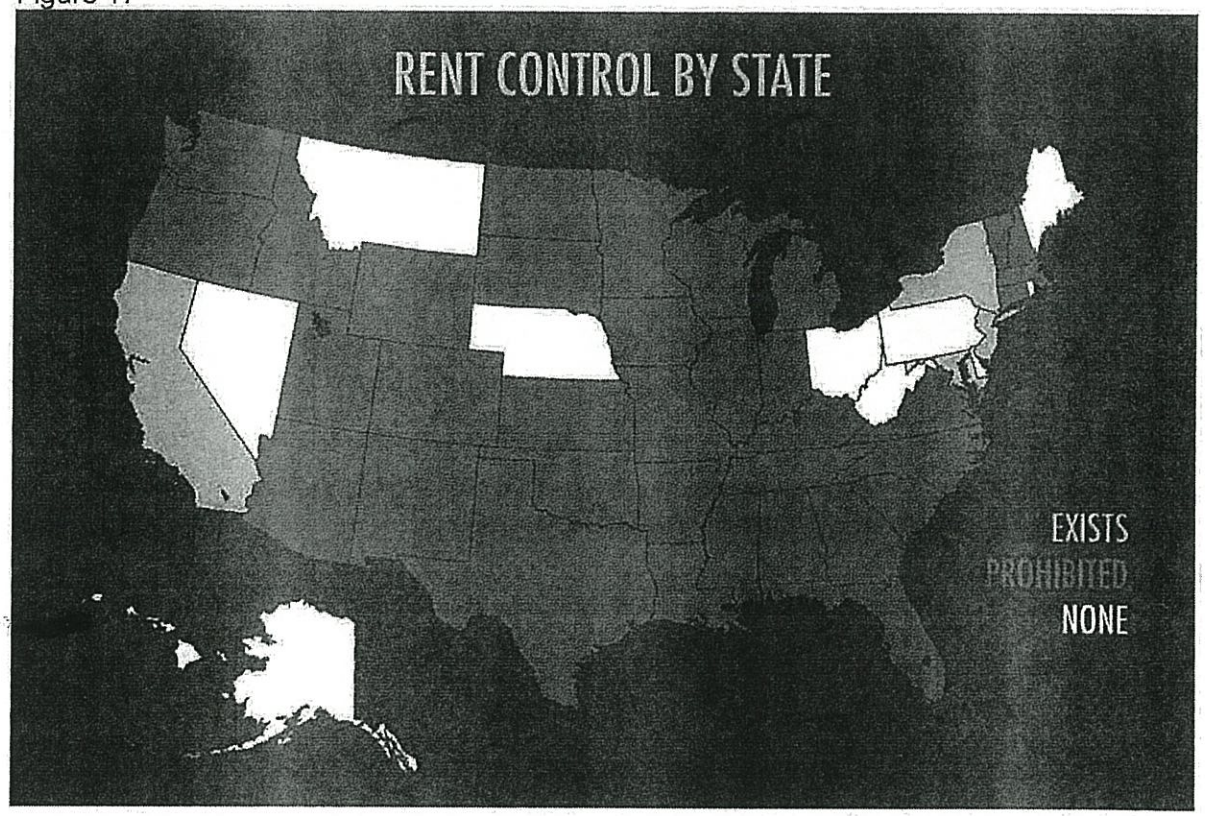
Of all of the proposals cited, only the Just Cause Eviction Ordinance is in effect today. No action was taken on the establishment of rent control. A voluntary rent mediation program, called the "12/12 Rent Disclosure Program" and partially funded by the City, was established in 2002. However, it soon failed due to the lack of participation by landlords.

Based on Council discussion at the April 26, 2016 meeting, below is a review of potential solutions/improvements suggested by the Council.

Rent Control/Rent Stabilization:

Rent control/rent stabilization establishes a base rent level for particular occupancies in multi-family units. It permits automatic or inflationary increases on an annual basis, and most programs have provisions for a "fair market rate of return" increase upon showing that a reasonable investment may not be financially feasible at rent control levels. As seen in Figure 17 below, only a small handful of states in the nation have rent control, many of them being the high cost states previously highlighted in Figures 2 and 3. Most of the remaining states specifically prohibit rent control while a small number remain neutral on the issue.

Figure 17



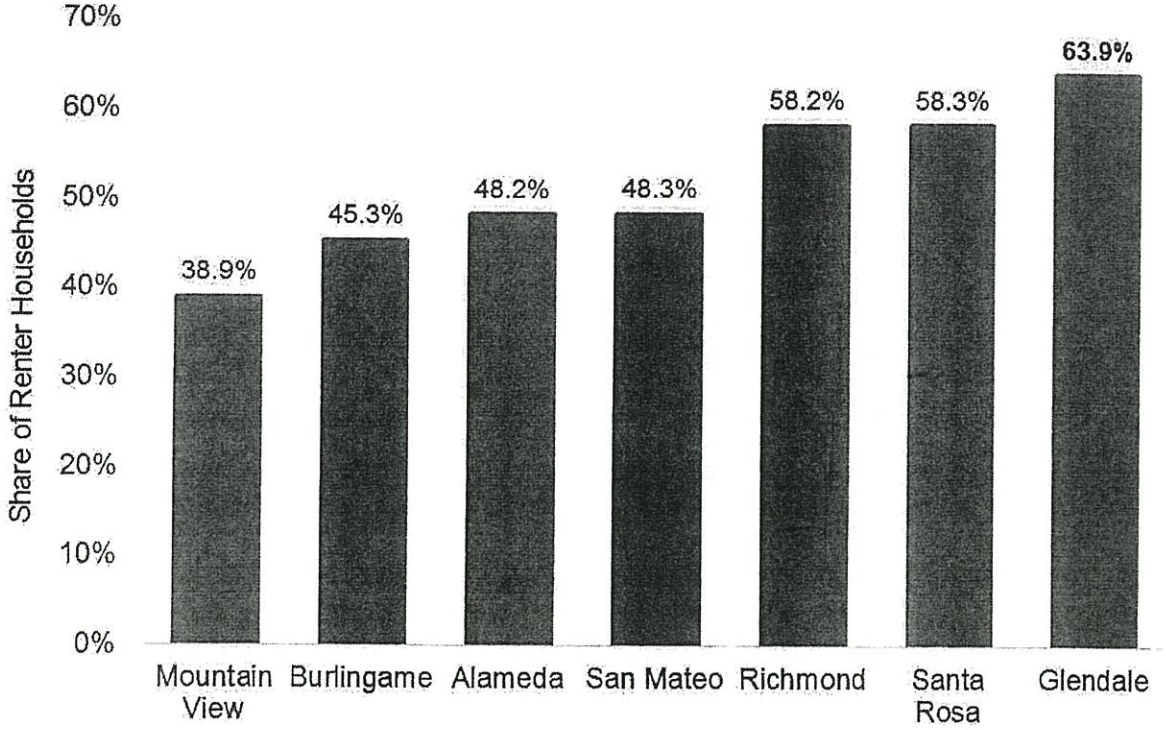
It was stated that in California, approximately a dozen cities have adopted rent control either through charter amendment, ballot initiative, or municipal code ordinance over the years. It was also stated that no new city had adopted rent control for approximately the last 30 years and that while the City of Richmond had recently adopted a rent control ordinance, they immediately rescinded it.

Since that April 26th report, the following with regard to rent control has taken place:

1. **City of Alameda** - has implemented a rent control program. The program limits landlords from raising rents more than once every 12 months, provides limitations on increases of more than 5%, and requires relocation assistance for "no cause" evictions. Specifically, the law will require landlords and tenants to go through mediation and binding arbitration in the event of a 5% or more increase. The City of Alameda is currently preparing a fee study.
2. **City of Santa Rosa** – has initiated a 45 day moratorium on rent increases of more than 3% while the city studies the implementation of a rent control program.
3. **City of Richmond** – a ballot petition has been submitted for the November 2016 ballot for both rent control and Just Cause Eviction ordinances.
4. **Cities of Mountain View, San Mateo, and Burlingame** – ballot petition initiatives for rent control for the November 2016 ballot have been launched.

For comparison purposes, the following chart displays the share of renter households in each of the above cities that pay more than 30% of their income towards housing costs.

Figure 18: Percent of Renter Occupied Households that are "Cost-Burdened", 2010-2014



Source: U.S. Census Bureau, American Community Survey 2010 – 2014, B25070

Additionally, certain questions were asked of the rent stabilization program for the City of Los Angeles. Answers to those questions are provided below. In general, the Los Angeles Rent Stabilization Ordinance applies to properties built before October 1, 1978. The law covers allowable rent increases, the registration of rental units, the legal reasons for eviction, and the types of evictions that require tenant relocation assistance.

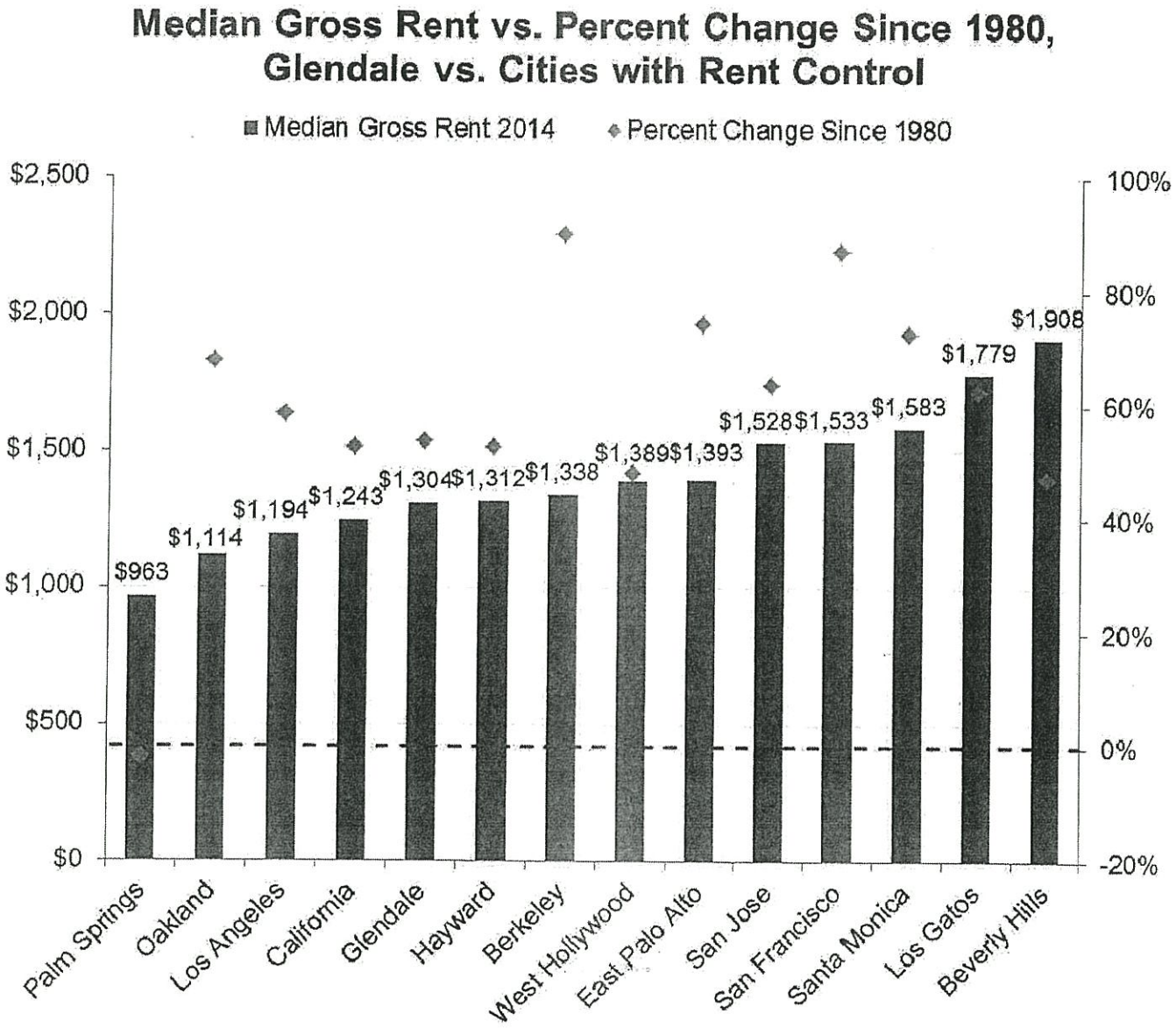
- The Los Angeles Rent Stabilization Ordinance (RSO) covers 66% of LA's inventory of rental units, impacting approximately 640,000 housing units.
- From 2000–2007, approximately 20,000 rental units were removed from the RSO and are no longer regulated.
- All rent increases allowed under the RSO program have been issued pursuant to annual Consumer Price Index increases.
- Because of program structure and fears of economic uncertainties by landlords, tenants in RSO units have been found to have had more frequent rent increases than tenants in non-RSO units.

Staff has also conducted further research and has found a 2009 report issued by the City of Los Angeles that examined the City's RSO and looked to evaluate the effectiveness, strengths and weaknesses of the program. The report is attached as Exhibit 4. Highlights of the self-evaluation include:

- The RSO program touches a large segment of households in Los Angeles, most of whom are at the lower end of income distribution and protects them against rapid rent increases and arbitrary evictions.

- The RSO program is limited in that it does not address the overall scarcity of housing and housing that is affordable in Los Angeles and provides little rent savings for short-term tenants, with large administrative burdens placed upon owners.
- While the purpose of the RSO is to protect tenants from excessive rent increases yet allow owners a reasonable rate of return on investment, it is a difficult balance to achieve in a rental market with both long-term decline in renter incomes and inflation in housing prices.
- Owners of small rental properties are the least profitable segment of the RSO and have the weakest grasp of financial issues related to the properties, and are thus ill-equipped to deal with paperwork required under the RSO program.
- The reduced level of rent paid by long-term RSO tenants can have a significant impact on small property owners for whom a single unit provides a quarter to half of total rent revenue.
- The rent differential between RSO and non-RSO units ranges from a high of $500 to virtually no difference.
- With regards to long term tenant occupancies, if owners increase rent every year by the amount allowed under the RSO, rents are unlikely to be more than 35% less than market rates.
- Owners representing over 70% of the RSO inventory report that they do not get a reasonable return on their investment from RSO properties.
- Returns on investments for landlords are greatly influenced by when properties were purchased. Many recent purchasers have incurred mortgage obligations that leave little space for cash flow or investment.

Figure 19: Median Gross Rent vs. Percent of Change 1980 2014



Staff also tested rent control programs in other cities to gauge how effective it was in controlling both the change in rent over time and gross rent. Figure 19 shows both variables. With the exception of Palm Springs who has an extremely stringent rent control program, Glendale's percentage of increase is similar or less than other comparison cities with a rent control program. As noted on April 26, gross rent is slightly higher than the City of Los Angeles and the California average; however, lower than several others. Glendale median gross rents ($1,304/mo.) are also lower than our neighboring cities of Burbank ($1,459/mo.) and Pasadena ($1,544/mo.), neither of which have a rent control program.

Just Cause Eviction:

Questions were also raised about Glendale's Just Cause for Eviction (JCE) Ordinance (GMC Chapter 9.30) and whether certain protections could be added to help support renters in Glendale. The existing JCE Ordinance outlines twelve legal reasons for eviction and issues relating to the termination of a tenancy. The law currently requires a landlord to pay relocation expenses if the eviction meets certain conditions. Specifically, staff was asked:

1. Can a municipality enact an ordinance requiring a longer period of time for a rent increase notice than what state law provides?
2. Can the City enact an ordinance to require a landlord to pay relocation expenses when they are proposing to raise rents by more than 10% and the tenant determines the increase to be unaffordable and must move?
3. Can the City require a housing inspection when a landlord seeks to raise rents on a unit(s) by more than 10%?

1. As to whether a municipality can enact an ordinance requiring a longer period of time for notice of a rent increase, California statutory law and case law has decided that question in the negative. California Civil Code Section 827 sets forth the required notice a landlord must provide a tenant prior to raising the rent and California case law has determined that this statute preempts local governments from enacting a longer notice period.

2. A requirement to pay relocation expenses is generally within municipalities' police powers. What is proposed would be novel since it would not be a relocation expense required as a result of an eviction, but rather, a requirement to pay relocation as a result of a voluntary choice on the part of the tenant to not continue with the tenancy due to a proposed rent increase. Thus, in an effort to insulate such a policy decision statutory challenges, and if the Council is inclined to adopt such a requirement, it may want to consider imposing it only on units constructed before February 1, 1995.

3. With respect to an inspection requirement, the City Attorney's office is of the opinion that the City can lawfully enact a requirement that a rental unit be subject to inspection when a landlord proposes to increase a tenant's rent by more than 10%. Such an inspection requirement would have to satisfy Fourth Amendment requirements, including either through consent or by way of inspection warrant. Because of the risk associated with tying the inspection to a proposed rent increase, Council may desire to examine a more standardized rental inspection program.

PLAN FOR MOVING FORWARD:

As noted previously, most experts agree that the answer to addressing housing affordability issues rely on policymakers to pursue an "all of the above" approach requiring a multi-pronged effort on multiple levels to effectuate change. Efforts such as identifying new local funding sources for affordable housing development, new zoning policies to facilitate both market rate and affordable housing production, and lobbying for changes at the state and federal level for a greater and more diverse supply of affordable housing policies and programs that balance the needs of communities.

While rent control/rent stabilization programs can have tremendous symbolic value, they have generally proven costly to administer, undermined by existing State law, and do not necessarily

achieve the goal of housing affordability. As noted during the discussion on April 26th, the California cities that do have rent control still face considerable affordability challenges (e.g. San Francisco) because occupancy of a rent controlled unit is not based on a means-test. Recognizing the limited practical value of a rent control program, Council directed staff to develop solutions for the City's housing challenges. To that end, staff has developed an 8-Point Strategy to improve affordability for Housing Authority consideration and to further the ongoing discussion:

1. Implement a development impact fee (DIF) for all new residential development in Glendale. Similar to the impact fees for parks and library amenities, identifying the nexus between market-rate residential development and the need for affordable housing could provide justification for the City to adopt housing impact fees that can then be used to develop affordable housing. Numerous cities within the State have implemented such a fee. Indeed, some cities (mainly in Northern California), have required the fee for new commercial developments as well, linking it to a jobs/housing imbalance. This commercial fee application is less frequently applied by cities because of concerns with business attraction and retention issues.

2. Adopt an inclusionary zoning ordinance on a city-wide basis for new, ownership housing development. Currently, there is no city-wide inclusionary housing ordinance; the only requirements exist in the former San Fernando Road Redevelopment Project Corridor Project Area as a result of former redevelopment housing law. Due to legal limitations set in Costa Hawkins court rulings, inclusionary housing in this former redevelopment project area, as well as all other city-wide areas, can only apply to homeownership units. Rental unit development is exempt from all inclusionary housing ordinances. Yet with the possibility of expanding small-lot subdivisions and condominium conversions, there is an opportunity for this tactic to prove at least marginally valuable.

3. Continue boldly with existing affordable housing programs and projects through City/Housing Authority operations of the Section 8 Rental Assistance program, affordable housing development, and density bonus zoning regulations.

4. In conjunction with the League of California Cities, draft legislation that would reinstate the Low-Moderate Housing funding stream that existed under redevelopment law, and which rewards those communities that actively develop new affordable housing.

5. Within the context of the Community Planning process, identify and designate specific "workforce housing incentive zones" in specific neighborhoods that offer existing amenities like transit access, open space and circulation; and designate meaningful financial resources from the City that may be leveraged with the private sector.

6. Develop and place on the ballot an affordable housing bond targeting the increase of affordable housing stock by 20% (with a mix of more than 1,200 rental and first-time homebuyer units). Such a bond could cost the average single-family homeowner $100 per year, the average renter $2 per year (on a per unit basis), and $0.05 per square foot on non-residential property owners over thirty years.

7. Promote greater density in many parts of the City, with the intention of increasing the overall number of housing units. Options include: increasing FARs and height limits, reducing parking requirements, decreasing minimum unit sizes, and relaxing limitations on accessory dwelling units.

8. Implement a business registration/license fee for Glendale multifamily property owners. Locally, the cities of Pasadena, Burbank and Los Angeles implement such a fee. The fee may be used to fund a rental housing inspection program for multifamily units in Glendale. Such a program could help ensure that residents have available to them decent, safe and sanitary housing that is inspected on a consistent and systematic basis.

ALTERNATIVES

Alternative 1: The City Council/Housing Authority may elect to receive and file the report as submitted;

Alternative 2: The City Council/Housing Authority may elect to provide staff further direction as deemed necessary;

Alternative 3: The City Council/Housing Authority may elect to consider any other alternative not proposed by staff.

CAMPAIGN DISCLOSURE

Not applicable at this time.

EXHIBITS

1. April 26, 2016 Joint City Council/Housing Authority Staff Report
2. LAO Executive Summary
3. Miscellaneous Housing Report Excerpts
4. 2009 City of Los Angeles Economic Study of Rent Stabilization Ordinance
5. L.A. County Homelessness Strategies

EXHIBIT 2

The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco*

Rebecca Diamond[†], Tim McQuade[‡], & Franklin Qian[§]

August 24, 2018

Abstract

We exploit quasi-experimental variation in assignment of rent control in San Francisco to study its impacts on tenants, landlords, and inequality. Leveraging new data tracking individuals' migration, we find rent control limits renters' mobility by 20% and lowers displacement from San Francisco, especially for minorities. Landlords treated by rent control reduce rental housing supplies by 15%, either by converting to condos/TICs, selling to owner occupants, or redeveloping buildings. In the long-run, we find rent control increased the gentrification of San Francisco, as the endogenous changes in the housing supply attracted higher income residents, undermining the goals of rent control.

*We are grateful for comments from Ed Glaeser, Christopher Palmer, Paul Scott, and seminar participants at The Conference on Urban and Regional Economics, the Fall HULM Conference, NTA Annual Meeting, NBER Real Estate Summer Institute, NBER Fall Public and Labor Studies Meetings, NYU Stern, the Stanford Finance Faculty Lunch, UC Berkeley, and the University of Illinois.

[†]Stanford University & NBER. Email: diamondr@stanford.edu.

[‡]Stanford University. Email: tmcquade@stanford.edu.

[§]Stanford University. Email: zqian1@stanford.edu.

1 Introduction

Steadily rising housing rents in many of the US's large, productive cities has brought the issue of affordable housing to the forefront of the policy debate and reignited the discussion over expanding or enacting rent control provisions. State lawmakers in Illinois, Oregon, and California are currently considering repealing laws that limit cities' abilities to pass or expand rent control. Rent control is already extremely popular around the San Francisco Bay Area. Nine Bay Area cities already impose rent control regulations, two of which recently passed rent control laws through majority votes on the November 2016 ballot. Rent control in the Bay Area consists of regulated caps on price increases within the duration of a tenancy, but no price restrictions between tenants. Rent control also places restrictions on evictions.

A substantial body of economic research has warned about potential negative efficiency consequences to limiting rent increases below market rates, including over-consumption of housing by tenants of rent controlled apartments (Olsen (1972), Gyourko and Linneman (1989)), mis-allocation of heterogeneous housing to heterogeneous tenants (Suen (1989), Glaeser and Luttmer (2003), Sims (2011), Bulow and Klemperer (2012)), negative spillovers onto neighboring housing (Sims (2007), Autor et al. (2014)) and neglect of required maintenance (Downs (1988)). Yet, due to incomplete markets in the absence of rent control, many tenants are unable to insure themselves against rent increases. A variety of affordable housing advocates have argued that tenants greatly value these insurance benefits. If long-term tenants have developed neighborhood specific capital, such as a network of friends and family, proximity to one's job, or proximity to the schools of one's children, then these tenants face large risks from rent appreciation. In contrast, individuals who have little connection to any specific area can easily insure themselves against local rental price appreciation by moving to a cheaper location. However, those invested in the local community are not able to use this type of "self-insurance" as easily, since they must give up some or all of their neighborhood specific capital. Rent control can provide these tenants with this type of insurance.

Due to a lack of detailed data and natural experiments, we have little well-identified empirical evidence evaluating how introducing local rent controls affects tenants, landlords, or the broader housing market.[1] In this paper, we bring to bear new micro data and exploit quasi-experimental variation in the assignment of rent control provided by a unique 1994 local San Francisco ballot initiative to fill this gap. We exploit an unexpected law change that suddenly rent controlled a subset of San Francisco buildings and their tenants, based on the year each building was built. However, the law left very similar buildings and tenants

[1] A notable exception to this is Sims (2007) and Autor et al. (2014) which use the repeal of rent control in Cambridge, MA to study its spillover effects onto nearby property values and building maintenance.

without rent control. We find tenants covered by rent control do place a substantial value on the benefit, as revealed by their choice to remain in their apartments longer than those without rent control. We find especially large effects on minority renters who, absent rent control, would have been disproportionately displaced from San Francisco as a whole.

However, landlords of properties affected by the law change respond over the long term by substituting to other types of real estate, in particular by converting to condos and redeveloping buildings so as to exempt them from rent control. Landlords' substitution toward owner occupied and high-end new construction rental housing fueled the gentrification of San Francisco, as these types of properties cater to higher income individuals. Rent control's combined effects of increased gentrification and limiting displacement of minority tenants have arguably led to a higher level of income inequality in the city overall.

In 1979, San Francisco imposed rent control on all standing buildings with 5 or more apartments. New construction was exempt from rent control, since legislators did not want to discourage new development. In addition, smaller multi-family buildings were exempt from this 1979 law change since they were viewed as more "mom and pop" ventures, and did not have market power over rents. However, this exemption was lifted through a 1994 San Francisco ballot initiative. Proponents of this law change argued small multi-family housing was now primarily owned by large businesses and should face the same rent control of large multi-family housing. Since the initial 1979 rent control law only impacted properties built from 1979 and earlier, the removal of the small multi-family exemption also only affected properties built 1979 and earlier. This led to quasi-experimental rent control expansion in 1994 based on whether the small multi-family housing was built prior to or post 1980.

To examine rent control's effects on tenant migration and neighborhood choices, we make use of new panel data which provides address-level migration decisions and housing characteristics for the majority of adults living in San Francisco in the early 1990s. This allows us to define our treatment group as renters who lived in small multi-family apartment buildings built prior to 1980 and our control group as renters living in small multi-family housing built between 1980 and 1990. Using our data, we can follow each of these groups over time up until the present, regardless of where they migrate.

On average, we find that between five and ten years after the law change, the beneficiaries of rent control are 3.5 percentage points more likely to still remain at their 1994 address relative to the control group. Only 18% of the control group still remained at their 1994 address for this long. This implies that the 3.5 percentage point increase represents a 19.4 percent increase in not moving (3.5/18), relative to the control group's migration rate. Further, we find that the beneficiaries are also 4.5 percentage points more likely to remain in San Francisco relative to the control group, indicating a large share of the renters that rent

control caused to remain at their 1994 address would have left San Francisco had they not been covered by rent control. This would likely be viewed as a desirable outcome by rent control advocates.

We next analyze treatment effect heterogeneity along a number of dimensions. We first find that our estimated effects are significantly stronger among older households and among households that have already spent a number of years at their address prior to treatment. This is consistent with the fact that both of these populations are likely to be less mobile. Renters who don't need to move very often are more likely to find it worthwhile to remain in their rent controlled apartment for a long time, enabling them to accrue larger rent savings.

Turning to differential effects based on minority status, we find Hispanics and Blacks are more likely to remain in their rent controlled properties, as compared to Whites. Asians respond similarly to Whites. However, the effect of rent control on the likelihood of staying in San Francisco is stronger for all minority groups, likely indicating that minorities faced greater displacement pressures in San Francisco than Whites.[2]

We next examine how displacement effects vary between neighborhoods that experience high versus low appreciation in house prices.[3] One might expect neighborhoods with the largest increases in market prices would be ones where tenants would remain in their rent controlled apartments the longest, since their outside options in the neighborhood would be especially expensive. However, for these same reasons, landlords in these high appreciation neighborhoods would have large incentives to remove tenants. They then could either reset rents to market rates with a new tenant or redevelop the building as condos or new construction, both of which are exempt from rent control. We find evidence for both of these effects. Among renters who had only lived at their address for less than four years, as of 1994, and who lived in neighborhoods where prices strongly appreciated from 1990 to 2000, we find rent control actually *decreased* the probability they remained at their 1994 address. These tenants who had not lived in the area very long likely had relatively less desire to remain in this neighborhood long-term and would be more willing to respond to landlord pressure for them to move away. In contrast, we find tenants who had lived in the area for four years or more at time of treatment and lived in high appreciation areas were substantially more likely to remain at their 1994 address. Indeed, this population would likely desire to stay in the neighborhood long-term and remaining in the rent controlled apartment would be by far the cheapest way to do this. Landlord pressure to move out would thus likely be less effective on this population.

[2]We impute race by combining imputed race based on first and last name (Ye et al. (2017)) and the racial mix of one's census block of residence in 1990. See the Data Section for more details.

[3]Since no data source exists for market rate rents at the neighborhood level, we rely on house price transaction data as a proxy.

In practice, landlords have a few possible ways of removing tenants. First, landlords could move into the property themselves, known as move-in eviction. Second, the Ellis Act allows landlords to evict tenants if they intend to remove the property from the rental market - for instance, in order to convert the units to condos. Finally, landlords are legally allowed to offer their tenants monetary compensation for leaving. In practice, these transfer payments from landlords are quite common and can be quite large. Moreover, consistent with the empirical evidence, it seems likely that landlords would be most successful at removing tenants with the least built-up neighborhood capital, i.e. those tenants who have not lived in the neighborhood for long.

Finally, we analyze whether rent control enables tenants to live in higher amenity neighborhoods. Our previous analysis highlights that rent control could either raise or lower the quality of tenants' neighborhoods, since landlords actively remove tenants in the most expensive, high amenity areas. Indeed, we find that the average tenant treated by rent control lives in a census tract with worse observable amenities, as measured by the census tract's median household income, share of the population with a college degree, median house value, and share unemployed. This further highlights that landlords actively remove tenants in the areas where they have the most to gain, completely removing any impact rent control could have on living in a higher quality neighborhood.

To further study the landlord response to the rent control expansion and to understand the impact of rent control on rental supply, we merge in historical parcel history data from the SF Assessor's Office, which allows us to observe parcel splits and condo conversions. We find that rent-controlled buildings were 8 percentage points more likely to convert to a condo or a Tenancy in Common (TIC) than buildings in the control group. Consistent with these findings, we find that rent control led to a 15 percentage point decline in the number of renters living in treated buildings and a 25 percentage point reduction in the number of renters living in rent-controlled units, relative to 1994 levels. This large reduction in rental housing supply was driven by both converting existing structures to owner-occupied condominium housing and by replacing existing structures with new construction.

This 15 percentage point reduction in the rental supply of small multi-family housing likely led to rent increases in the long-run, consistent with standard economic theory. In this sense, rent control operated as a transfer between the future renters of San Francisco (who would pay these higher rents due to lower supply) to the renters living in San Francisco in 1994 (who benefited directly from lower rents). Furthermore, since many of the existing rental properties were converted to higher-end, owner-occupied condominium housing and new construction rentals, the passage of rent control ultimately led to a housing stock which caters to higher income individuals. We directly test whether rent control led to in-migration

of higher income residents by imputing household income with the per-capita income of residents' census block groups of their residences five year prior. We find that this high-end housing, developed in response to rent control, attracted residents with at least 18% higher income, relative to control group buildings in the same zipcode. Taking all of these points together, it appears rent control has actually contributed to the gentrification of San Francisco, the exact opposite of the policy's intended goal. Indeed, by simultaneously bringing in higher income residents and preventing displacement of minorities, rent control has contributed to widening income inequality of the city. For a full quantitative analysis of the welfare gains and losses due to rent control, see our companion paper (Diamond et al. (2018)), which estimates a dynamic discrete choice model of tenant migration and performs general equilibrium counterfactual analysis of the impacts of rent control.

Our paper is most related to the literature on rent control. Recent work by Autor et al. (2014) and Sims (2007) leverages policy variation in rent control laws in Cambridge, Massachusetts to study the property and neighborhood effects of removing rent control regulations. Our paper studies the effects of enacting rent control laws, which could have very different effects than de-control. De-control studies the effects of removing rent control on buildings which remain covered. Indeed, we find a large share of landlords substitute away from supply of rent controlled housing, making those properties which remain subject to rent control a selected set.

There also exists an older literature on rent control combining applied theory with cross-sectional empirical methods. These papers test whether the data are consistent with the theory being studied, but usually cannot quantify causal effects of rent control (Early (2000), Glaeser and Luttmer (2003), Gyourko and Linneman (1989), Gyourko and Linneman (1990), Moon and Stotsky (1993), Olsen (1972)).

The remainder of the paper proceeds as follows. Section 2 discusses the history of rent control in San Francisco. Section 3 discusses the data used for the analysis. Section 4 presents our empirical results. Section 5 concludes.

2 A History of Rent Control in San Francisco

Regulations are widespread in housing markets, and rent controls are arguably among the most important historically (Stigler and Friedman (1946), Gyourko and Glaeser (2008)). The modern era of US rent controls began as a part of World War II-era price controls and as a reaction to housing shortages following demographic changes immediately after the war (Fetter (2016)). These "hard price controls" that directly regulate the exact price of housing have been replaced by newer policies that regulate rent increases (Arnott (1995)).

This "newer style" policy is what exists in San Francisco.

Rent Control in San Francisco began in 1979, when acting Mayor Dianne Feinstein signed San Francisco's first rent-control law. Pressure to pass rent control measures was mounting due to high inflation rates nationwide, strong housing demand in San Francisco, and recently passed Proposition 13.[4] This law capped annual nominal rent increases to 7% and covered all rental units built before June 13th, 1979 with one key exemption: owner occupied buildings containing 4 units or less.[5] These "mom and pop" landlords were cast as less profit driven than the large scale, corporate landlords, and more similar to the tenants being protected. These small multi-family structures made up about 44% of the rental housing stock in 1990, making this a large exemption to the rent control law.

While this exemption was intended to target "mom and pop" landlords, in practice small multi-families were increasingly purchased by larger businesses who would then sell a small share of the building to a live-in owner so as to satisfy the rent control law exemption. This became fuel for a new ballot initiative in 1994 to remove the small multi-family rent control exemption. This ballot initiative barely passed in November 1994. Beginning in 1995, all multi-family structures with four units or less built in 1979 or earlier were now subject to rent control. These small multi-family structures built prior to 1980 remain rent controlled today, while all of those built from 1980 or later are still not subject to rent control. San Francisco rent control laws have remained stable since then, possibly due to the state-wide Costa-Hawkins Act. This law precludes any California city from rent controlling their housing stock built 1994 or later, as well as regulates the scope of rent control allowed. For example, it requires rent controlled apartment rents to be unregulated between tenants. This law is up for repeal by majority vote on the 2018 November ballot. Removing it would greatly expand the scope of rent control in California.

3 Data

We bring together data from multiple sources to enable us to observe property characteristics, determine treatment and control groups, track migration decisions of tenants, and observe the property decisions of landlords. Our first dataset is from Infutor, which provides the entire address history of individuals who resided in San Francisco at some point between the

[4]Proposition 13, passed in 1978, limited annual property tax increases for owners. Tenants felt they were entitled to similar benefits in the form of capped annual rent increases.

[5]The annual allowable rent increase was cut to 4% in 1984 and later to 60% of the CPI in 1992, where it remains today.

years of 1980 and 2016.[6] The data include not only individuals' San Francisco addresses, but any other address within the United States at which that individual lived during the period of 1980 – 2016. The dataset provides the exact street address, the month and year at which the individual lived at that particular location, the name of the individual, and some demographic information including age and gender.

We link these data to property records provided by DataQuick. These data provide us with a variety of property characteristics, such as the use-code (single-family, multi-family, commercial, etc.), the year the building was built, and the number of units in the structure. For each property, the data also details its transaction history since 1988, including transaction prices, as well as the buyer and seller names. By comparing last names in Infutor to the listed owners of the property in DataQuick, we are able to distinguish owners from renters.

Next, we match each address to its official parcel number from the San Francisco Assessor's office. Using the parcel ID number from the Secured Roll data, we merge in any building permits that have been associated with that property since 1980. These data come from the San Francisco Planning Office. This allows us to track large investments in renovations over time based on the quantity and type of permit issued to each building.

Finally, the parcel number also allows us to link to the parcel history file from the Assessor's office. This allows us to observe changes in the parcel structure over time. In particular, this allows us to determine whether parcels were split off over time, a common occurrence when a multi-family apartment building (one parcel) splits into separate parcels for each apartment during a condo conversion.

Summary statistics are provided in Table 1. We see the average renter in our sample in 1994 is about 37 years old and has lived at their current address for 6 years. We also see that these small multi-family properties are made up of 82% (0.74/0.9) renters and 18% owner occupants prior to 1994.

3.1 Data Representativeness

To examine the representativeness of the Infutor data, we link all individuals reported as living in San Francisco in 1990 to their census tract, to create census tract population counts as measured in Infutor. We make similar census tract population counts for the year 2000 and compare these San Francisco census tract population counts to those reported in the 1990 and 2000 census for adults 18 years old and above. Regressions of the Infutor populations

[6]Infutor is a data aggregator of address data using many sources including sources such as phone-books, voter files, property deeds, magazine subscriptions, credit header files, and others.

on census population are shown in Figures 1 and 2.[7] Figure 1 shows that for each additional person recorded in the 1990 Census, Infutor contains an additional 0.44 people, suggesting we have a 44% sample of the population. While we do not observe the universe of San Francisco residents in 1990, the data appear quite representative, as the census tract population in the 1990 Census can explain 69% of the census tract variation in population measured from Infutor. Our data is even better in the year 2000. Figure 2 shows that we appear to have 1.1 people in Infutor for each person observed in the 2000 US census. We likely over count the number of people in each tract in Infutor since we are not conditioning on year of death in the Infutor data, leading to over counting of alive people. However, the Infutor data still tracks population well, as the census tract population in the 2000 Census can explain 90% of the census tract variation in population measured from Infutor.

Infutor also provides information on age. As additional checks, we compare the population counts within decadal age groups living in a particular census tract as reported by Infutor to that reported by the Census. We again report the results for both 1990 and 2000. Unlike the prior analysis, we must drop Infutor observations missing birth date information for this, making our sample smaller. As shown in Figure 3, the slopes of the regression lines for the 18-29, 30-39, 40-49, 50-59, and 60-69 age groups are 0.31, 0.44, 0.42, 0.24, and 0.16, respectively. This indicates the Infutor coverage is strongest for 30-49 year olds in 1990. The R-squareds are also the highest in this age range at 65% – 76%. The coverage of the data improves dramatically by 2000, as shown in Figure 4. The regression line slopes for the respective age groups are now 0.33, 0.74, 0.72, 0.70, 0.45. The R-squareds range from 0.61-0.85. It is clear the data disproportionately under samples the youngest group, but this is unsurprising as these data come from sources such as credit header files, voter files, and property deeds. Eighteen year olds are less likely to show up in these sources right away. Overall the data coverage looks quite good.

As described above, we merge the Infutor data with public records information provided by DataQuick about the particular property located at a given address, such as use-code and age of the property. We assess the quality of the matching procedure by comparing the distribution of the year buildings were built across census tracts among addresses listed as occupied in Infutor versus the 1990 and 2000 censuses. If a building is constructed after 1993 according to its current day use-code, but we observe a person living there in 1993, we include it in the treatment group for rent control. Figures 5 and 6 show the age distribution of the occupied stock by census tract. In both of the years 1990 and 2000, our R-squareds range from 67% to 91% and we often cannot reject a slope of one.[8] This highlights the

[7]We only can do data validation relative to the US Censuses for census tracts in San Francisco because we only have address histories for people that lived in San Francisco at some point in their life.

[8]Since year built comes from the Census long form, these data are based only on a 20% sample of the

extremely high quality of the linked Infutor-DataQuick data, as the addresses are clean enough to merge in the outside data source DataQuick and still manage to recover the same distribution of building ages as reported in both the 1990 and 2000 Censuses.

To measure whether Infutor residents were owners or renters of their properties, we compare the last names of the property owners list in DataQuick to the last names of the residents listed in Infutor. Since property can be owned in trusts, under a business name, or by a partner or spouse with a different last name, we expect to under-classify residents as owners. Figures 7 and 8 plot the Infutor measure of ownership rates by census tract in 1990 and 2000, respectively, against measures constructed using the 1990 and 2000 censuses. In 1990 (2000), a one percentage point increase in the owner-occupied rate leads to a 0.43 (0.56) percentage point increase in the ownership rate measured in Infutor. Despite the under counting, our cross-sectional variation across census tract matches the 1990 and 2000 censuses extremely well, with R-squareds over 90% in both decades. This further highlights the quality of the Infutor data.

3.2 Imputing Tenant Race

We use a two-step procedure to impute the race/ethnicity of individuals in our main sample of analysis: all tenants between 20 and 65 years old living in San Francisco as of December 31st, 1993. In the first step, we use "NamePrism", a non-commercial ethnicity/nationality classification tool intended to support academic research (Ye et al. (2017)), to compute baseline probabilities of race/ethnicity for each tenant based on her first name and last name. In the second step, we use Bayes' Rule to update the name-based probabilities for race and ethnicity using the local racial distribution at each tenant's place of residence in 1990, following a similar methodology used by the Consumer Financial Protection Bureau (CFPB (2014)). More details about each step is described below.

In step 1, for each tenant, we use both of her first and last name and query the website for "NamePrism" to obtain baseline probabilities for the 6 ethnic categories defined by the U.S. Census Bureau: Hispanic; non-Hispanic White, non-Hispanic Black or African American, non-Hispanic Asian/Pacific Islander, non-Hispanic American Indian and Alaska Native, and non-Hispanic Multi-racial.[9] "NamePrism" employs a training data set of 57 million contact lists from a major Internet company, US census data on the distribution of last names by race, and trains its algorithm using the homophily principle exhibited in communication

true distribution of building ages in each tract, creating measurement error that is likely worse in the census than in the merged Infutor-DataQuick data.

[9]This classification considers Hispanic as mutually exclusive from the race categories, with individuals identified as Hispanic belonging only to that category, regardless of racial background.

as the basis for its ethnicity classifier.[10] In this step, each tenant is assigned a probability, ranging from 0% to 100%, of belonging to each of the 6 ethnic groups, and the 6 probabilities sum to 1.

In step 2, we update each tenant's baseline racial probabilities with the racial and ethnic characteristics of the census block associated with her place of residence in 1990 using Bayes' Rule to obtain posterior probabilities for the 6 ethnic groups.[11] In particular, for a tenant with name s who resides in geographic area g, we calculate the probability of race or ethnicity r for each of the 6 categories for a given name s, denoted as $\Pr(r|s)$. From the Summary File 1 (SF1) from Census 1990, we obtain the proportion of the population belonging to race or ethnicity r that lives in geographic area g, denoted as $\Pr(g|r)$. Bayes' Rule then gives the probability that a tenant with name s residing in geographic area g belongs to race or ethnicity r:

$$\Pr(r|g,s) = \frac{\Pr(r|s)\Pr(g|r)}{\sum_{r' \in R} \Pr(r'|s)\Pr(g|r')},$$

where R denotes the set of 6 ethnic categories. An assumption necessary for the validity of the Bayesian updating procedure is that the probability of living in a given geographic area, given one's race, is independent of one's name. For example, it requires that Blacks with the name John Smith are equally likely to live in a certain neighborhood as both Blacks in general and all people with the name John Smith.

For each tenant, we then assign a final racial probability if the maximum of the 6 posterior probabilities is equal to or above 0.8, and a final racial/ethnic category corresponding to the maximum posterior; otherwise a tenant's race/ethnicity is unclassified. Table 2 shows the breakdown of our racial and ethnic classification for our main sample of analysis.

Our methodology is similar to what's used by the CFPB to construct proxy consumer race in order to conduct fair lending analysis. CFPB (2014) and Elliott et al. (2009) demonstrate combining geography- and name-based information into a single proxy probability for race/ethnicity significantly outperforms traditional classification methods based on names or geography alone. The key difference between our method and CFPB's method is that we use "NamePrism" to compute "prior" probabilities, whereas CFPB relies on the racial distribution for common last names in the U.S. published by the Census Bureau (Comenetz (2016)). Since "NamePrism" uses both first and last names from a much larger name database, it is able to classify race/ethnicity for a much wider range of names at higher accuracy. Morever,

[10] People tend to communicate more frequently with others of similar age, language and location.

[11] In practice, census block level information on the racial and ethnic composition is available for 94.7% of our sample. For the rest of sample, we use racial and ethnic composition at the census block group (4%), census tract (0.2%), and 5-digit zip code levels (1%), whichever one is first available in the order listed. We set the posterior probabilities equal to the baseline probabilities from "NamePrism" for the rest 0.1% of our sample.

we use census block level racial composition for Bayesian updating of racial probabilities whenever possible, whereas CFPB uses racial distribution at the census block group level, which is a larger geographic unit, and thus less refined.

3.2.1 Validation of Race Imputation

In this section, we report some summary statistics regarding our race imputation methodology and perform a few validation checks. Using our imputation procedure and the linked Infutor-DataQuick data, we first report in Table 2 the racial distribution of all tenants aged 20-65 living in multi-family residences with 2-4 units as of December 31, 1993. The table also reports the 1990 Census measure of this distribution. As in the census, we find that Asians are the most numerous minority, followed by Hispanics and then Blacks. This table also shows that our procedure somewhat over-represents Whites in San Francisco and under-represents the number of minorities. This is because we only assign a race to an individual if the probability of that race is above 80%. In practice, this means 8,009 tenants are not assigned a race, equal to 17.27% of our tenant sample. Many of these unassigned individuals are, in fact, likely minorities as a large fraction of the unassigned are those with minority-sounding names but who live in relatively racially integrated neighborhoods.[12]

To further validate our methodology, we examine the average racial makeup of the 2010 census block in which our assigned individuals live. Note that this is an out-of-sample check since we use an individual's 1990 address, not their 2010 address, in our imputation procedure. The results are reported in Table 3. Consistent with what one would expect from some degree of continued racial sorting, individuals we classify as White live in neighborhoods with the greatest fraction of Whites (as of 2010), those we classify as Black live in neighborhoods with the greatest fraction of Blacks (as of 2010), and similarly for Hispanics and Asians. The same sorting result appears when we regress racial shares of an individual's 2010 census block on the individual's assigned race. The results are reported in Table 4, with Black being the omitted category. For example, being White is the strongest positive predictor of the 2010 White share, being Hispanic is the strongest positive predictor of the 2010 Hispanic share, and similarly for Asians and Blacks. We feel this racial sorting in 2010 provides strong evidence that our imputation procedure is correctly identifying an individual's race.

[12]If we do not impose this cutoff and instead simply calculate raw means of each racial group's probabilities, our racial distribution looks much closer to the distribution reported by the Census. We feel that imposing the cutoff is appropriate, however, since it ameliorates concerns regarding measurement error in our regression analysis by restricting to those individuals whose racial classification is more precise.

4 Empirical Results

Studying the effects of rent control is challenged by the usual endogeneity issues. The tenants who choose to live in rent-controlled housing, for example, are likely a selected sample. To overcome these issues, we exploit the particular institutional history of the expansion of rent control in San Francisco. Specifically, we exploit the successful 1994 ballot initiative which removed the original 1979 exemption for small multi-family housing of four units or less, as discussed in Section 2.

In 1994, as a result of the ballot initiative, tenants who happened to live in small multi-family housing built prior to 1980 were, all of a sudden, protected by statute against rent increases. Tenants who lived in small multi-family housing built 1980 and later continued to not receive rent control protections. We therefore use as our treatment group those renters who, as of December 31, 1993, lived in multi-family buildings of less than or equal to 4 units, built between years 1900 and 1979. We use as our control group those renters who, as of December 31, 1993, lived in multi-family buildings of less than or equal to 4 units, built between the years of 1980 and 1990. We exclude those renters who lived in small multi-family buildings constructed post 1990 since individuals who choose to live in new construction may constitute a selected sample and exhibit differential trends. We also exclude tenants who moved into their property prior to 1980, as none of the control group buildings would have been constructed at the time.

When examining the impact of rent control on the parcels themselves, we use small multi-family buildings built between the years of 1900 and 1979 as our treatment group and buildings built between the years of 1980 and 1990 as our control group. We again exclude buildings constructed in the early 1990s to remove any differential effects of new construction. Figure 9 shows the geographic distribution of treated buildings and control buildings in San Francisco. Since our control group was built over a narrow time span, the sample size of the treatment group is much larger than the control group. However, the control group buildings cover many neighborhoods across San Francisco, giving the treatment and control samples good overlap.

We next estimate balance tests between our treatment and control samples to evaluate whether rent control status was as good as randomly assigned. Table 1 compares the characteristics of tenants in treatment and control buildings, from 1990-1993, prior to treatment. The comparisons in raw means do not control for the zipcode of the building, which we will always condition on in our analysis. Panel A1 shows that tenants in the treated buildings are 0.6 years older than tenants in control buildings. This is unsurprising as the older buildings have been around much longer, allowing for longer tenancies and thus older residents. In-

deed, we also see that the average tenant in the treatment building has lived there for 6 years prior to treatment, while control group tenants have lived there for 5.8 years. To account for this differences, we will always condition on the length of tenancy, measured at the time of treatment, when comparing treatment and control groups in the following analysis.

4.1 Tenant Effects

We begin our analysis by studying the impact of rent control provisions on its tenant beneficiaries. We use a differences-in-differences design described above, with the following exact specification:

$$Y_{iszt} = \delta_{zt} + \alpha_i + \beta_t T_i + \gamma_{st} + \epsilon_{it}. \tag{1}$$

Here, Y_{iszt} are outcome variables equal to one if, in year t, the tenant i is still living at either the same address as they were at the end of 1993, or, alternatively, if the tenant is still living in San Francisco. The variables α_i denote individual tenant fixed effects. The variable T_i denotes treatment, equal to one if, on December 31, 1993, the tenant is living in a multi-family building with less than or equal to four units built between the years 1900 and 1979.

We include fixed effects γ_{st} denoting the interaction of dummies for the year s the tenant moved into their 1993 apartment with calendar year t time dummies. These additional controls are needed since older buildings are mechanically more likely to have long-term, low turnover tenants; not all of the control group buildings were built when some tenants in older buildings moved in. Finally, note we have included a full set of zipcode by year fixed effects, δ_{zt}. In this way, we control for any differences in the geographic distribution of treated buildings vs. control buildings, ensuring that our identification is based off of individuals who live in the same neighborhood, as measured by zipcode. Our coefficient of interest, quantifying the effect of rent control on future residency, is denoted by β_t.

Our estimated effects are shown in Figure 10, along with 90% confidence intervals. As further evidence of random assignment, we see no pre-trends leading up to time of treatment. Exactly at time of treatment we see a large spike in the probability that the treatment group remains at their 1993 address, versus the control group. We can see that tenants who receive rent control protections are persistently more likely to remain at their 1993 address relative to the control group. This effect decays over time, which likely reflects that as more years go by, all tenants are increasingly likely to move away from where they lived in 1993. Further, we find that treated tenants are also more likely to be living in San Francisco. This result indicates that the assignment of rent control not only impacts the type of property a tenant chooses to live in, but also their choice of location and neighborhood type.

These figures also illustrate how the time pattern of our effects correlates with rental rates in San Francisco.[13] We would expect that our results would be particularly strong in those years when the outside option is worse due to quickly rising rents. Along with our yearly estimated effect of rent control, we plot the yearly deviation from the log trend in rental rates against our estimated effect of rent control in that given year. We indeed see that our effects grew quite strongly in the mid to late 1990s in conjunction with quickly rising rents, relative to trend. Our effects then stabilize and slightly decline in the early 2000s in the wake of the Dot-com bubble crash, which led to falling rental rates relative to trend. Overall, we measure a correlation of 49.4% between our estimated same address effects and median rents, and a correlation of 78.4% between out estimated SF effects and median rents.

In Table 5, we collapse our estimated effects into a short-term 1994-1999 effect, a medium-term 2000-2004 effect, and a long-term post-2005 effect. We find that in the short-run, tenants in rent-controlled housing are 2.18 percentage points more likely to remain at the same address. This estimate reflects a 4.03% increase relative to the 1994-1999 control group mean of 54.10%. In the medium term, rent-controlled tenants are 3.54 percentage points more likely to remain at the same address, reflecting a 19.38% increase over the 2000-2004 control group mean of 18.27%. Finally, in the long-term, rent-controlled tenants are 1.47 percentage points more likely to remain at the same address. This is a 12.95% increase over the control group mean of 11.35%. Whether these effects should widen or narrow over time is ambiguous. On one hand, the wedge between market rate rents and rent control rents diverge, the longer one remains at their rent controlled address. One the other hand, the mismatch between one's 1993 address and the ideal location and type of housing is likely to grow over time, pushing tenants to give up their rent control. Since our long-term results are smaller than our medium term findings, it appears the mismatch effect begins to grow faster than the below market rent effect over the medium to long-term.

Tenants who benefit from rent control are 2.00 percentage points more likely to remain in San Francisco in the short-term, 4.51 percentage points more likely in the medium-term, and 3.66 percentage points more likely in the long-term. Relative to the control group means, these estimates reflect increases of 2.62%, 8.78%, and 8.42% respectively. Since these numbers are of the same magnitude as the treatment effects of stay at one's exact 1993 apartment, we find that absent rent control a large share of those incentivized to stay in their apartments would have otherwise moved out of San Francisco.

A key identifying assumption for our analysis is that once neighborhood characteristics

[13] Annual advertised rents from the San Francisco Chronicle and Craigslist have been collected by Eric Fischer (https://github.com/ericfischer/housing-inventory/). Since we do not have the microdata, this gives us an aggregate San Francisco-wide annual time series of rents. Given that this data is based on actual listings, this is likely the most accurate measure of true *market* rate rents, among all possible data sources.

have been controlled for, as well as the number of years lived in the apartment as of December 31, 1993, those living in older versus newer buildings would not exhibit differential trends in migration. As a robustness test, in Table 6, we have restricted our treatment group to individuals who lived in structures built between 1960 and 1979, thereby comparing tenants in buildings built slightly before 1979 to tenants in buildings built slightly after 1979. We find statistically indistinguishable results from out main analysis, with point estimates actually 5% to 63% larger across the six point estimates. As further robustness, we redefine the neighborhood more finely, using census tracts instead of zipcodes. Table 6 repeats the analysis using census tract by year fixed effects. The results are also statistically indistinguishable from our main results, although the point estimates are between 1% and 28% smaller across the six point estimates. Dropping the zip-year fixed effects also produces similar results.

4.1.1 Treatment Effect Heterogeneity

These estimated overall effects mask interesting heterogeneity. We first begin by repeating our analysis separately within each racial group. Since our sample sizes within any given racial group are smaller, we will focus on the overall "post" impact of rent control, not separating out the short, medium, and long run effects. Figure 11 shows the treatment effects of remaining in one's 1993 address for Whites, and then the differential effects for each racial group. Whites are 2.1 percentage points more likely to remain at their treated address due to rent control. For both Blacks and Hispanics, we are find larger treatment effects of 10.7 and 7.1 percentage point increases for these groups, respectively.[14] This suggests these minority groups disproportionately valued rent control. In contrast, the effect for Asians is statistically indistinguishable from the Whites effect, with a point estimate of 0.9 percentage points.

We see further evidence that racial minorities disproportionately benefited from rent control when looking at the impact of the law on remaining in San Francisco. Rent control leads treated Whites to be 2.8 percentage points more likely to remain in San Francisco, while Blacks, Hispanics, and Asians are 10.7, 10.1, and 6.4 percentage points more likely to remain in San Francisco, respectively. This suggests that rent control had a substantial impact on limiting displacement of minorities from the city.

We next examine treatment effect heterogeneity across neighborhoods, duration of tenancy, and age.[15] First, we cut the data by age, sorting individuals into two groups, a young

[14]Since our sample of Blacks is quite small, the differential effects for Blacks are not statistically indistinguishable from Whites.

[15]We do not cut on race here as well, as the samples would become too thin.

group who were aged 20-39 in 1993 and an old group who were aged 40-65 in 1993. We also sort the data based on the number of years the individual has been living at their 1993 address. We create a "high turnover" group of individuals who had been living at their address for less than four years and a "low turnover" group of individuals who had been living at their address for between four and fourteen years. Finally, we cut the sample of zipcodes based on whether their housing price appreciation from 1990 to 2000 was above or below the median, as measured by the housing transactions observed in DataQuick. Ideally, we would measure market rental price appreciation across neighborhoods, but no data source of this exists. While rents and house prices need not be perfectly correlated, house prices and market rents tend to move together. We form eight subsamples by taking the $2 \times 2 \times 2$ cross across each of these three dimensions and re-estimate our effects for each subsample.

The results are reported in Figures 12 and 13. We summarize the key implications. First, we find that the effects are weaker for younger individuals. We believe this is intuitive. Younger households are more likely to face larger idiosyncratic shocks to their neighborhood and housing preferences (such as changes in family structure and employment opportunities), which makes staying in their current location particularly costly, relative to the types of shocks older households receive. Thus, younger households may feel more inclined to give up the benefits afforded by rent control to secure housing more appropriate for their circumstances.

Moreover, among older individuals, there is a large gap between the estimated effects based on turnover. Older, low turnover households have a strong, positive response to rent control. That is, they are more likely to remain at their 1993 address relative to the control group. In contrast, older, high turnover individuals are estimated to have a weaker response to rent control. They are less likely to remain at their 1993 address relative to the control group.

To further explore the mechanism behind this result, we now investigate these effects based on the 1990-2000 price appreciation of their 1993 zipcodes. Among older, lower turnover individuals, we find that the effects are always positive and strongest in those areas which experienced the most price appreciation between 1990 and 2000, as one might expect. For older, high turnover households, however, the results are quite different. For this subgroup, the effects are actually *negative* in the areas which experienced the *highest* price appreciation. They are positive in the areas which experienced below median price appreciation.[16]

This result suggests that landlords are likely actively trying to remove tenants in those areas where rent control is affording the most benefits, i.e. high price appreciation areas.

[16] A similar pattern holds for younger individuals as well, although the results are weaker.

There are a few ways a landlord could accomplish this. First, landlords could try to legally evict their tenants by, for example, moving into the properties themselves, known as owner move-in eviction. Alternatively, landlords could evict tenants according to the provisions of the Ellis Act, which allows evictions when an owner wants to remove units from the rental market - for instance, in order to convert the units into condos or a tenancy in common. Finally, landlords are legally allowed to negotiate with tenants over a monetary transfer convincing them to leave. Such transfers are, in fact, quite prevalent in San Francisco. Moreover, it is likely that those individuals who have not lived in the neighborhood long, and thus not developed an attachment to the area, could be more readily convinced to accept such payments. Since we find that the tenants who are most likely to leave rent control are those who likely value it the least (those who have not lived in the neighborhood for a long time), it appears that landlords are paying people to move out instead of evicting them. If landlords were mostly using evictions, we would expect them to evict those whose evictions are most profitable to the landlord: those who likely will stay a long time. Indeed, since landlords can pay tenants to move out, rent control need not inefficiently distort renters' decisions to remain in their rent controlled apartments. Tenants may "bring their rent control with them" in the form of a lump sum tenant buyout. Of course, if landlords predominantly use evictions, tenants are not compensated for their loss of rent protection, weakening the insurance value of rent control.

4.1.2 Effects on Neighborhood Quality

The results from the previous subsection help to rationalize some additional, final findings. In Figure 14a, we examine the impact that rent control has on the types of neighborhoods tenants live in in a given year. We find that treated individuals, i.e. those who received rent control, ultimately live in census tracts with lower house prices, lower median incomes, lower college shares, and higher unemployment rates than the control group. As Figure 14b shows, this is not a function of the areas in which treated individuals lived in 1993. In this figure, we fix the location of those treated by rent control at their 1993 locations, but allow the control group to migrate as seen in the data. If rent-controlled renters were equally likely to remain in their 1993 apartments across all locations in San Francisco, we would see the sign of the treatment effects on each neighborhood characteristic to be the same as in the previous regression. Instead, we find strong evidence that the out-migration of rent-controlled tenants came from very selected neighborhoods. Had treated individuals remained in their 1993 addresses, they would have lived in census tracts which had significantly higher college shares, higher house prices, lower unemployment rates, and similar levels of household median income relative to the control group. This evidence is consistent with the idea that

landlords undertake efforts to remove their tenants or convince them to leave in improving, gentrifying areas.

4.2 Parcel and Landlord Effects

We continue our analysis by studying the impact of rent control on the structures themselves. In particular, we examine how rent control affects the nature of the residents who live in the buildings, as well as its impact on investments that landlords choose to make in the properties. Summary statistics for our key outcomes are in Panel B of Table 1. This table shows that treatment and control properties are balanced in the pre-period in terms of total residents and number of renter residents. We see 1.2 percentage points more owners in the control group and 1.6 percentage points more construction/renovation permits. These small differences reflect that fact that the control buildings are slightly newer.

We run a similar specification to that above:

$$Y_{kzt} = \delta_{zt} + \lambda_k + \beta_t T_k + \epsilon_{kt}, \tag{2}$$

where k now denotes the individual parcel and λ_k represent parcel fixed effects. The variable T_k denotes treatment, equal to one if, on December 31, 1993, the parcel is a multi-family building with less than or equal to four units built between the years 1900 and 1979. The δ_{zt} variables once again reflect zipcode by year fixed effects. Our outcome variables Y_{kt} now include the number of renters and owners living in the building, the number of renovation permits associated with the building, and whether the building is ever converted to a condo or TIC. The permits we look at specifically are addition/alteration permits, taken out when major work is done to a property.

We begin by plotting in Figure 15a the effects of rent control on the number of individuals living at a given parcel, calculated as percentage of the average number of individuals living at that parcel between the years 1990-1994. We estimate a decline of approximately 6.4% over the long-run, although this effect is not statistically significant.

We next decompose this effect into the impact on the number of renters and the number of owners living at the treated buildings. As shown in Figure 15b, we find that there is a significant decline in the number of renters living at a parcel, equal to 14.5% in the late 2000s, relative to the 1990-1994 level. Figure 15c shows that the decline in renters was counterbalanced by an increase of 8.1% in the number of owners in the late 2000s. This is our first evidence suggestive of the idea that landlords redeveloped or converted their properties so as to exempt them from the new rent control regulations.

We now look more closely at the decline in renters. In Figure 16a, we see that there is

an eventual decline of 24.6% in the number of renters living in rent-controlled apartments, relative to the 1990-1994 average.[17] This decline is significantly larger than the overall decline in renters. This is because a number of buildings which were subject to rent control status in 1994 were redeveloped in such way so as to no longer be subject to it. These redevelopment activities include tearing down the existing structure and putting up new single family, condominium, or multi-family housing or simply converting the existing structure to condos. These redeveloped buildings replaced 7.2% of the initial rental housing stock treated by rent control, as shown in Figure 16b.

A natural question is whether this redevelopment activity was a response of landlords to the imposition of rent control or, instead, if such activity was also taking place within the control group and thus reflected other trends. Since we have the entire parcel history for a property, we can check directly whether a multi-family property which fell under the rent control regulations in 1994 is more likely to have converted to condominium housing or a tenancy in common, relative to a multi-family property which did become subject to rent control. In Figure 16c, we show that treated buildings are 8 percentage points likely to convert to condo or TIC in response to the rent control law. This represents a significant loss in the supply of rent controlled housing.

As a final test of whether landlords actively respond to the imposition of rent control, we examine whether the landlords of rent-controlled properties disproportionately take out addition/alteration (i.e. renovation) permits. We find this to strongly be the case, with treated buildings received 4.6% more addition/alteration permits per unit as shown in Figure 16d. Of course, conversions of multi-family housing to condos undoubtedly require significant alteration to the structural properties of the building and thus would require such a permit to be taken out. These results are thus consistent with our results regarding condo conversion.

4.2.1 Treatment Effect Heterogeneity

We now explore the heterogeneity in these effects between high and low house price appreciation zipcodes. Our tenant regressions suggested that landlords of rent controlled buildings actively removed tenants in high appreciation zipcodes. Table 7 reports the average treatment effects within high and low appreciation zips. We find a 21% decline in the renter population and a 12% increase in the owner population within the high appreciation zipcodes, versus a 11% renter decline and 6% owner increase in low appreciation areas. Further, we find condo conversions increase by 10% in high appreciation zipcodes versus 5.8% in low appreciation areas. The conversion to owner occupied housing may be especially lucrative

[17]Note here that we mean relative to the number of individuals who lived at parcels which received rent control status due to the 1994 law change.

in these high appreciation zipcodes as they likely have higher income residents. In contrast, we find a larger effect (9.3% vs 3.2%) of properties being knocked down and rebuilt in low appreciation areas than high priced areas. This is effect is possibly driven by land use regulations making it very hard to build new construction in high-end areas of San Francisco.[18] Overall, these effects reaffirm that the landlords remove rental housing stock in areas where their profits to do so are the highest.

4.2.2 Gentrification Effects

The previous section shows that rent control incentivized landlords to substitute away from an older rental housing stock towards new construction rentals and owner occupied condos. Combining our estimates of rent control's effect on the number of owner occupants (8.1%) and renters living in rent control exempt housing (7.2%) suggests that 15.3% of the treated properties engaged in renovations to evade rent control. Since these types of renovations create housing that likely to caters to high income tastes, rent control may have fueled the gentrification of San Francisco. To assess this, we compare the 2015 residents living in properties treated by rent control to those living in the control buildings in 2015. While we do not have data directly on the income levels of the 2015 residents of these properties, we can use the historical neighborhood choices of these tenants as a proxy for their income. Intuitively, if residents of treated buildings used to live in high-end neighborhoods, while residents of control buildings used to live in low end neighborhoods, we can infer that the residents of treated buildings are likely to be higher income. Specifically, we take all residents in the treatment and control buildings as of 2015. We then look at their addresses as of 2010, five years prior. We geocode these 2010 addresses to census block groups and measure the block group per capita income of their 2010 address, from the ACS. Table 8 shows that properties treated by rent control have tenants who came from neighborhoods with $1292 higher per capita incomes, representing a 2.8% increase, relative to residents of control group buildings located in the same zipcode. This 2.8% increase represents the average income increase across *all* properties treated by rent control. Since only 15.3% of these properties upgraded their housing stock, we would expect these high income residents to only be drawn into this 15.3%. Indeed, the other 85% of the treated housing stock that did not renovate likely have lower income residents due to the direct effect of rent control on tenant mobility. To construct a lower bound estimate of the effect of rent control on gentrification, we will assume that residents of the non-renovated housing stock have incomes similar to that of the control group. Under this assumption, our estimate of a 2.8% increase

[18] Most new construction in San Francisco has occurred in neighborhoods that historically were dominated by industry and warehouses.

in residents' incomes suggests that the renovated buildings attracted residents with *at least* 18% (2.8/0.153) higher incomes than residents of control group buildings in the same zipcode. In this way, rent control appears to have brought higher income residents into San Francisco, fueling gentrification.

Taken together, we see rent control increased property investment, spurred the demolition and reconstruction of new buildings, generated conversion of rental units to owner occupied housing, and caused a decline of the number of renters per building. This reduction in rental supply likely led to rent increases in San Francisco, which had to be borne by future renters. In this way, the law served as a transfer from future renters in the city to renters in 1994. Moreover, all of the landlord responses ultimately have led to a housing stock which caters to higher income individuals, fueling the gentrification of San Francisco, the exact opposite of the policy's intended goal. Further, rent control appears to have increased income inequality in the city by simultaneously limiting displacement of minorities and attracting higher income residents.

5 Conclusion

In this paper, we study the impact of rent control on its tenant beneficiaries as well as the landlord response. To answer this question, we exploit a unique rent control expansion in San Francisco in 1994 that suddenly provided rent control protections for small multi-family housing built prior to 1980. By combining new panel micro data on individual migration decisions with detailed assessor data on individual SF parcels, we get quasi-experimental variation in the assignment of rent control at both the individual tenant level and at the parcel level.

We find that, on average, in the medium to long term the beneficiaries of rent control are between 10 and 20% more likely to remain at their 1994 address relative to the control group and, moreover, are more likely to remain in San Francisco. Further, we find the effects of rent control on tenants are stronger for racial minorities, suggesting rent control helped prevent minority displacement from San Francisco. All our estimated effects are significantly stronger among older households and among households that have already spent a number of years at their current address. On the other hand, individuals in areas with quickly rising house prices and with few years at their 1994 address are less likely to remain at their current address, consistent with the idea that landlords try to remove tenants when the reward is high, through either eviction or negotiated payments.

We find that landlords actively respond to the imposition of rent control by converting their properties to condos and TICs or by redeveloping the building in such as a way as to

exempt it from the regulations. In sum, we find that impacted landlords reduced the supply of available rental housing by 15%. Further, we find that there was a 25% decline in the number of renters living in units protected by rent control, as many buildings were converted to new construction or condos that are exempt from rent control.

This reduction in rental supply likely increased rents in the long-run, leading to a transfer between future San Francisco renters and renters living in San Francisco in 1994. In addition, the conversion of existing rental properties to higher-end, owner-occupied condominium housing ultimately led to a housing stock increasingly directed towards higher income individuals. In this way, rent control contributed to the gentrification of San Francisco, contrary to the stated policy goal. Rent control appears to have increased income inequality in the city by simultaneously limiting displacement of minorities and attracting higher income residents.

These results highlight that forcing landlords to provided insurance against rent increases can ultimately be counterproductive. If society desires to provide social insurance against rent increases, it may be less distortionary to offer this subsidy in the form of a government subsidy or tax credit. This would remove landlords' incentives to decrease the housing supply and could provide households with the insurance they desire. A point of future research would be to design an optimal social insurance program to insure renters against large rent increases.

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Table 1: Sample Characteristics of Multi-Family Properties (2 – 4 Units) and their Tenants

A. Tenants Living in Multi-Family Residence (2 – 4 Units)

	1990–1993			1994–2016		
	Treat	Control	Difference	Treat	Control	Difference
A1. Demographics						
Age in 1993	37.708	37.120	0.587	37.708	37.120	0.587
	(10.438)	(10.639)	(0.247)	10.438	(10.639)	(0.247)
A2. Residency						
In SF	0.954	0.954	0.000	0.569	0.538	0.032
	(0.210)	(0.210)	(0.002)	(0.495)	(0.499)	(0.002)
Same Address	0.870	0.867	0.003	0.261	0.240	0.021
	(0.336)	(0.340)	(0.004)	(0.439)	(0.427)	(0.002)
Years at Address	6.015	5.825	0.190	6.590	6.267	0.324
	(3.958)	(3.927)	(0.047)	(5.898)	(5.530)	(0.029)
No. Persons	44502	1861	46363	44502	1861	46363
B. Multi-Family Properties (2 – 4 Units)						
B1. Residency						
Conversion	0.000	0.000	0.000	0.096	0.044	0.051
	(0.009)	(0.000)	(0.000)	(0.294)	(0.206)	(0.002)
B2. Population						
Population/Avg Pop 90-94	0.898	0.905	-0.008	2.282	2.252	0.030
	(0.436)	(0.426)	(0.007)	(4.029)	(2.998)	(0.028)
Renters/Avg Pop 90-94	0.741	0.737	0.004	1.680	1.700	-0.020
	(0.484)	(0.482)	(0.008)	(3.555)	(2.517)	(0.025)
Renters in Rent-Controlled	0.741	0.737	0.004	1.404	1.570	-0.165
Buildings/Avg Pop 90-94	(0.484)	(0.482)	(0.008)	(1.927)	(2.053)	(0.014)
Renters in Redeveloped	0	0	0	0.129	0.060	0.069
Buildings/Avg Pop 90-94	(0)	(0)	(0)	(0.740)	(0.541)	(0.005)
Owners/Avg Pop 90-94	0.157	0.168	-0.012	0.602	0.552	0.050
	(0.329)	(0.335)	(0.006)	(1.581)	(1.348)	(0.011)
B3. Permits						
Cumulative	0.072	0.088	-0.016	0.290	0.254	0.035
Add/Alter/Repair per Unit	(0.231)	(0.287)	(0.004)	(0.511)	(0.536)	(0.004)
No. Parcels	25925	892	26817	25925	892	26817

Notes: Panel A reports the summary statistics of the demographic characteristics and residency outcomes during 1990 – 2016 of our tenant sample. The sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2 – 4 units that were built during 1900 – 1990. Panel B reports the summary statistics of the outcomes variables related to residency, population changes and permit issuance during 1990 – 2016 of our property sample. The sample consists of all parcels that are multi-family residence with 2 – 4 units in San Francisco that were built during 1900 – 1990. The "Treat" and "Control" columns report the mean and standard deviation (in parentheses) of each outcome variable at the tenant level in Panel A and at the property level in Panel B. The "Difference" column reports the coefficient and standard error (in parentheses) of a regression of each outcome variable on the treatment dummy at the tenant level in Panel A and at the property level in Panel B.

Table 2: Race of Tenants in Multi-Family Residence (2 – 4 Units)

Predicted Race	(1) Freq.	(2) Percent	(3) Avg. Racial Probability	(4) Percent of SF Tenants Aged 20 – 65 in Small-Multi Family Residences – 1990 Census
White	28771	75.01%	0.95	57.36%
Black	537	1.40%	0.93	7.72%
Hispanic	3144	8.20%	0.95	14.18%
Asian	5902	15.39%	0.98	20.16%
Other	.	.	.	0.59%
Total	38354	100%	0.95	100%

Notes: Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2 – 4 units that were built during 1900 – 1990. Table shows the racial distribution for the 38354 tenants with a classified race/ethnicity. In addition, 8009 tenants are not assigned a race, corresponding to 17.27% of our sample of tenants. They are not assigned a predicted race because their maximum racial probability from the set of predicted racial probabilities for all ethnic categories is below 0.8, following the procedure detailed in section 3.2. Columns 1 and 2 report the number of tenants and the share of the sample by predicted race. Column 3 reports the average final racial probability by predicted racial categories. Column 4 reports the share of tenants in San Francisco between 20 and 65 years old who were living in small multi-family residences by racial/ethnic categories. The data source is 1990 U.S. Census. The category "Other" refers to all other racial/ethnic categories from the Census which include non-Hispanic American Indian and Alaska Native, and non-Hispanic Multi-racial.

Table 3: 2010 Census Block Racial Distribution by Race of Tenants of the 1994 Rent Control Cohort

	Avg. Share in Census Block of 2010 Address			
Predicted Race	White	Black	Hispanic	Asian
White	63.4%	4.2%	12.1%	16.4%
Black	24.8%	24.0%	24.4%	22.8%
Hispanic	33.7%	6.3%	31.4%	24.9%
Asian	38.1%	4.1%	13.2%	40.8%

Notes: Sample consists of all tenants with a classified race/ethnicity between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with $2-4$ units that were built during $1900-1990$. We geocode the 2010 addresses of tenants in our sample to the census block level. The columns report the average shares of White, Black, Hispanic and Asian population in the census blocks containing the 2010 addresses of tenants in each classified racial/ethnic category.

Table 4: Prediction of 2010 Census Block Racial Distribution using Racial Classification

	(1) Share White	(2) Share Black	(3) Share Hispanic	(4) Share Asian
White	0.385	-0.199	-0.123	-0.064
	(0.010)	(0.004)	(0.006)	(0.008)
Hispanic	0.089	-0.178	0.071	0.021
	(0.011)	(0.004)	(0.007)	(0.009)
Asian	0.133	-0.199	-0.111	0.180
	(0.011)	(0.004)	(0.007)	(0.008)
R^2	0.212	0.062	0.129	0.189
Observations	36656	36656	36656	36656

Notes: Sample consists of all tenants with a classified race/ethnicity between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with $2-4$ units that were built during $1900-1990$. We geocode the 2010 addresses of tenants in our sample to the census block level. The dependent variable is share of White, Black, Hispanic or Asian population in the census block that contains a tenant's 2010 address. The independent variable is a tenant's racial classification. Black is the omitted category.

Table 5: Treatment Effect for Tenants of Multi-Family Residence (2 – 4 Units)

	(1) In SF	(2) Same Address
Treat×Period		
1994-1999	0.0200	0.0218
	(0.0081)	(0.0083)
2000-2004	0.0451	0.0354
	(0.0115)	(0.0088)
Post 2005	0.0366	0.0147
	(0.0109)	(0.0063)
Control Mean 1994 – 1999	0.7641	0.5410
Control Mean 2000 – 2004	0.5138	0.1827
Control Mean Post 2005	0.4346	0.1135
Adjusted R^2	0.586	0.608
Observations	1251801	1251801

Notes: Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2 – 4 units that were built during 1900 – 1990. Table reports the mean of dependent variables for the control group during 1990 – 1994, 2000 – 2004 and post-2005. Standard errors are clustered at the person level.

Table 6: Robustness Check of Treatment Effect for Tenants of Multi-Family Residence (2 – 4 Units)

A. Treatment Group Lives in Buildings Built between 1960 & 1979

	(1) In SF	(2) Same Address
Treat×Period		
1994 – 1999	0.0326	0.0289
	(0.0105)	(0.011)
2000 – 2004	0.0642	0.0370
	(0.0151)	(0.0118)
Post 2005	0.0531	0.0164
	(0.0145)	(0.0084)
Control Mean 1994 – 1999	0.7641	0.541
Control Mean 2000 – 2004	0.5138	0.1827
Control Mean Post 2005	0.4346	0.1135
Adjusted R^2	0.584	0.609
Observations	135594	135594

B. Census Tract Fixed Effects

	(1) In SF	(2) Same Address
Treat×Period		
1994 – 1999	0.0175	0.0157
	(0.0084)	(0.0087)
2000 – 2004	0.0426	0.0284
	(0.012)	(0.0092)
Post 2005	0.0364	0.0113
	(0.0114)	(0.0066)
Control Mean 1994 – 1999	0.7641	0.541
Control Mean 2000 – 2004	0.5138	0.1827
Control Mean Post 2005	0.4346	0.1135
Adjusted R^2	0.588	0.609
Observations	1243242	1243242

Notes: In Panel A, we change our tenant sample to all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2 – 4 units that were built during 1960 – 1990. Hence we have restricted our treatment group to individuals who lived in buildings built between 1960 and 1979. In Panel B, the sample of tenants is the same as in our baseline regressions. Instead of using zipcode by year fixed effects in our baseline regressions, we use census tract by year fixed effects. Table reports the mean of dependent variables for the control group during 1990 – 1994, 2000 – 2004 and post-2005. Standard errors are clustered at the person level.

Table 7: Treatment Effect Heterogeneity for Multi-Family Parcels by House Price Appreciation

	(1) High Appreciation	(2) Low Appreciation
Population/Avg Pop 90-94	-0.092	-0.050
	(0.176)	(0.108)
Renters/Avg Pop 90-94	-0.207	-0.112
	(0.144)	(0.085)
Renters in Rent-Controlled	-0.284	-0.225
Buildings/Avg Pop 90-94	(0.148)	(0.088)
Renters in Redeveloped	0.032	0.093
Buildings/Avg Pop 90-94	(0.058)	(0.016)
Owners/Avg Pop 90-94	0.116	0.063
	(0.066)	(0.052)
Conversion	0.100	0.058
	(0.011)	(0.006)
Cumulative	0.016	0.061
Add/Alter/Repair per Unit	(0.03)	(0.015)

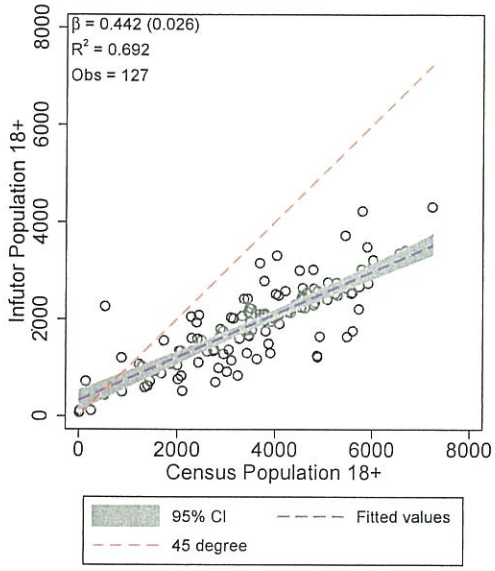
Notes: Sample consists of all multi-family residences with $2-4$ units in San Francisco that were built during $1900-1990$. We divide tenants into two groups by whether their 1993 zipcode experienced above or below median house price appreciation during $1990-2000$. Columns 1 and 2 report the average treatment effects for various parcel level outcomes in the post-2006 period for residences in the high and low appreciation areas respectively. Standard errors in parentheses are clustered at the parcel level.

Table 8: Treatment Effect on Parcel Level Average Income for Multi-Family Residence (2-4 Units)

	(1) Per Capita Income
Treat	1292
	(522)
Constant	53084
	(514)
Control Mean	45703
Control S.D.	22071
R^2	0.398
Observations	24271

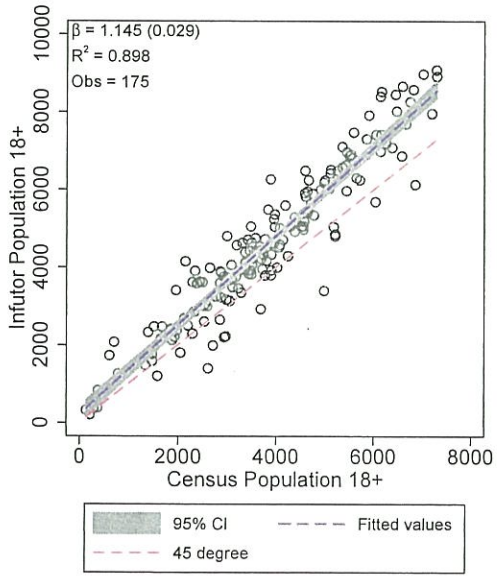
Notes: Table reports parcel level regression for the 2015 cross-section of parcels in San Francisco that we can match people living there. We further restricts to parcels that we can match someone living there before 1994. The dependent variable is the average per capita income across individuals living in each parcel. Per capita income is measured in 2010 dollars in the census block group of each individual's 2010 address. Regression includes zipcode fixed effects. Robust standard errors are reported.

Figure 1: Population Age 18 and above: 1990 Census



Notes: Plot shows the population of 18 and over in each census tract in 1990 from Infutor data against that from 1990 Census.

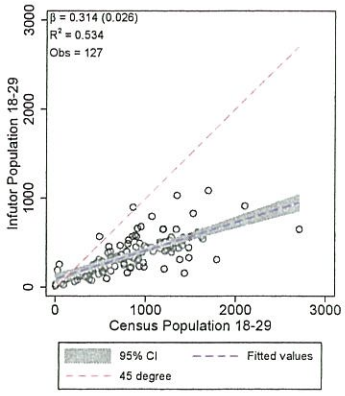
Figure 2: Population Age 18 and above: 2000 Census



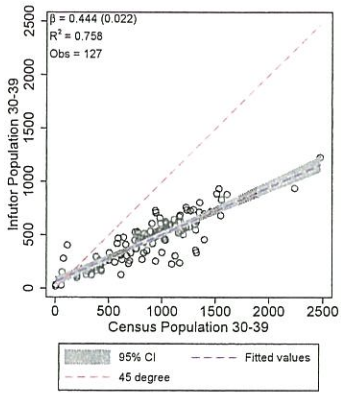
Notes: Plot shows the population of 18 and over in each census tract in 2000 from Infutor data against that from 2000 Census.

Figure 3: Population by Age Group: 1990 Census

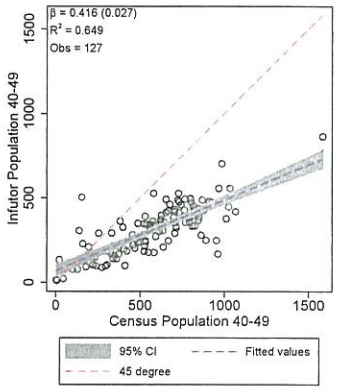
(a) Population 18-29



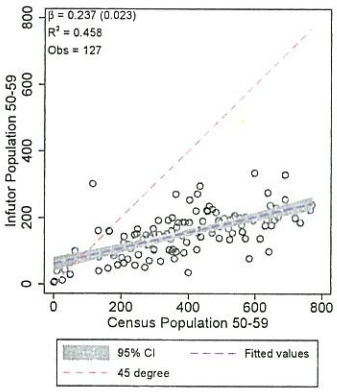
(b) Population 30-39



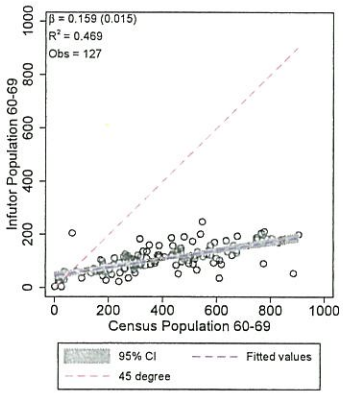
(c) Population 40-49



(d) Population 50-59



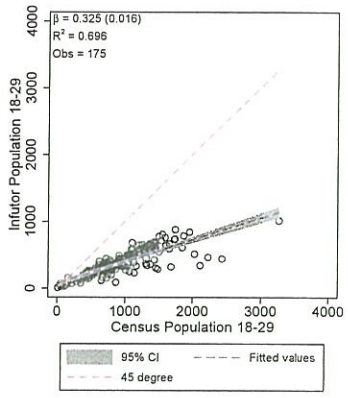
(e) Population 60-69



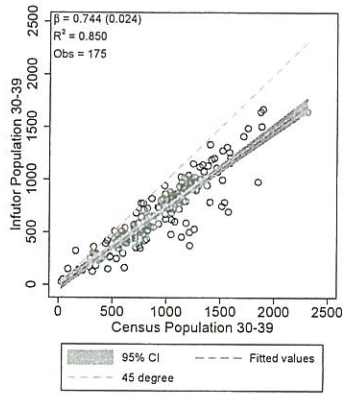
Notes: Plot shows the population counts within a given age group in each census tract in 1990 from Infutor data against that from 1990 Census. The fitted line is estimated by OLS.

Figure 4: Population by Age Group: 2000 Census

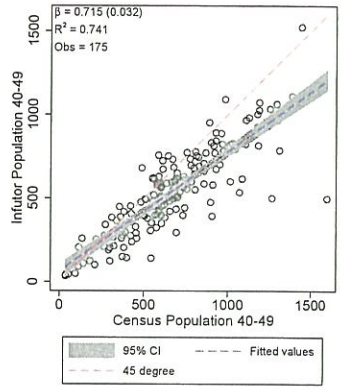
(a) Population 18-29



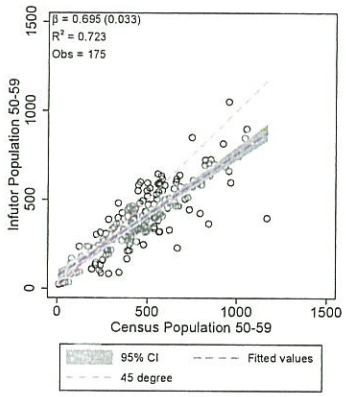
(b) Population 30-39



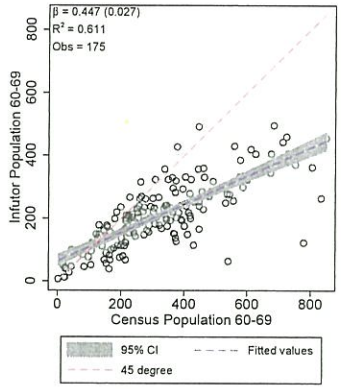
(c) Population 40-49



(d) Population 50-59



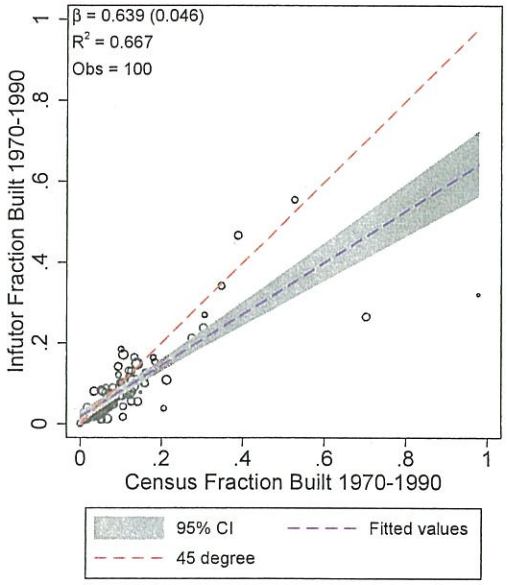
(e) Population 60-69



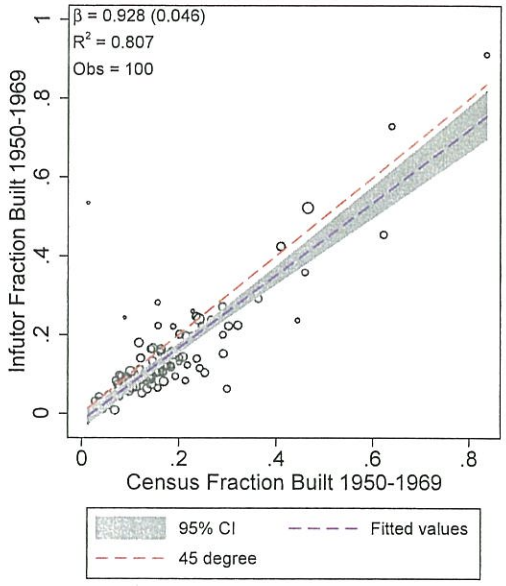
Notes: Plot shows the population counts within a given age group in each census tract in 1990 from Infutor data against that from 1990 Census. The fitted line is estimated by OLS.

Figure 5: Age of Occupied Housing: 1990 Census

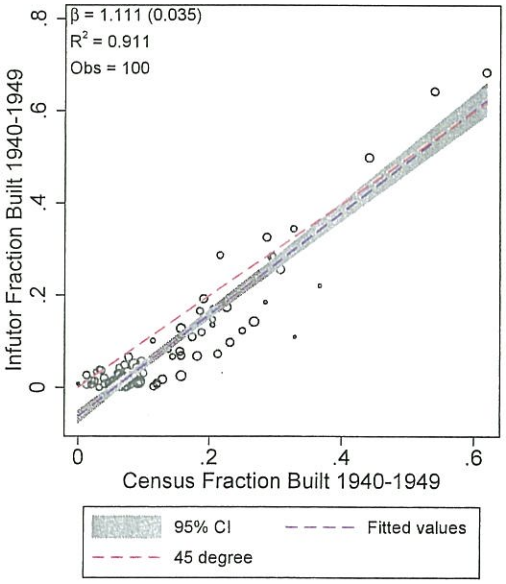
(a) Built 1970 to 1990: 1990 Census



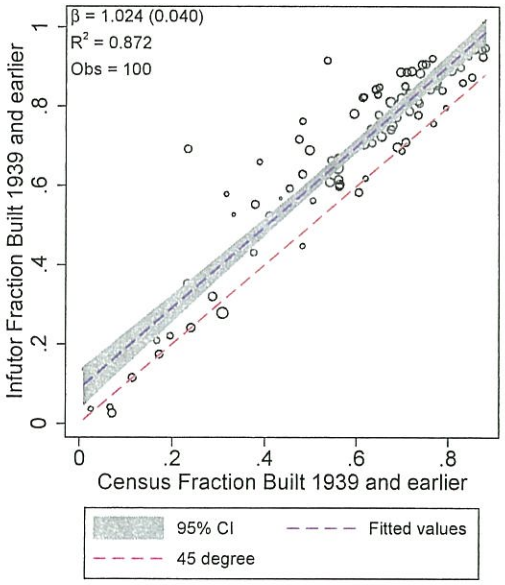
(b) Built 1950 to 1969: 1990 Census



(c) Built 1940 to 1949: 1990 Census



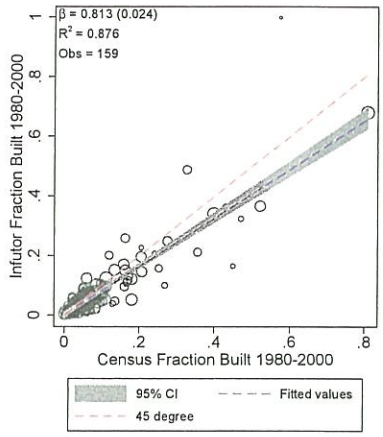
(d) Built 1939 or earlier: 1990 Census



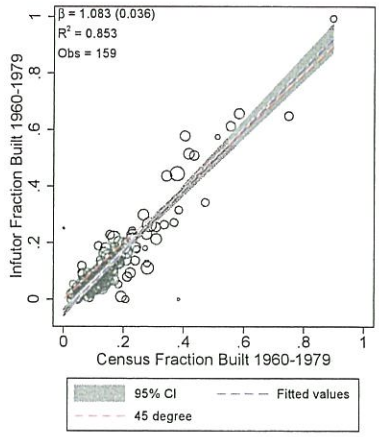
Notes: Plot shows the fraction of buildings built in each time period in each census tract in 1990 from Infutor data against that from 1990 Census. The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least square using the number of occupied housing units as weights.

Figure 6: Age of Occupied Housing: 2000 Census

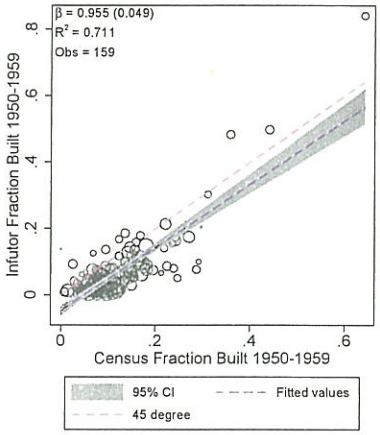
(a) Built 1980 to 2000: 2000 Census



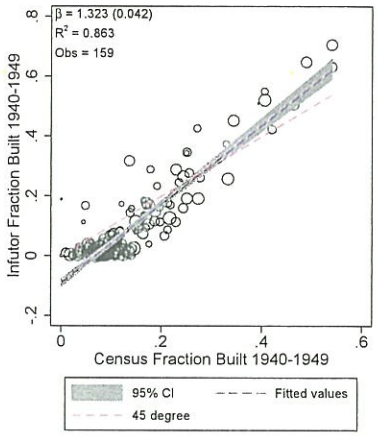
(b) Built 1960 to 1979: 2000 Census



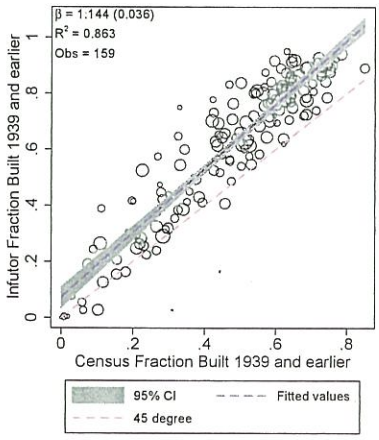
(c) Built 1950 to 1959: 2000 Census



(d) Built 1940 to 1949: 2000 Census

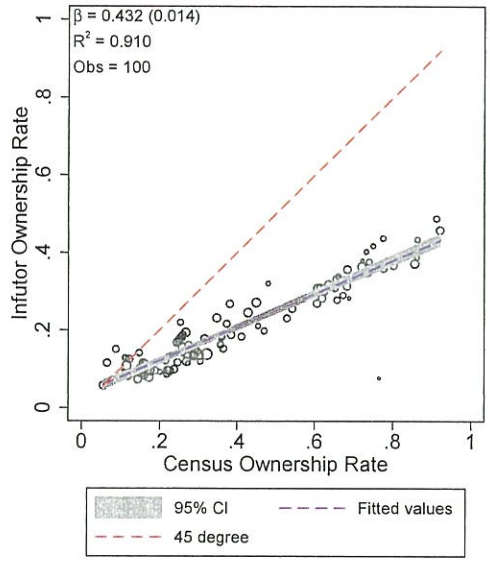


(e) Built 1930 or earlier: 2000 Census



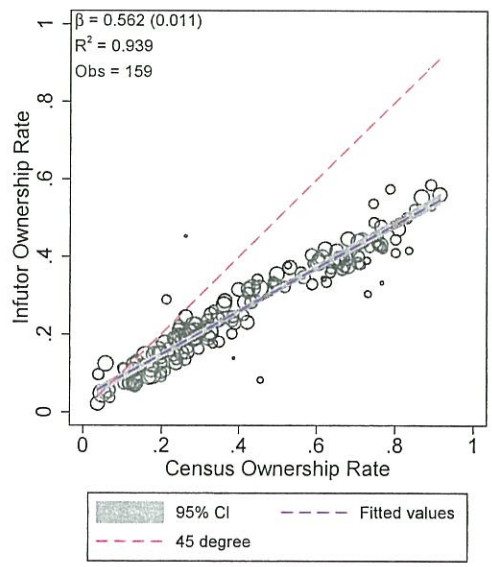
Notes: Plot shows the fraction of buildings built in each time period in each census tract in 2000 from Infutor data against that from 2000 Census. The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least square using the number of occupied housing units as weights.

Figure 7: Ownership Rate at Individual Level: 1990 Census



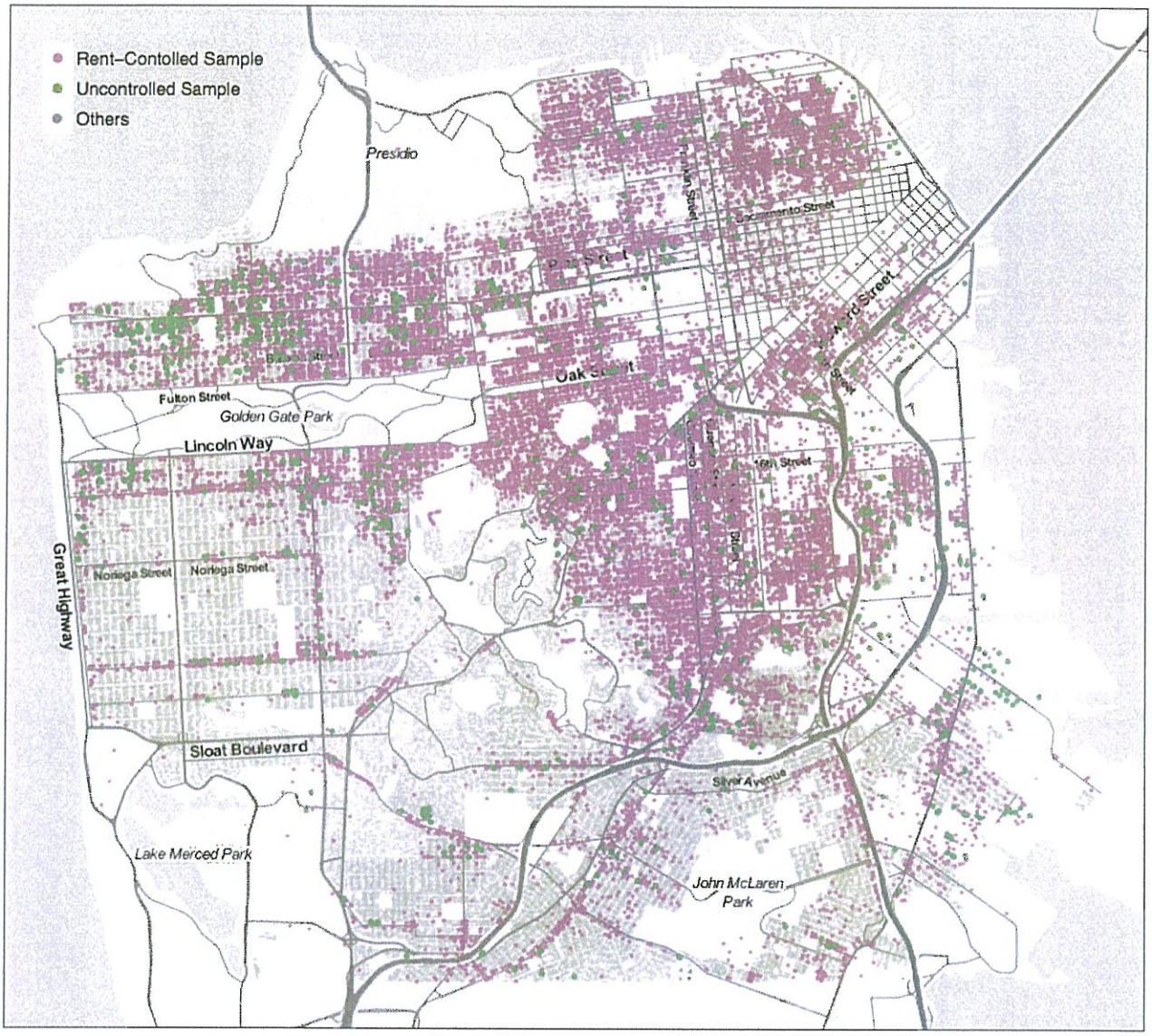
Notes: Plot shows the ownership rate at the individual level in 1990 from Infutor data against the ownership rate of occupied housing units from 1990 Census. The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least square using the number of occupied housing units as weights.

Figure 8: Ownership Rate at Individual Level: 2000 Census



Notes: Plot shows the ownership rate at the individual level in 2000 from Infutor data against the ownership rate of occupied housing units from 2000 Census. The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least square using the number of occupied housing units as weights.

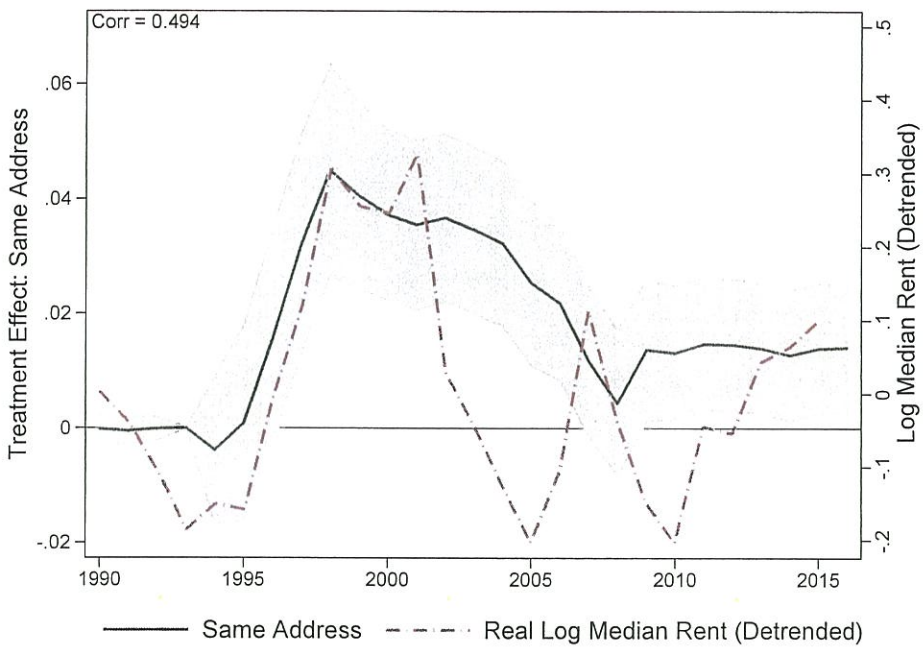
Figure 9: Geographic Distribution of Treated and Control Buildings in San Francisco



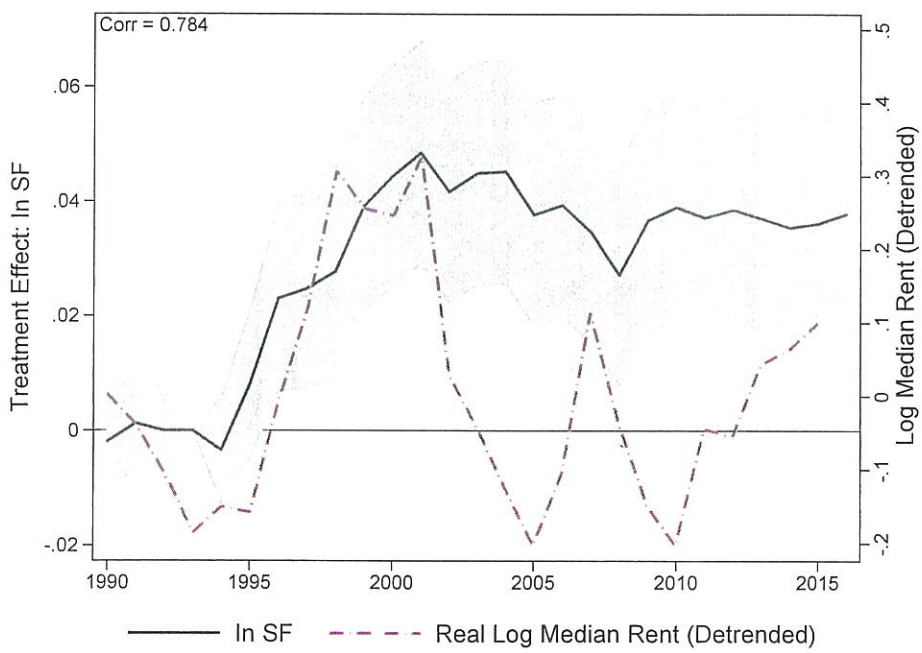
Notes: The purple dots represent parcels in the treatment group, which are parcels corresponding to multi-family residences with $2-4$ units in San Francisco that were built between 1900-1979. The green dots represent parcels in the control group, which are parcels corresponding to multi-family residences with $2-4$ units in San Francisco that were built between 1980-1990. The gray dots represent other types of housing stocks such as single-family residences and multi-family residences with 5 or more units.

Figure 10: Treatment Effect for Tenants in Multi-Family Residence (2 – 4 Units)

(a) Staying at Same Address



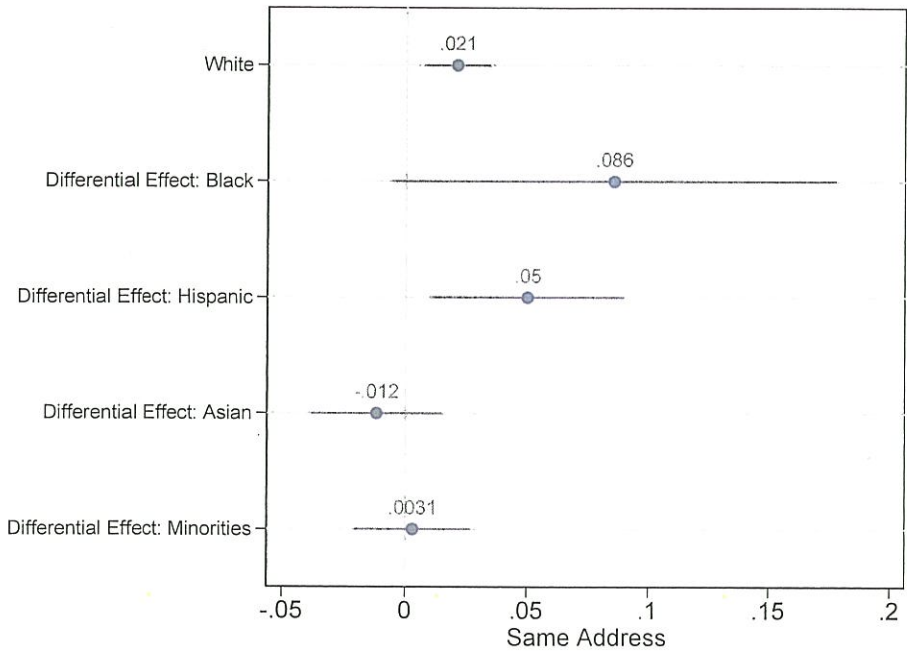
(b) Staying in San Francisco



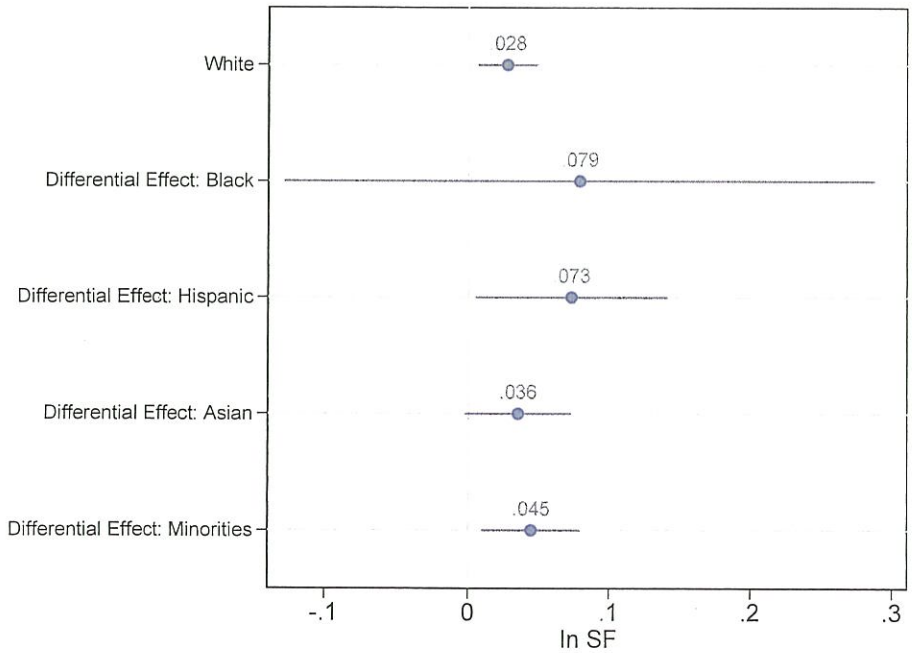
Notes: Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2 – 4 units that were built during 1900 – 1990. The solid line plots the treatment effects for staying at the same address in Panel (a) and staying in San Francisco in Panel (b) along with 90% CI in shaded area. The dotted line plots the yearly deviation from the log trend in median rental rates. Standard errors are clustered at the person level.

Figure 11: Heterogeneity by Tenant's Race in Treatment Effect for Tenants

(a) Staying at Same Address

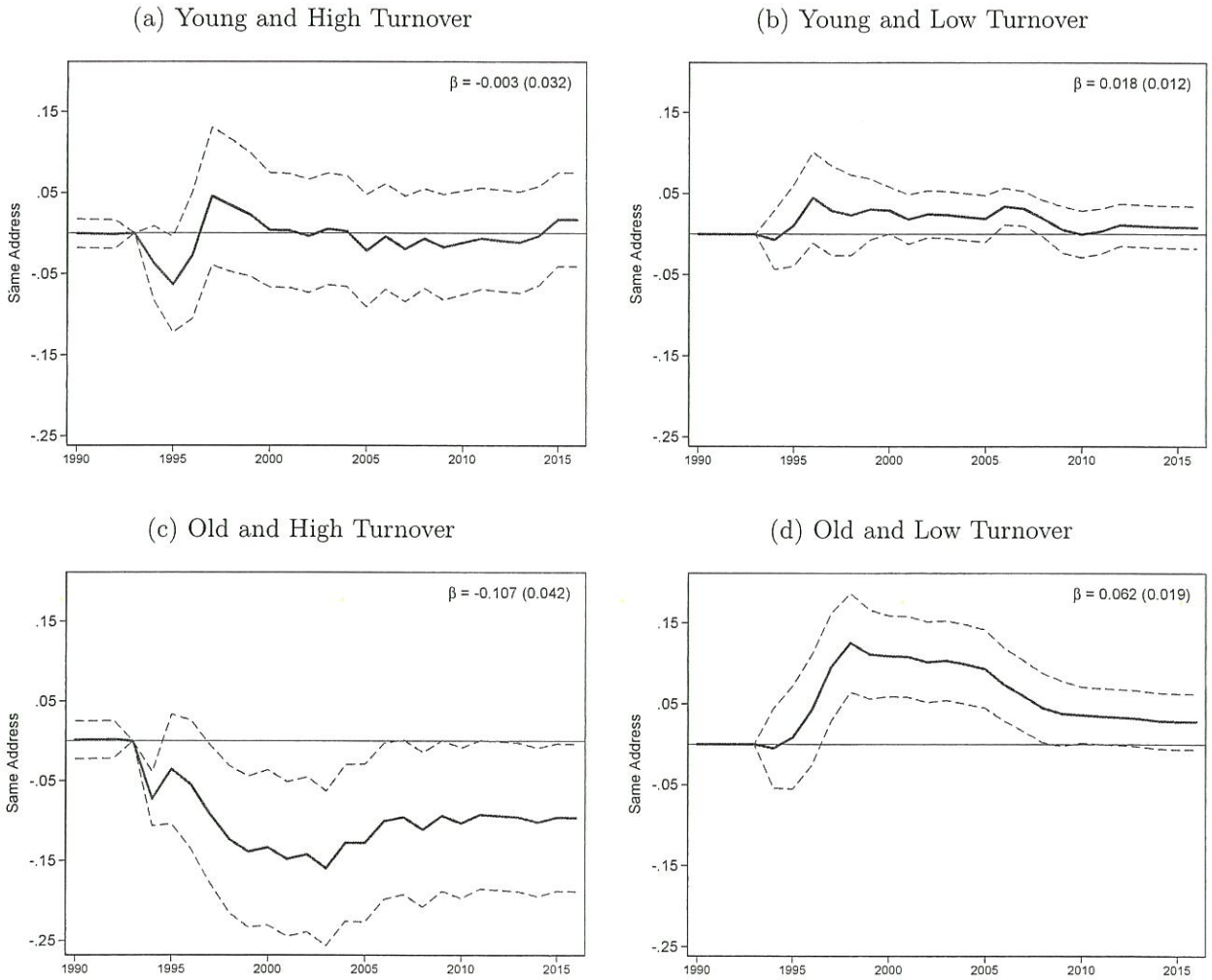


(b) Staying in San Francisco



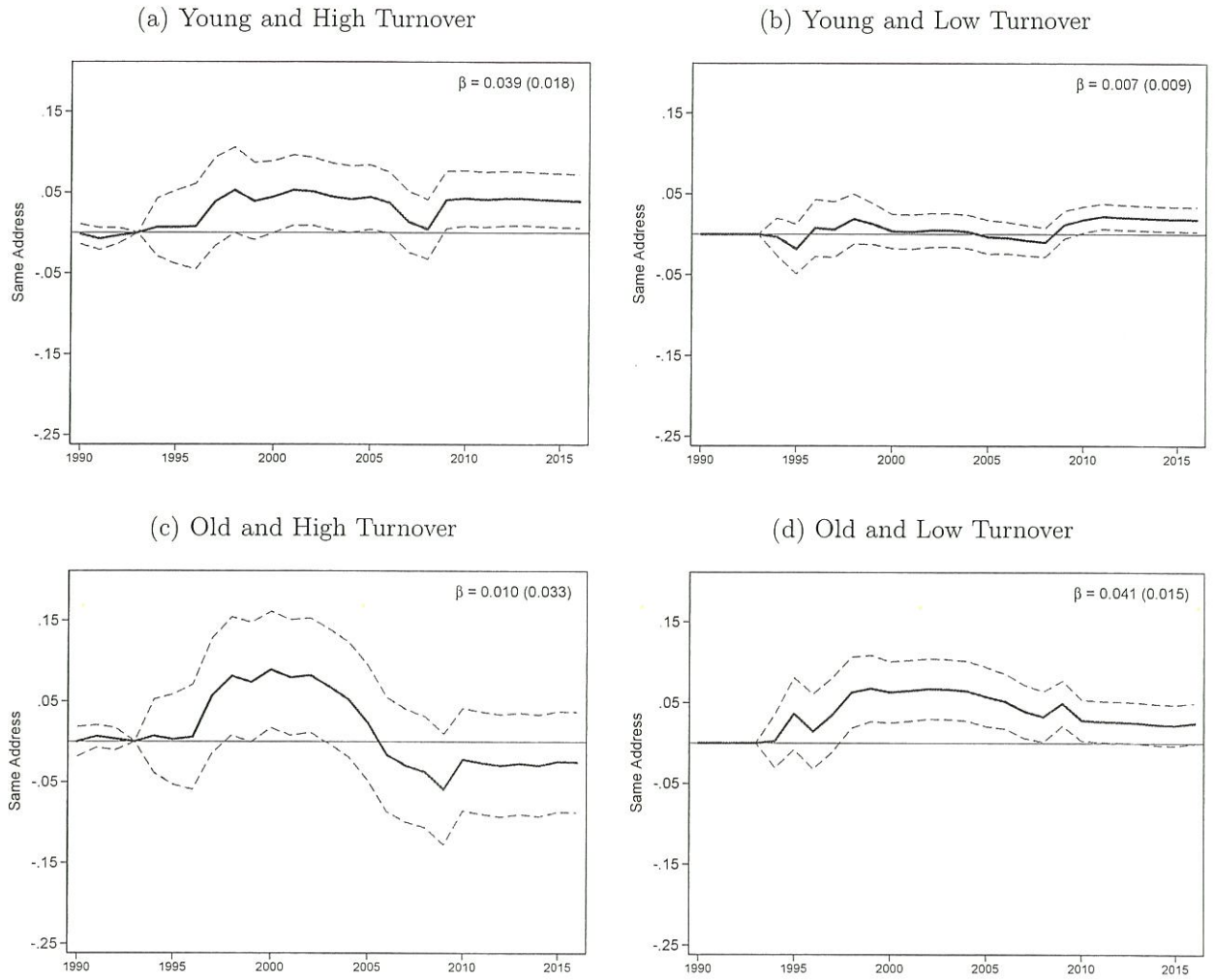
Notes: Sample consists of all tenants with a classified race/ethnicity between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with $2-4$ units that were built during $1900-1990$. For White tenants, we report the average treatment effect in the post-1994 period along with 90% CI. For the other ethnic categories, we report the differential treatment effect in the post-1994 period between White and each ethnic category along with 90% CI. Minorities consist of all ethnic groups other than White. Standard errors are clustered at the person level.

Figure 12: Heterogeneity by Age and Tenure in Treatment Effect for Tenants of Multi-Family Residence (2 – 4 Units) with High House Price Appreciation



Notes: Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2 – 4 units that were built during 1900 – 1990. We first divide individuals into two groups by whether their 1993 zipcode experienced above or below median house price appreciation during 1990 – 2000, and restrict our sample to individuals living in zipcodes that experienced high appreciation. We further sort the sample by age group. The young group refers to residents who were aged 20 – 39 in 1993 and the old group are residents who were aged 40 – 65 in 1993. Finally, we cut the data by number of years the individual has been living at their 1993 address. We define a "low turnover" group of individuals who had been living at their 1993 address for greater than or equal to four years and a "high turnover" group of individuals who had been living at their address for less than four years. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the person level. The average treatment effects in the post-1994 period and their standard errors are reported in the upper-right corner.

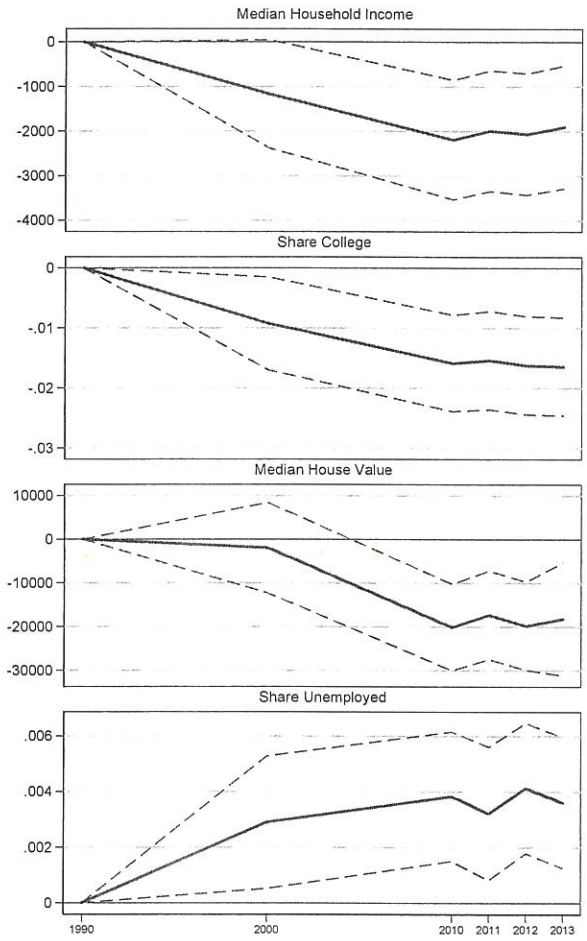
Figure 13: Heterogeneity by Age and Tenure in Treatment Effect for Tenants of Multi-Family Residence (2 – 4 Units) with Low House Price Appreciation



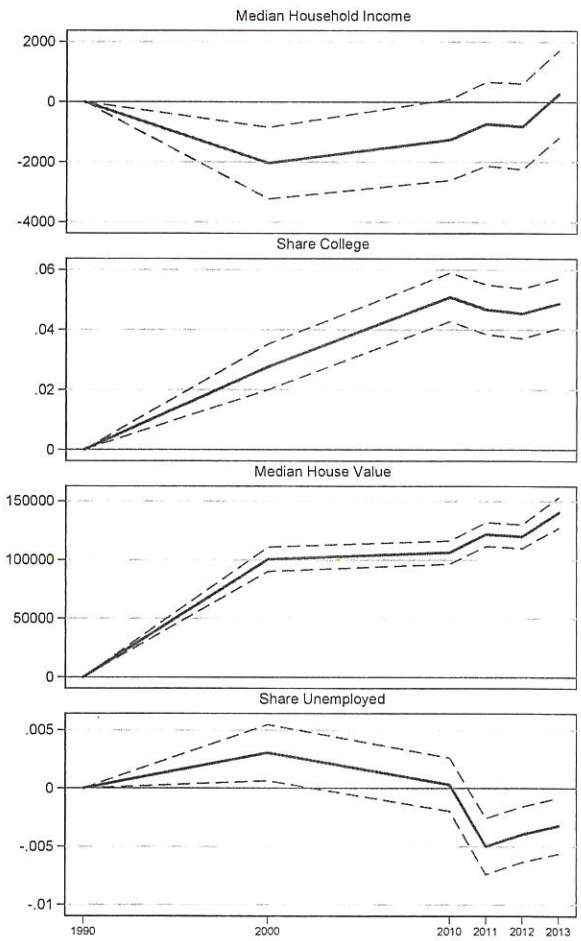
Notes: Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2 – 4 units that were built during 1900 – 1990. We first divide individuals into two groups by whether their 1993 zipcode experienced above or below median house price appreciation during 1990 – 2000, and restrict our sample to individuals living in zipcodes that experienced low appreciation. We further sort the sample by age group. The young group refers to residents who were aged 20 – 39 in 1993 and the old group are residents who were aged 40 – 65 in 1993. Finally, we cut the data by number of years the individual has been living at their 1993 address. We define a "low turnover" group of individuals who had been living at their 1993 address for greater than or equal to four years and a "high turnover" group of individuals who had been living at their address for less than four years. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the person level. The average treatment effects in the post-1994 period and their standard errors are reported in the upper-right corner.

Figure 14: Treatment Effect on Neighborhood Quality for Tenants of Multi-Family Residence (2 – 4 Units)

(a) True Treatment Effect



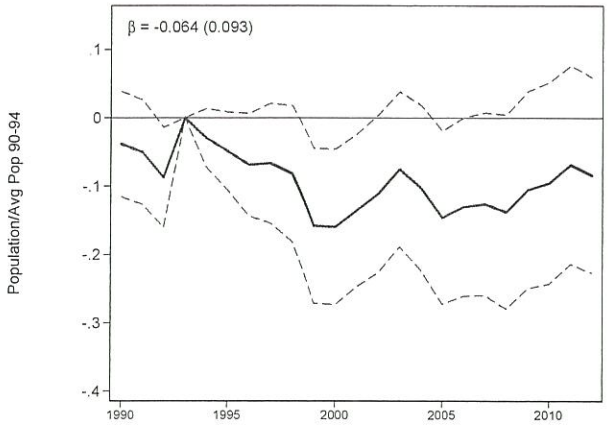
(b) Placebo Treatment Effect



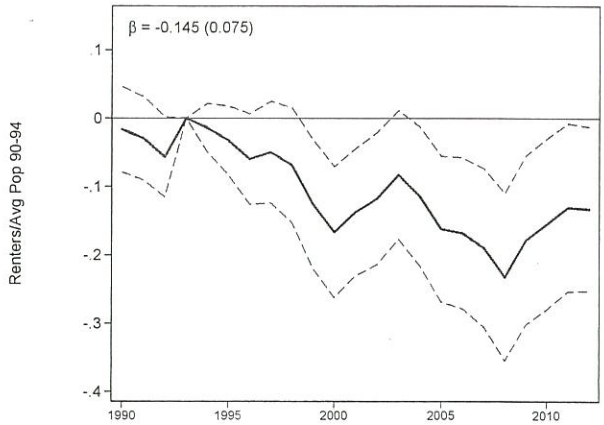
Notes: Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2 – 4 units that were built during 1900 – 1990. Median household income, share of residents with college education and above, median house value, and share of unemployed are measured in the census tract that an individual is living in a given year. The data sources are decennial censuses in 1990 and 2000, as well as 5-year pooled ACS for 2010 to 2013. Panel (a) plots the true treatment effects for various proxies of neighborhood quality. Panel (b) plots the placebo treatment effects where we assume those treated by rent control remain at their 1993 addresses, but allow the control group to migrate as seen in the data. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the person level.

Figure 15: Treatment Effect for Multi-Family Residence (2 – 4 Units)

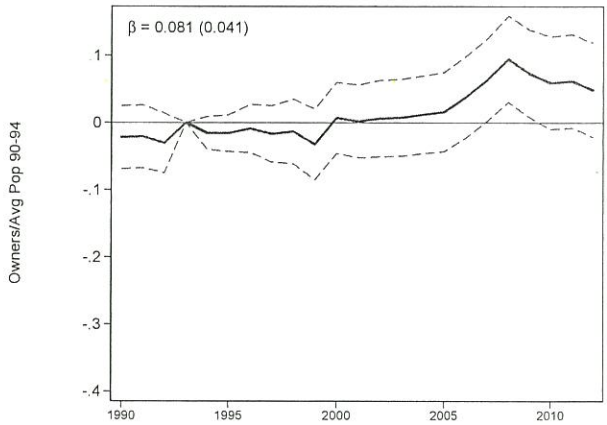
(a) Population/Average Population 1990-1994



(b) Renters/Average Population 1990-1994



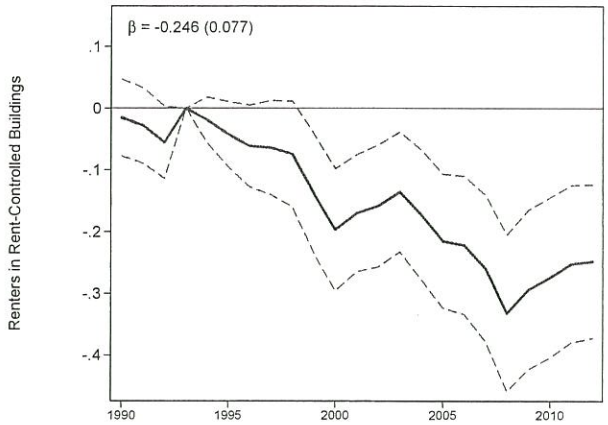
(c) Owners/Average Population 1990-1994



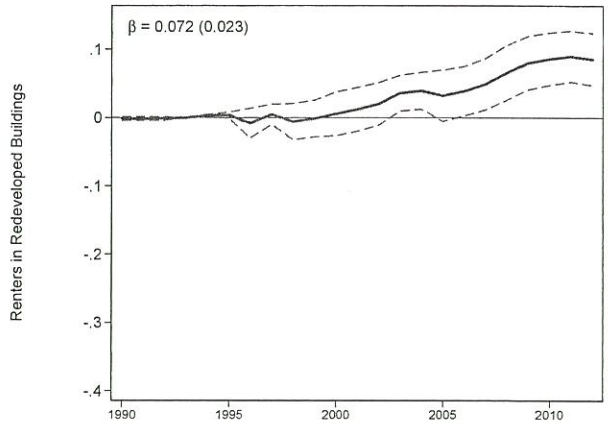
Notes: Sample consists of all multi-family residences with 2 – 4 units in San Francisco that were built during 1900 – 1990. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the parcel level. The average treatment effects in the post-2006 period and their standard errors are reported in the upper-left corner.

Figure 16: Treatment Effect for Multi-Family Residence (2 – 4 Units)

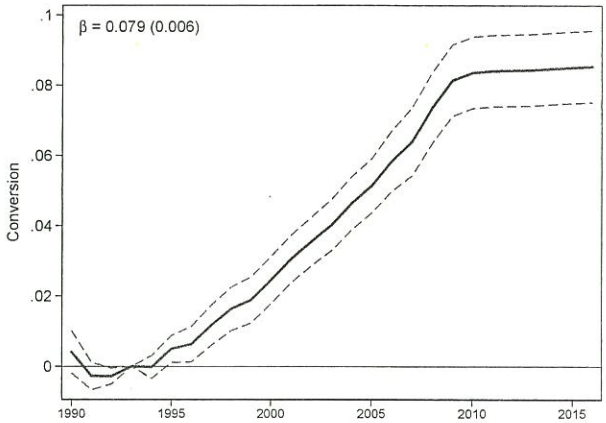
(a) Renters in Rent-Controlled Buildings/Average Population 1990-1994



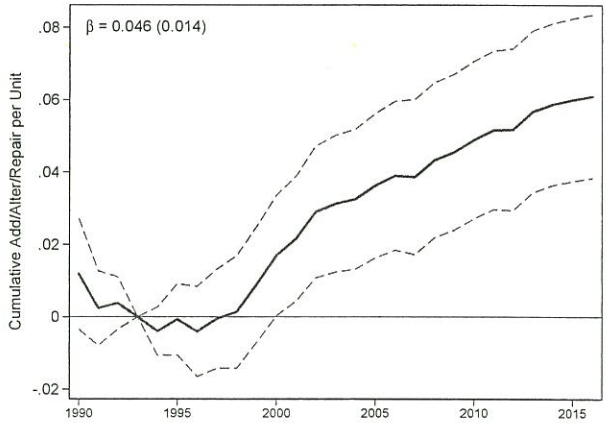
(b) Renters in Redeveloped Buildings/Average Population 1990-1994



(c) Conversion



(d) Cumulative Add/Alter/Repair per Unit



Notes: Sample consists of all multi-family residences with 2 – 4 units in San Francisco that were built during 1900 – 1990. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the parcel level. The average treatment effects in the post-2006 period and their standard errors are reported in the upper-left corner.

haas institute
FOR A FAIR AND INCLUSIVE SOCIETY

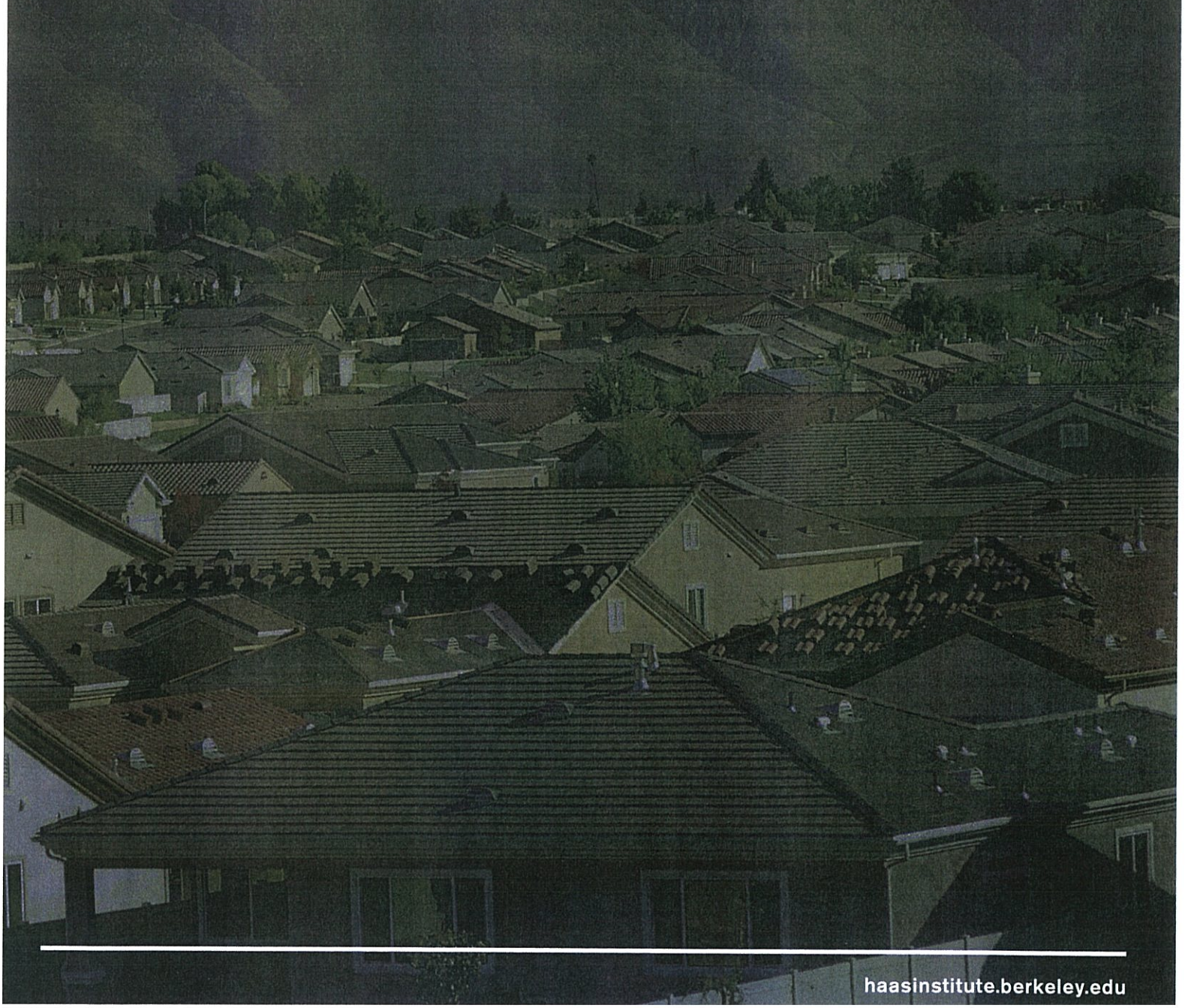
EXHIBIT 3

Policy Brief
2018

Opening the Door for Rent Control:

Toward a Comprehensive Approach to Protecting California's Renters

Nicole Montojo, Stephen Barton, and Eli Moore



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This brief is published by the Haas Institute for a Fair and Inclusive Society at UC Berkeley

About the Authors

Nicole Montojo is a Housing Research Analyst for the California Community Partnerships Program at the Haas Institute. Her research focuses on affordable housing policy, displacement and gentrification, and equitable planning and governance. She holds a master's degree in City Planning from the University of California, Berkeley.

Stephen Barton has a PhD in City & Regional Planning from the University of California, Berkeley and is co-author of *Common Interest Communities: Private Governments and the Public Interest.* He is the author of numerous articles on housing policy and economics, and has advised the Cities of Berkeley, East Palo Alto, Richmond and San Mateo on rent stabilization issues. Now retired, he previously served as Housing Director for the City of Berkeley and as Deputy Director of the Berkeley Rent Stabilization Program.

Eli Moore is Director of the California Community Partnerships Program at the Haas Institute. Eli has researched and published numerous reports on housing, environmental justice, mass incarceration, community economic development, and community health issues.

Additional research assistance was provided by **EJ Toppin**.

Reviewers

Stephen Menendian

Evan Bissell

Christine Minnehan

Michael Moynagh

Jay Kelekian

Vanessa Carter

Copyeditor

Marc Abizeid

Design & Layout

Al Nelson

Charts

Al Nelson
Nicole Montojo

Citation

Nicole Montojo, Stephen Barton, Eli Moore. "Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California's Renters" Haas Institute for a Fair and Inclusive Society, University of California, Berkeley, CA. September 2018.

On the Cover

A landscape photograph showing rows of houses set in front of a mountain range

Contact

460 Stephens Hall
Berkeley, CA 94720-2330
Tel 510-642-3326
haasinstitute.berkeley.edu

Acknowledgements

We thank our peers for their work that helped inform this research, including:

Program for Environmental and Regional Equity at USC

PolicyLink

Bay Area Regional Health Inequities Initiative

Urban Habitat

National Low Income Housing Coalition

Urban Displacement Project at UC Berkeley

California Housing Partnership Corporation

Joint Center on Housing Studies of Harvard University

Dellums Institute for Social Justice

California Rural Legal Assistance Foundation

Inner City Law Center

Contents

Introduction

California's housing affordability crisis is harming communities across the state, stripping people of their incomes, disconnecting families from each other, restricting opportunities, forcing people into homelessness, and generating new patterns of segregation and stratification. Housing insecurity, unmanageable rent increases, and the threat of displacement carry deep consequences, since having a home is about more than just having shelter. Home is a locus of opportunity–it shapes the access people have to good schools and jobs, clean air, safe neighborhoods, and upward mobility. In other words, a stable, secure home is essential to human health and well-being.

The impacts of the housing crisis in California are intensifying racial and economic inequality. A decade after the Great Recession, many of those who lost their homes to foreclosures are still not able to again become homeowners. The high cost of rent forces Californians to pay for housing with income they could otherwise put toward education, retirement, investments, and other productive uses that increase economic opportunity. It compounds the difficulty in becoming a homeowner by making it more challenging to save resources for a down payment on a home. Bottom line: the crisis does not just harm the people overburdened by housing costs, it is harmful to the very fabric and well-being of the larger communities.

The housing crisis stands in stark contrast to Californians' widely-held inclusive values and broad support for equitable policy. In a recent survey of Californians' views, two-thirds of residents agreed with the statement, "We are all in this together. If some people are in poverty or struggling, we need to work together to alleviate the problem and help each other."[1]

Yet the housing affordability crisis is putting these values to the test. Housing costs are largely responsible for California having the highest poverty rate in the nation when factoring in the cost of living. One out of five Californians are in poverty.[2] Many Californians faced with unaffordable rents have to move involuntarily, pushed to the fringes of our communities if they are even able to stay in California at all.

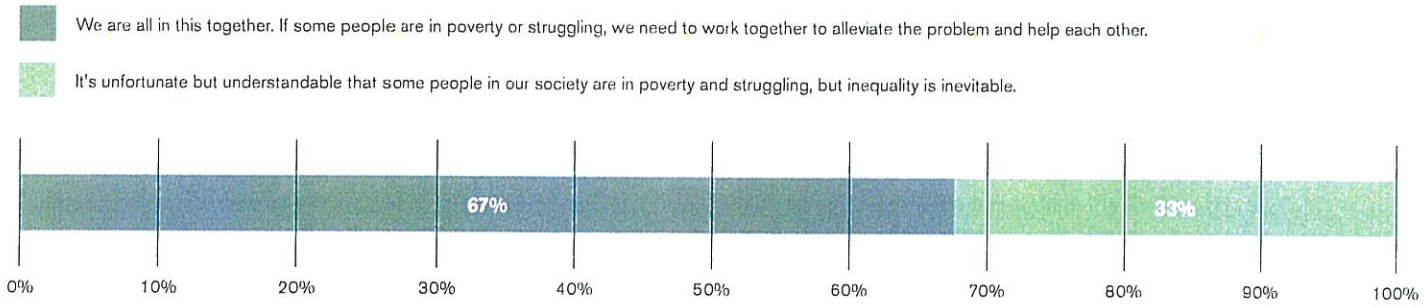
In a deeper sense, this crisis is about who belongs–who has the ability and right to stay in their community. It is also about the consequences of *othering*–what Californians as a whole stand to lose if we turn our backs, displace, and exclude certain members of our society–for how we live everyday. The crisis threatens our collective ability to thrive, our progress, and vision for a fair society–the very core of what makes California what it is. It raises the question of how we can create true belonging–structural inclusion where institutions and policies meet and are responsive to people's needs.

1 Haas Institute for a Fair and Inclusive Society and Latino Decisions (December 2017) "California Survey on Othering and Belonging." Statewide survey of California adults, n=2440.

2 Anderson, Alissa and Sara Kimberlin (2017) "New Census Figures Show that 1 in 5 Californians Struggle to Get By." California Budget and Policy Center. Accessed at https://calbudgetcenter.org/resources/new-census-figures-show-1-5-californians-struggle-get/.

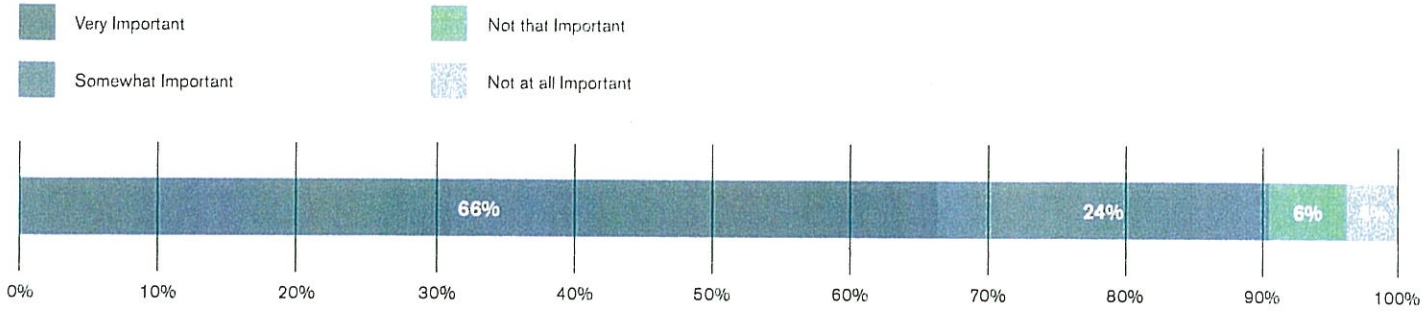
In a recent survey of Californians' views, two-thirds of residents agreed with the statement, "We are all in this together. If some people are in poverty or struggling, we need to work together to alleviate the problem and help each other."

Which of these outcomes do you more closely agree with:



When California residents were asked in the statewide survey, "How important is it that Californians work together across racial groups to create fair and equitable public policy for everyone?," 66 percent responded "very important."

How important is it that Californians work together across racial groups to create fair and equitable public policy for everyone?



This research brief seeks to describe the housing challenges California faces, the particular burden on renters, and the role of rent control policies in providing a necessary part of the solution. In Part I of the report, we analyze rental housing prices, populations affected, and the effects on homelessness, health, the environment, and the economy. Five findings stand out:

- California has reached a tipping point where policies and the private market are failing to meet the needs of the majority of renters. A majority of California renters (54 percent) are overburdened by housing costs, meaning that they spend 30 percent or more of their income on housing.[3] This translates to over 9.5 million Californians living in cost-burdened renter households and a startling estimated increase of over 3.4 million rent-burdened tenants since the year 2000.[4] Amid rising rents and stagnating wages, over 23 million jobs (73 percent of all jobs in California) do not provide enough compensation for workers to afford the current fair market rent (Figure 3).[5] Low-income renters bear the greatest burdens. In order for a minimum wage worker in California to afford a two-bedroom apartment at fair market rent, they would need to work 119 hours per week—the equivalent to three full-time jobs—putting affordable housing simply out of reach.[6]

- The housing crisis also harms Californians' physical and mental health. Research shows that when families are faced with housing insecurity or displacement, they are often forced to make tradeoffs between meeting their basic needs, severely affecting physical and mental health.[7] Their only option may be to accept poorly maintained housing that exposes them to a range of safety hazards, including pests and mold that can cause asthma, lead and other harmful toxins, as well as dangerous appliances and fixtures that can cause physical injury.[8] Unhealthy conditions, combined with disconnection from one's community, social networks, and sources of support, can result in stress and emotional trauma. Compared to those with stable housing, people experiencing housing insecurity are nearly three times more likely to be under frequent mental distress.[9]

3 US Census Bureau, 2016 American Community Survey One-Year Estimates, Table B25074.

4 US Census Bureau, 2000 Decennial Census Summary File 3, Table H069; 2016 American Community Survey One-Year Estimates, Tables B25074 and B25070.

5 California Employment Development Department (2018). Occupational Employment Statistics, 2017. Accessed at https://data.edd.ca.gov/Wages/Occupational-Employment-Statistics-OES-/pwxn-y2g5.

6 National Low Income Housing Coalition (2018), Out of Reach: The High Cost of Housing. Accessed at http://nlihc.org/sites/default/files/oor/OOR_2018.pdf. Note: This analysis is based upon $1,699 as the fair market rent for a two-bedroom apartment in California. NLIHC explains that fair market rent (FMR) is determined annually by the US Department of Housing and Urban Development: "For each FMR area, a base rent is typically set at the 40th percentile of adjusted standard quality two bedroom gross rents from the five-year American Community Survey... HUD finds that two-bedroom rental units are the most common and the most reliable to survey, so two-bedroom units are utilized as the primary FMR estimate."

7 Bay Area Regional Health Inequities Initiative (2017). Displacement Brief. Accessed at http://barhii.org/wp-content/uploads/2017/10/BARHII-Displacement-Brief.pdf.

8 Ibid.

9 Ibid.

- Rising rents have pushed many residents into homelessness. California now has the largest number of people experiencing homelessness among all 50 states. On a given night, over 134,000 people experience homelessness in California.[10] This number increased by nearly 14 percent–over 16,000 more individuals–between 2016 and 2017 alone, and trends indicate a clear relationship between increases in rent and the growing number of people experiencing homelessness.[11] A recent study estimates that in Los Angeles, a 5 percent increase in rent would lead to roughly 2,000 additional people experiencing homelessness.[12]
- Stabilizing rents would have broader benefits to the state's economy, environment, and public services. Teachers, health service providers, service workers, and others are being priced out of the places where they provide services. This increases traffic, creating a ripple effect on other residents and exacerbating greenhouse gas emissions. Workers without stable housing and/or health conditions struggle to find and keep their jobs, and job losses can lead to a downward spiral into poverty.[13] If all California renters paid only what they could afford on housing, they would have $24 billion more each year to spend in the economy.[14]
- Seniors, Latinos, African Americans, low-wage workers, and families with children face the most severe burdens from the housing crisis. Rapidly increasing rents are displacing residents to areas with fewer quality jobs, well-performing schools, and other resources–reproducing racial segregation, particularly in suburban areas far from urban job centers.[15] According to a Federal Reserve study, "Low income renters with children pay a median of three-fifths of their monthly income on rent, leaving under $450 in residual income" to cover their remaining living expenses.[16]

10 U.S. Department of Housing and Urban Development, Office of Community Planning and Development (December 2017). Annual Homeless Assessment Report (AHAR) to Congress, Accessed at https://www.hudexchange.info/resources/documents/2017-AHAR-Part-1.pdf. Note: HUD defines a sheltered homeless person as an individual residing an emergency shelter or transitional or supporting housing for homeless persons who originally came from the streets or emergency shelters. HUD considers a person to be unsheltered if they reside in a place not meant for human habitation, such as cars, parks, sidewalks, abandoned buildings, or on the street.

11 Ibid.

12 Glynn, Chris & Emily Fox (July 2017). "Dynamics of Homelessness in Urban America." as cited by Chris Glynn & Melissa Allison (August 2017). "Rising Rents Mean Larger Homeless Population." Zillow Research. Accessed at https://www.zillow.com/research/rents-larger-homeless-population-16124/.

13 Center on Budget and Policy Priorities, National Low Income Housing Coalition, and National Alliance to End Homelessness (April 2017). "Proposal to Foster Economic Growth: Submitted to the U.S. Senate Committee on Banking, Housing and Urban Affairs." Accessed at http://nlihc.org/sites/default/files/Policy-Recommendations_Senate-Banking_041417.pdf.

14 PolicyLink (2017). "When Renters Rise, Cities Thrive." California #RenterWeekofAction. Analysis from The National Equity Atlas. Source: 2015 American Community Survey Five-Year estimates microdata from the Integrated Public Use Microdata Series (IPUMS).

15 Schildt, Chris (November 2017). Regional Resegregation: Reflections on Race, Class, and Power in Bay Area Suburbs. Urban Habitat. Accessed at http://urbanhabitat.org/sites/default/files/%20UH%20Discussion%20Paper%20Nov%202017.pdf.

16 Larrimore, Jeff, and Jenny Schuetz (2017). "Assessing the Severity of Rent Burden on Low-Income Families," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, December 22, 2017, https://doi.org/10.17016/2380-7172.2111.

Part II of this research brief focuses on the rationale for rent control policy and its role in a broader set of strategies to address the housing affordability crisis. We examine the need for policy specific to protecting existing renters in the state, the inability of the current market and government policies to resolve the crisis, and the function of rent control policies.

- Government actions improve neighborhoods, resulting in housing price increases, and the public has a responsibility to limit the passing on of these costs to tenants. When public schools,[17] air quality,[18] neighborhood safety,[19] or public infrastructure like parks[20] improve in a neighborhood, the prices of homes and rents in that neighborhood tend to rise. Yet these improvements are largely a result of public action, such as increased public funding, new regulations, and smart planning. In other words, government action is responsible for a portion of increased property values, no matter what property owners do. Limiting how these costs are passed on to tenants can reduce the burden on tenants.
- Government has a legitimate role in rebalancing broken housing markets to advance public well-being. The rental housing market in California is broken; windfall profits are being made in large part due to forces that have nothing to do with the investments or actions of property owners. When the housing market is as dysfunctional as it is in many parts of California, tenants are effectively subsidizing landlords with rent payments above what a fully competitive market would allow landlords to charge. In various other areas of life, the state has intervened to limit profits to what would be charged in a fully competitive market while still ensuring a fair return on investment. The US Supreme Court and California courts have consistently ruled that owners of rent-regulated properties have a constitutional right to a fair return on investment, so no rent control policy will eliminate the right of a landlord to turn a reasonable profit.[21]
- California can protect cost-burdened renters from exorbitant rent increases and displacement while also increasing the needed supply of housing, provided that we take a comprehensive approach that includes rent control among multiple policy mechanisms and investments.
- Rent control has several unique, essential benefits related to current housing challenges facing California. The policy can stabilize rents for existing tenants, improve affordability for tenants in the future, and preserve the existing affordability of housing that may otherwise become unaffordable.

17 Haurina, Donald R. and David Brasington (1996). "School Quality and Real House Prices: Inter- and Intra-metropolitan Effects". Journal of Housing Economics, 5(4), pp. 351- 368.

18 Smith, V. Kerry and Ju-Chin Huang, "Can Markets Value Air Quality? A Meta-Analysis of Hedonic Property Value Models," Journal of Political Economy 103(1), pp. 209-227.

19 Pope D.G., Pope J.C. (2012). "Crime and property values: Evidence from the 1990s crime drop." Regional Science and Urban Economics, 42 (1-2), pp. 177-188.

20 Heckert, Megan and Jeremy Mennis (2012). "The Economic Impact of Greening Urban Vacant Land: A Spatial Difference-In-Differences Analysis." Environment and Planning A: Economy and Space, 44(12), pp. 3010-3027.

21 Birkenfeld v. City of Berkeley , California Supreme Court, 17 Cal.3d 129 (1976). For a discussion of relevant legal cases, see Baar, Ken, Patrick Burns and Daniel Flaming (2016) City of San José ARO Research to Support 2016 Updates to the Rent Stabilization Regulations. April 16, 2016.

- Rent control is a cost effective policy with immediate effects: Where most other programs require tremendous financial resources and take a great deal of time, renter protections can be established as a matter of law and the administration of rent control is typically paid for through modest per-unit fees.
- The disadvantages of rent control policies do not outweigh its benefits. Claims that rent control has negative effects on development of new housing are generally not supported by research, but if there are some modest effects in that direction, they should be mitigated by other policy and investment mechanisms.[22] The urgent need for stabilizing rents for tenants in the state makes this a policy priority.
- Housing production and tenant protections are needed, but only rent control will provide a near-term solution for renters. The magnitude of California's housing shortage indicates just how long-term any effort to resolve the crisis must be. The state currently has an affordable housing gap of 1.5 million homes for extremely low- and very low-income households,[23] and overall, it needs to build 3.5 million new homes by 2025 to accommodate current demand, pent-up or latent demand, and projected population growth.[24] Thus, rent control can provide a timely solution that the market will not.

Amid California's housing affordability crisis, our policy debates over solutions have become myopic when it comes to the needs of renters. Narrow debates have limited government's ability to meet the needs of those who are hardest hit by the crisis. Too often, rent control policies are dismissed out of hand without considering the full range of their benefits. The key policy question is, can we protect overburdened renters from exorbitant rents and displacement while also increasing the needed supply of housing? We believe the answer is "yes."

Government's responsibility is to protect the public interest, and it has a rightful role in rebalancing the dysfunctional housing market to restore fairness between renters and property owners. We must let government fulfill its duty by removing state restrictions that hinder jurisdictions from designing and implementing rent control that works.

22 Gilderbloom, John and Richard Appelbaum (1988) Rethinking Rental Housing. Temple University Press, pp 134 - 135; Gilderbloom, John I., and Lin Ye. 2007. "Thirty Years of Rent Control: A Survey of New Jersey Cities." Journal of Urban Affairs, 29(2), pp. 207– 220.

23 California Department of Housing and Community Development (February 2018). California's Housing Future: Challenges and Opportunities. Accessed at http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

24 McKinsey Global Institute (2016). A tool kit to close California's housing gap: 3.5 million homes by 2025. Accessed at https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx.

Part One: California's Housing Crisis

Rising Rents & Stagnating Wages are Setting Renters Back

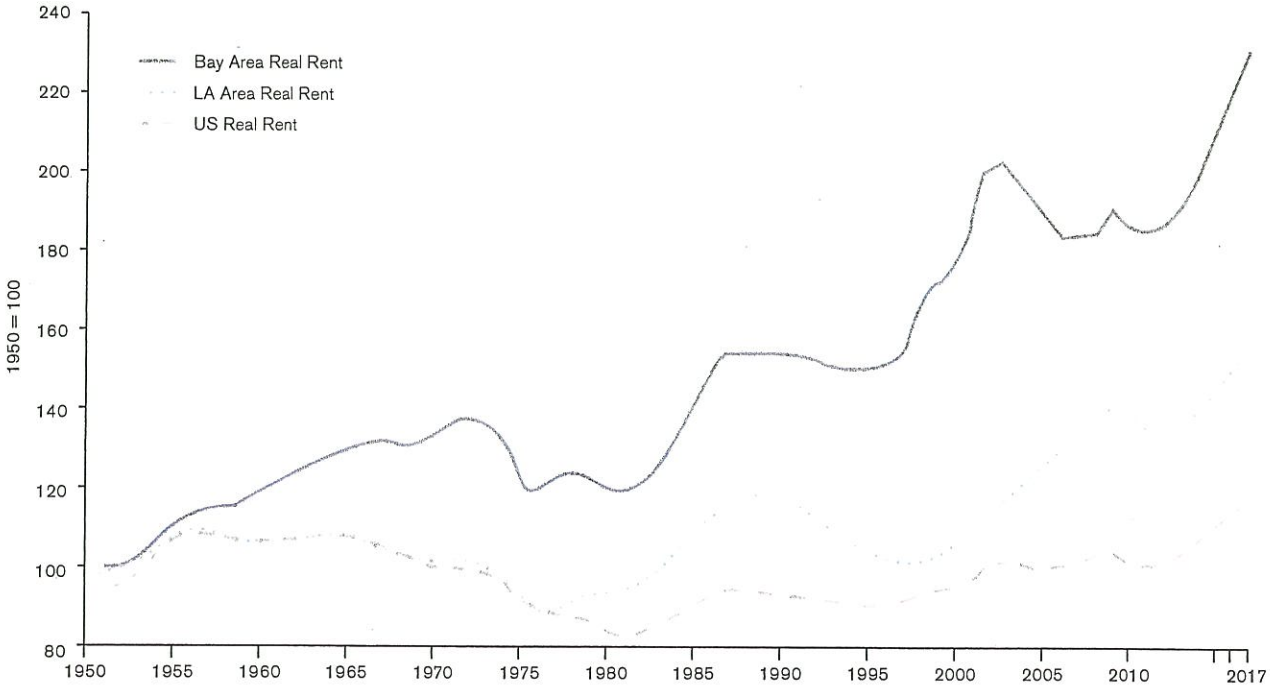
All Californians have experienced the impacts of today's housing crisis in one way or another, but for decades the state's low-income renters have carried the largest burden of housing costs. While rents have risen rapidly since 2011 in California and in the US as a whole, California rents have increased faster than the rate of inflation for most of the past forty years. The state's largest metropolitan areas have faced the most severe crises, with rents increasing at far faster rates over a longer period of time (Figure 1). According to the US Census Bureau, the median contract rent in the Los Angeles area is 50 percent higher than the rest of the US, and the median contract rent in the San Francisco Bay Area is nearly double the national median.[25]

25 U.S. Census Bureau, American Community Survey 2016 One-Year Estimates, Table B25058.

Figure 1

Rents have risen rapidly in California since 2011, with the greatest increases in the state's largest metropolitan areas.

Trend in Real (Inflation-Adjusted) Rent; SF Bay Area, LA Area, & All US Cities: 1950-2017
(Increase in CPI Residential rent index divided by increase in CPI - All items except Shelter)



Source: Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, Current Series, San Francisco-Oakland Metropolitan area. Accessed at https://www.bls.gov/data/#prices.

As rents have risen, renters' incomes have not. As a whole, California renters have experienced a decrease in inflation-adjusted income since 2000 (Figure 2).[26] While it would take an hourly wage of $32.68 to afford the fair market rent (FMR) and utilities for a two-bedroom apartment, the mean wage among California renters is just $21.50 per hour.[27] The impacts of the housing affordability crisis are thus far-reaching, extending from the unemployed and minimum wage workers to middle class families.

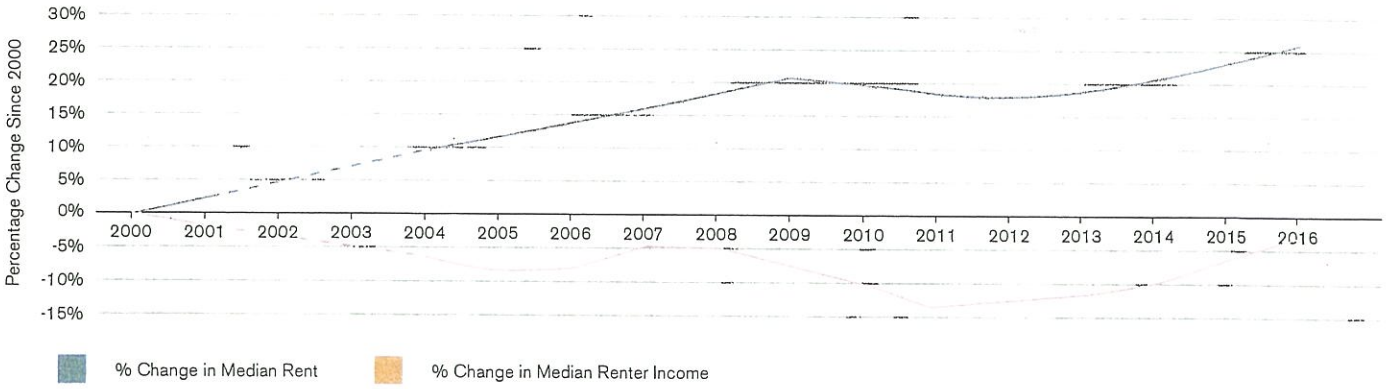
26 California Department of Housing and Community Development (February 2018). California's Housing Future: Challenges and Opportunities. Accessed at http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

27 National Low Income Housing Coalition (2018), Out of Reach: The High Cost of Housing. Accessed at http://nlihc.org/sites/default/files/oor/OOR_2018.pdf. Fair market rent is estimated at $1,699 for a two-bedroom apartment. NLIHC explains that fair market rent (FMR) is determined annually by the US Department of Housing and Urban Development: "For each FMR area, a base rent is typically set at the 40th percentile of adjusted standard quality two bedroom gross rents from the five-year American Community Survey... HUD finds that two-bedroom rental units are the most common and the most reliable to survey, so two-bedroom units are utilized as the primary FMR estimate."

Figure 2

Increasing rents have far outpaced renter incomes since 2000.

Change in Inflation-Adjusted Median Rent and Renter Income in California Since 2000



$3,406 increase
in annual median rent between 2000 and 2016

$1,449 decrease
in annual median renter income between 2000 and 2016

Sources: HPIS analysis of 2015 and 2016 American Community Survey one-year data; California Housing Partnership Corporation analysis of 2000 Decennial Census and 2005-2014 American Community Survey one-year data, as cited by the California Department of Housing and Community Development in the Statewide Housing Assessment, California's Housing Future: Challenges and Opportunities. Median gross rent and renter household income are adjusted to 2016 dollars using California CPI reported by the California Department of Finance. Figures for 2001-2004 are estimates.

Too Many Californians Cannot Afford the Cost of Rent

- A majority of California renters (54 percent) are overburdened by housing costs, meaning that they spend 30 percent or more of their income on housing.[28] This translates to over 9.5 million Californians living in cost-burdened renter households and a startling estimated increase of over 3.4 million rent-burdened tenants since the year 2000.[29] Seven of California's top ten sectors (by number of workers employed) do not pay enough on average for employees to afford the state's fair market rent ($1,699 for a two-bedroom apartment, as estimated by the U.S. Department of Housing and Urban Development).[30] [31] In total, over 23 million jobs (73 percent of all jobs in California) do not provide enough compensation for workers to afford the current fair market rent (Figure 3).[32] These include essential jobs in office and administrative support, retail and sales, food and restaurant service work, and transportation and material moving.[33]

- Extremely low- and very low-income households face the greatest hardship, with 77 percent and 48 percent spending more than half of their income towards rent, respectively.[34] In order for a minimum wage worker in California to afford a two-bedroom apartment at fair market rent, they would need to work 119 hours per week—the equivalent to three full-time jobs—putting affordable housing simply out of reach.[35]

- The impact of housing costs on California's lowest-income households sets the state apart from the nation. California has the highest poverty rate (20.4 percent) among all 50 states according to the Supplemental Poverty Measure, which takes into account differences in housing costs across the US.[36]

28 US Census Bureau, 2016 American Community Survey One-Year Estimates, Table B25074.

29 US Census Bureau, 2000 Decennial Census Summary File 3, Table H069; 2016 American Community Survey One-Year Estimates, Tables B25074 and B25070.

30 California Employment Development Department (2018). Occupational Employment Statistics, 2017. Accessed at https://data.edd.ca.gov/Wages/Occupational-Employment-Statistics-OES-/pwxn-y2g5.

31 National Low Income Housing Coalition (2018), Out of Reach: California. Accessed at http://nlihc.org/oor/california.

32 California Employment Development Department (2018). Occupational Employment Statistics, 2017. Accessed at https://data.edd.ca.gov/Wages/Occupational-Employment-Statistics-OES-/pwxn-y2g5.

33 Ibid.

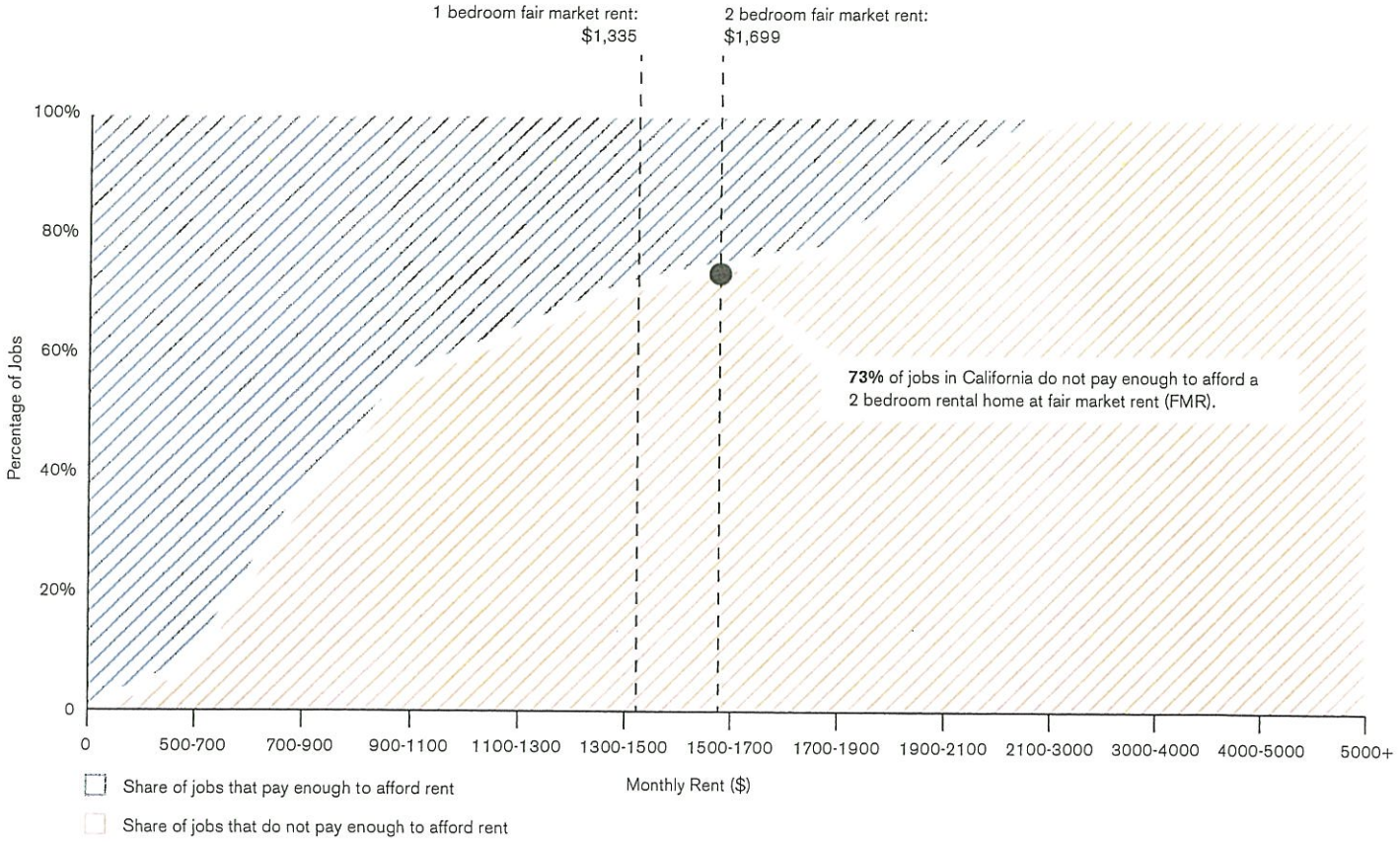
34 California Housing Partnership Corporation (March 2018). "California's Housing Emergency: State Leaders Must Immediately Reinvest in Affordable Homes."

35 National Low Income Housing Coalition (2018), Out of Reach: The High Cost of Housing. Accessed at http://nlihc.org/sites/default/files/oor/OOR_2018.pdf. Note: This analysis is based upon $1,699 as the fair market rent for a two-bedroom apartment in California.

36 Anderson, Alissa and Sara Kimberlin (2017). "New Census Figures Show that 1 in 5 Californians Struggle to Get By." California Budget and Policy Center. Accessed at https://calbudgetcenter.org/resources/new-census-figures-show-1-5-californians-struggle-get/.z Note: Using the Supplemental Poverty Measure (SPM), 20.4 percent of Californians are in poverty, compared to 14.5 percent under the official poverty measure, which does not take into account the cost of living.

Figure 3

Rental Affordability for California Workers
(based on total employment and average wages for all California occupations)



Source: California Employment Development Department 2017 Occupational Employment Statistics. Fair Market Rent (FMR) is determined annually for individual counties and metropolitan areas by the US Department of Housing and Urban Development. The statewide FMR shown above is calculated by the National Low Income Housing Coalition and published in its report, Out of Reach 2018: the High Cost of Housing, which reflects the weighted average FMRs for California counties.

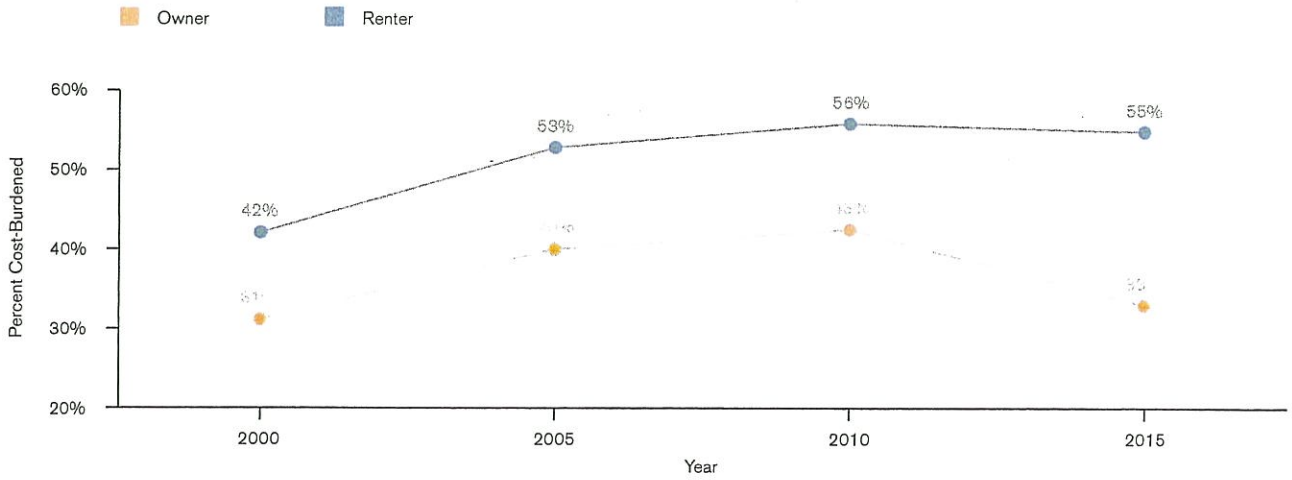
Among those who earn less than what is needed to afford the fair market rent are the millions who comprise the backbone of the economy. They help California meet some of its most fundamental and important needs, and they perform some of the most strenuous and thankless tasks. These occupations include food service and restaurant workers like servers, cooks, and dishwashers; health service providers like medical assistants and home health aides; educational occupations including preschool teachers, child care providers, teacher assistants and school bus drivers; and domestic workers like housekeeping and janitorial staff.

The combination of stagnating wages and increasing rents has limited the ability of renters, including the many who lost their homes during the 2010 foreclosure crisis, to recover from the recession's devastating impacts. Housing cost burdens for renters remained at nearly the same level five years after the crisis (55 percent in 2015 and 56 percent in 2010). By contrast, rates of housing cost burden among homeowners fell from 43 percent to 33 percent over the same period, demonstrating the increasingly disparate impact of the housing affordability crisis on renters (Figure 4).

Figure 4

Disparities in housing cost burden between renters and homeowners have increased over time, with the rate of cost burden among renters exceeding that of homeowners by 22 percentage points by 2015.

Housing Cost-Burdened Californians
Homeowner vs. Renter Households; 2000-2015



Source: US Census Bureau, 2000 Decennial Census Summary File 3, Table DP4; American Community Survey 2005, 2010, and 2015 One-Year Estimates, Table B25106. Households with zero or negative income are assumed to be severely burdened, while households with no cash rent are assumed to be without burdens, except for the year 2000, for which data on households with zero or negative income or with no cash rent is unavailable. Renter cost burden for 2000 reflects gross rent as a percentage of household income in 1999 (as reported in the 2000 Census, which does not include additional housing costs such as utilities).

Beyond Monetary: the Human Cost of Housing Instability and Displacement

Research shows that when families are faced with housing insecurity or displacement, they are often forced to make tradeoffs between which basic needs to meet, which can severely affect physical and mental health.[37 38] Their only option may be to accept poorly maintained housing that exposes them to a range of safety hazards, including pests, mold, lead and other harmful toxins, as well as dangerous appliances and fixtures that can cause physical injury.[39] Many in California are forced into overcrowded housing arrangements, which can affect mental health, stress levels, relationships, and sleep, and which may increase the risk of infectious disease.[40] California now has the highest rate of overcrowding among renter households (13.6 percent) in the country.[41] Unhealthy conditions, combined with disconnection from one's community, social networks, and sources of support, can result in stress and emotional trauma. Compared to those with stable housing, people experiencing housing insecurity are nearly three times more likely to be under frequent mental distress.[42]

Children who experience forced moves are particularly vulnerable. The Bay Area Regional Health Inequities Initiative finds that the health impacts of residential displacement are "intense for children, causing behavioral problems, educational delays, depression, low birth weights, and other health conditions."[43] These can translate into poor academic performance, marked by lower test scores, frequent absences in schools, and a lower likelihood of finishing school.[44] This can have a cascade of lasting consequences for many other aspects of life, which, when layered upon one another, further reinforce structural inequalities.

California now has the largest number of people experiencing homelessness among all 50 states. On a given night, over 134,000 people experience homelessness in California, 68 percent of whom go without shelter.[45] This number increased by nearly 14 percent (over 16,000 more individuals) between 2016 and 2017 alone, and trends indicate a clear relationship between increases in rent and the growing number of people experiencing homelessness.[46] A recent study estimated that in Los Angeles, a 5 percent increase in rent would

37 Bay Area Regional Health Inequities Initiative (2017). Displacement Brief. Accessed at http://barhii.org/wp-content/uploads/2017/10/BARHII-Displacement-Brief.pdf.

38 Marcus, Justine and Miriam Zuk (May 2017). Displacement in San Mateo County, California: Consequences for Housing, Neighborhoods, Quality of Life, and Health. Accessed at https://www.urbandisplacement.org/sites/default/files/images/impacts_of_displacement_in_san_mateo_county.pdf.

39 Bay Area Regional Health Inequities Initiative (2017). Displacement Brief. Accessed at http://barhii.org/wp-content/uploads/2017/10/BARHII-Displacement-Brief.pdf.

40 U.S. Department of Health and Human Services, Office of Disease Prevention and Health Promotion. Healthy People 2020: Housing Instability. Accessed at https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/housing-instability#11.

41 Next 10 (May 2018). Current State of the California Housing Market. Accessed at https://next10.org/housing.

42 Bay Area Regional Health Inequities Initiative (2017). Displacement Brief. Accessed at http://barhii.org/wp-content/uploads/2017/10/BARHII-Displacement-Brief.pdf.

43 Ibid.

44 Ibid.

45 U.S. Department of Housing and Urban Development, Office of Community Planning and Development (December 2017). Annual Homeless Assessment Report (AHAR) to Congress, Accessed at https://www.hudexchange.info/resources/documents/2017-AHAR-Part-1.pdf Note: HUD defines a sheltered homeless person as an individual residing an emergency shelter or transitional or supporting housing for homeless persons who originally came from the streets or emergency shelters. HUD considers a person to be unsheltered if they reside in a place not meant for human habitation, such as cars, parks, sidewalks, abandoned buildings, or on the street.

46 Ibid.

lead to roughly 2,000 additional people experiencing homelessness.[47] With a 4.2 percent increase in Los Angeles rents over just the past year, many more individuals are at risk of losing their homes entirely.[48]

This growing body of research shows that the lack of affordable, safe, and stable housing is associated with a range of negative impacts on individuals and families. Sociologist Matthew Desmond describes this relationship:

> *In the absence of residential stability, it is increasingly difficult for low-income families to enjoy a kind of psychological stability, which allows people to place an emotional investment in their home, social relationships, and community; school stability, which increases the chances that children will excel in their studies and graduate; or community stability, which increases the chances for neighbors to form strong bonds and to invest in their neighborhoods.*[49]

On the other hand, protecting low-income residents' ability to stay in their homes and neighborhoods supports greater access to those opportunities that make a healthier, safer society. Housing stability has positive effects on physical, social, and psychological wellness, as well as educational attainment.[50]

47 Glynn, Chris & Emily Fox (July 2017). "Dynamics of Homelessness in Urban America." as cited by Chris Glynn & Melissa Allison (August 2017). "Rising Rents Mean Larger Homeless Population." Zillow Research. Accessed at https://www.zillow.com/research/rents-larger-homeless-population-16124/.

48 Ibid.

49 Desmond, Matthew, and Rachel Tolbert Kimbro (2015). "Eviction's Fallout: Housing, Hardship, and Health." Social Forces. Accessed at https://scholar.harvard.edu/mdesmond/publications/eviction%E2%80%99s-fallout-housing-hardship-and-health.

50 Abood, Maya, Vanessa Carter, and Manuel Pastor (forthcoming) "Rent Regulations: A Literature Summary". USC Program for Environmental and Regional Equity.

Broader Benefits of Housing Affordability: Fiscal, Economic, and Environmental Benefits to California

Housing for all is about more than stabilizing costs for individual families; it is also about advancing our collective well-being as a society. What if California renters paid affordable rent and thereby had $24 billion[51] more available to cover basic needs and infuse into our economy? What if the nearly $5 billion that the state government spends on homelessness each year[52] went towards an array of other public resources and programs? What if California could substantially reduce its poverty rate–the highest in the nation–by lowering its high cost of living?[53]

California is increasingly a renter state, with over 17.5 million Californians living in renter households, equivalent to an increase of approximately 27 percent in the renter population since 2000.[54] Yet when we consider the impacts of California's policy choices, we typically fail to account for the fiscal and societal costs of their exclusion. If we choose not to address the needs of such a large and growing share of our population, we choose to limit ourselves.

51 PolicyLink (2017). "When Renters Rise, Cities Thrive." California #RenterWeekofAction. Analysis from The National Equity Atlas. Source: 2015 American Community Survey Five-Year estimates microdata from the Integrated Public Use Microdata Series (IPUMS).

52 McKinsey Global Institute (October 2016). A Tool Kit to Close California's Housing Gap: 3.5 Million Homes by 2025. Accessed at https://www.mckinsey.com/featured-insights/urbanization/closing-californias-housing-gap.

53 California Budget Project (Sept. 2017), "New Census Figures Show 1 in 5 Californians Struggle to Get By." Accessed at https://calbudgetcenter.org/resources/new-census-figures-show-1-5-californians-struggle-get/). This figure is based on California's poverty rate according to the Supplemental Poverty Measure (20.4 percent), which factors in the cost of housing in determining poverty. California has the highest poverty rate among all 50 states based on the Supplemental Poverty Measure. If California's cost of living were more aligned with the rest of the US, its poverty rate would be closer to the Official Poverty Measure (14.5 percent) – a substantially lower percentage.

54 US Census Bureau, 2000 Decennial Census, Summary File 1, Table H011 and American Community Survey 2016 One-Year Estimates, Table B25008.

Perhaps more critically, we fail to imagine the great economic, fiscal, and environmental benefits of their stabilization that can improve our health and prosperity as a society.

With the crisis so widespread, negative impacts at the individual level add up, reinforcing existing inequities and affecting the strength of our society overall–from our economy and public institutions, to our social fabric and democracy.[55] By confronting this reality, we lay the foundation for a more prosperous, resourced, and healthy future.

The mental and physical health impacts of housing unaffordability and displacement require vast public resources, including $5 billion of state funding annually on services for homeless individuals,[56] with county governments shouldering a large share of the cost and responsibility of delivering services. For example, in Santa Clara County where 6 percent of the state's homeless population lives, more than $3 billion worth of services went to homeless residents between 2007 and 2012, costing the community $520 million per year.[57] A study commissioned by the County of Santa Clara and Destination: Home shows that these costs included "$1.9 billion over six years for medical diagnoses and the associated health care services–the largest component of homeless residents' overall public costs, as well as $786 million over six years associated with justice system involvement–the second largest component of the overall cost of homelessness."[58]

This strain on our healthcare systems and public budgets–in addition to the exponential expansion of jails and prisons through an unjust system that criminalizes homelessness–undermine California's ability to advance and provide for the many other underfunded public needs, including education and student financial aid, workforce development, and safety net programs. Our failure to respond to immediate crises of displacement and homelessness also limits us from investing in essential programs, such as "Housing First" initiatives to create permanent supportive housing, which can more effectively, efficiently, and holistically serve the needs of low-income Californians, instead of constantly responding to emergency situations.[59]

Housing instability and resulting negative health outcomes also impact the state's workforce, economy, and environment. Workers without stable housing and/or health conditions struggle to find and keep their jobs, and job losses can cause a downward spiral into deep poverty.[60] Additionally, both the public and private sectors face challenges in hiring and retaining workers for roles that keep our economy running. As displaced residents are pushed out to the periphery where fewer employment opportunities exist, many are forced to commute long distances to urban centers for work, and with less access to public transit in suburban areas, this requires greater use of private

55 Treuhaft, Sarah, Jessica Pizarek, Ángel Ross, and Justin Scoggins (2018). Solving the Housing Crisis Is Key to Inclusive Prosperity in the Bay Area. PolicyLink, The San Francisco Foundation, and the Program for Environmental and Regional Equity at the University of Southern California (PERE). Accessed at http://www.policylink.org/resources-tools/solving-housing-crisis-bay-area.

56 McKinsey Global Institute (October 2016). A Tool Kit to Close California's Housing Gap: 3.5 Million Homes by 2025. Accessed at https://www.mckinsey.com/featured-insights/urbanization/closing-californias-housing-gap.

57 Economic Roundtable, Home Not Found: The Cost of Homelessness in Silicon Valley. 2015.

58 Ibid.

59 National Alliance to End Homelessness (April 2016). Fact Sheet: Housing First. Accessed at https://endhomelessness.org/resource/housing-first/. The National Alliance to End Homelessness defines "Housing First" as a homeless assistance approach that prioritizes providing permanent housing to people experiencing homelessness, thus ending their homelessness and serving as a platform from which they can pursue personal goals and improve their quality of life.

60 Center on Budget and Policy Priorities, National Low Income Housing Coalition, and National Alliance to End Homelessness (April 201). "Proposal to Foster Economic Growth: Submitted to the U.S. Senate Committee on Banking, Housing and Urban Affairs." Accessed at http://nlihc.org/sites/default/files/Policy-Recommendations_Senate-Banking_041417.pdf.

vehicles.[61] The housing crisis is thus contributing to congestion on our freeways and more time spent in cars for all drivers, which are associated with lower rates of physical activity and higher rates of stress.[62] Longer commute times result in clear environmental and public health impacts, including decreased air quality and increased greenhouse gas emissions. For displaced residents, this tradeoff carries both health and financial costs; for every dollar increase in housing costs, a household's transportation costs increase by 77 cents.[63]

The financial impacts also extend to economic activity and growth.[64] As previously noted, if all California renters paid only what they could afford on housing, they would have $24 billion more each year to spend in the economy.[65] In addition to the foregone consumption of renters that is crowded out by housing costs, the McKinsey Global Institute estimates that the state loses another $90 billion due to missing construction investment, contributing to a total loss of $140 billion per year in output due to the housing crisis, equivalent to 6 percent of the state's GDP.[66]

61 Schildt, Chris (November 2017). Regional Resegregation: Reflections on Race, Class, and Power in Bay Area Suburbs. Urban Habitat. Accessed at http://urbanhabitat.org/sites/default/files/%20UH%20Discussion%20Paper%20Nov%202017.pdf.

62 TransForm and Housing Leadership Council (2018) "Moving San Mateo County Forward: Housing and Transit at A Crossroads." Accessed at http://www.transformca.org/sites/default/files/Housing-Transit-Crossroads.pdf.

63 Lipman, B. (2005). Something's Gotta Give: Working Families and the Cost of Housing, Center for Housing Policy Leadership, 5. as cited by Bay Area Regional Health Inequities Initiative (2017). Displacement Brief. Accessed at http://barhii.org/wp-content/uploads/2017/10/BARHII-Displacement-Brief.pdf.

64 McKinsey Global Institute, A tool kit to close California's housing gap: 3.5 million homes by 2025. October 2016. https://www.mckinsey.com/featured-insights/urbanization/closing-californias-housing-gap.

65 PolicyLink (2017). "When Renters Rise, Cities Thrive." California #RenterWeekofAction. Analysis from The National Equity Atlas. Source: 2015 American Community Survey Five-Year estimates microdata from the Integrated Public Use Microdata Series (IPUMS).

66 McKinsey Global Institute, A tool kit to close California's housing gap: 3.5 million homes by 2025. October 2016. https://www.mckinsey.com/featured-insights/urbanization/closing-californias-housing-gap.

Inequitable Impact: The Housing Affordability Crisis Disproportionately Affects Seniors, Low-Income Families, People with Disabilities, and Communities of Color

In addition to the broad fiscal, economic, and environmental benefits, if all California renters paid only what they could afford for housing, California would move toward greater social equity, which is essential to an inclusive, stable, and sustainable economy.[67] As it stands, the housing affordability crisis is exacerbating inequality, with seniors, Latinos, African Americans, low-wage workers, families with children, and people with disabilities facing the most severe burdens from the housing crisis. Rapidly increasing rents are displacing members of marginalized populations to areas with fewer resources, quality jobs, well-performing schools, and other opportunities for upward mobility—essentially reproducing racial and socio-spatial segregation, particularly in suburban areas far from urban job centers.[68]

67 Benner, Chris, Manuel Pastor, Gabriela Giusta, Pamela Stephens, and Madeline Wander (December 2016). Inclusive Economy Indicators: Framework and Indicator Recommendations. Accessed at http://inclusiveeconomies.everettprogram.org/publications/.

68 Schildt, Chris (November 2017). Regional Resegregation: Reflections on Race, Class, and Power in Bay Area Suburbs. Urban Habitat. Accessed at http://urbanhabitat.org/sites/default/files/%20UH%20Discussion%20Paper%20Nov%202017.pdf.

- California's senior tenants face higher rates of rent burden compared to the rest of the population (61 percent compared to 51 percent of non-senior households).[69] California Department of Finance projections show that by 2035, the majority of seniors (54 percent) will be people of color.[70] As the senior population becomes more diverse, housing security for seniors also becomes a matter of racial equity.
- Families with children are also heavily affected. According to a Federal Reserve study, "Low income renters with children pay a median of three-fifths of their monthly income on rent, leaving under $450 in residual income" to cover their remaining cost of living expenses.[71]
- People with disabilities also face unique challenges in accessing affordable housing, contributing to increased vulnerability to homelessness. The California Department of Housing and Community Development reports that adults with disabilities are three times more likely to be homeless than adults without disabilities.[72] Additionally, people with disabilities are more likely to face discrimination when seeking housing; the Department points out that 41 percent of discrimination complaints received by the California Department of Fair Employment and Housing and the U.S. Department of Housing and Urban Development were due to a person's disability.[73]
- When disaggregated by race, data on rent burden and affordability show significant disparities: 64.1 percent of Black tenant households and 57.6 percent of Latino tenant households are burdened by housing costs (Figure 5). Furthermore, a recent study by Zillow found that less than one percent (0.6 percent) of rental listings in the entire San Francisco metropolitan area are within the typical Black household's budget, compared to the nearly half (49.8 percent) of listings affordable to the typical white household.[74]
- Disparate rates of rent burden also contribute to disparate access to homeownership, as high rents keep families from being able to save for a down payment and other costs associated with homeownership. In 2016, only 33 percent of Black households and 42 percent of Latino households in California were homeowners, compared to 62 percent of white households (Figure 6).[75] Moreover, while white homeownership rates in 2016 were only 2.5 percent lower than 2000 levels, with only a slight decrease since the Great Recession (from 64 percent in 2010), homeownership among Black households has fallen by 6 percent since 2000.[76]
- Racial disparities are also reflected in the experience of homelessness; African Americans make up only 6.5 percent of the state's population, but comprise 27 percent of persons experiencing homelessness.[77]

69 US Census Bureau, 2016 American Community Survey One-Year Estimates, Table B25072.

70 California Department of Housing and Community Development (February 2018). California's Housing Future: Challenges and Opportunities. Accessed at http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

71 Larrimore, Jeff, and Jenny Schuetz (2017). "Assessing the Severity of Rent Burden on Low-Income Families," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, December 22, 2017, https://doi.org/10.17016/2380-7172.2111.

72 California Department of Housing and Community Development (February 2018). California's Housing Future: Challenges and Opportunities. Accessed at http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

73 Ibid.

74 Mikhitarian, Sarah (July 2018). "A Greater Share of Rentals Are Out of Reach for Blacks, Hispanics." Zillow. Accessed at https://www.zillow.com/research/rentals-race-affordability-20700/. These figures are based on Zillow's finding that the typical Black household in San Francisco earns $48,753 and has a maximum "affordable" budget of $1,219; compared to $120,447 and $3,011, respectively, for a White household.

75 U.S. Census Bureau, American Community Survey 2016 One-Year Estimates. Tables B25003B-B25003I.

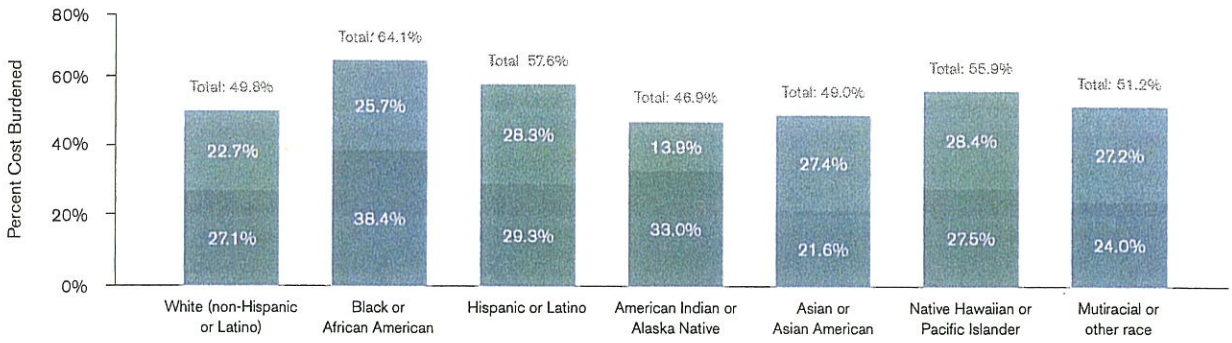
76 U.S. Census Bureau, 2000 U.S. Decennial Census, Summary File 1. Tables H012, H013, and H014.

77 California Department of Housing and Community Development (February 2018). California's Housing Future: Challenges and Opportunities. Accessed at http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

Figure 5

In California, Greater shares of Black and Latino renter households are burdened by housing costs than white renter households. Latino, Asian, and Pacific Islander renter households have among the highest rates of severe housing cost burden.

Renter Cost Burdens by Race and Ethnicity
California, 2016

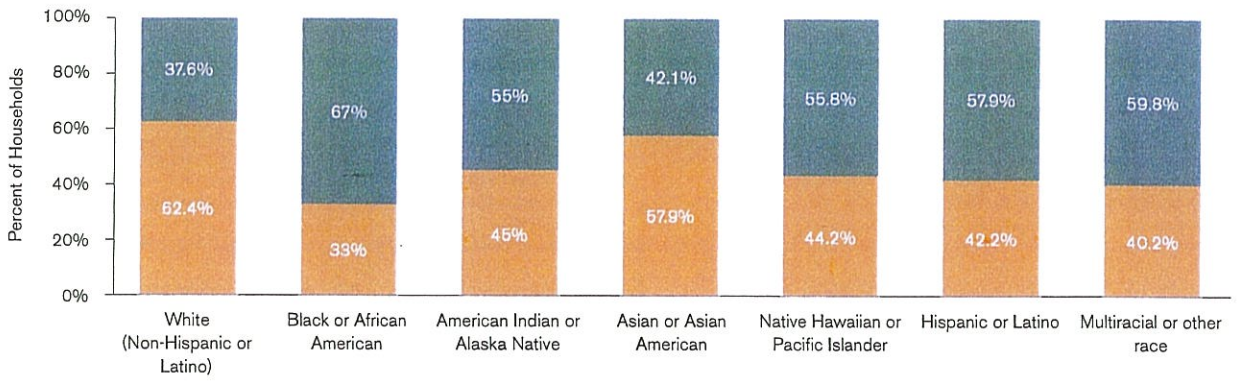


Source: Joint Center for Housing Studies of Harvard University, America's Rental Housing 2017. Graphic recreated by Haas Institute for a Fair and Inclusive Society. Note: Moderately cost-burdened households pay 30-50 percent of their income toward housing. Severely cost-burdened households pay more than 50 percent of their income toward housing. Households with zero or negative income are assumed to be severely burdened, while households with no cash rent are assumed to be without burdens.

Figure 6

In California, white households have higher homeownership rates than all other racial groups.

Homeowner vs. Renter Households by Race and Ethnicity
California, 2016



Source: U.S. Census Bureau, American Community Survey 2016 One-Year Estimates. Tables B25003B-B25003I.

When housing costs increase beyond what is affordable, residents often have to relocate to an area with less expensive housing. This pattern of displacement is most glaring in historically low-income neighborhoods that are predominantly comprised of people of color. For instance, a significant share of neighborhoods at risk for displacement are also home to a majority people of color, including 83 percent of the at-risk neighborhoods in the San Francisco Bay Area.[78] This raises particular concern as data shows that in regions across the US, more rental units are out of reach for Black and Latino families compared to other households.

These statistics plainly show how exclusion and displacement occur; not only are lower-income families of color excluded from moving in, but if they were to lose their current home in a high-cost region like the San Francisco Bay Area, they would more likely be forced to move out of the region or out of California entirely to an area of lower opportunity. The failure to address this immediate crisis has dramatic long-term consequences, as the long-term residents of California's urban core are pushed out and supplanted by a new, wealthier, and whiter population. This reinforces patterns of segregation that limit access to quality jobs, schools, and resources that promote upward mobility. This also contributes to a widening racial wealth gap, as evidenced by the disparities in homeownership by race.[79] [80]

78 Zuk, Miriam & Karen Chapple (2017). Urban Displacement Project. Accessed at http://urbandisplacement.org.

79 Rothstein, Richard (2017). The Color of Law: A Forgotten History of How Our Government Segregated America.

80 Pew Charitable Trusts (2018).American Families Face a Growing Rent Burden; High housing costs threaten financial security and put homeownership out of reach for many. Accessed at http://www.pewtrusts.org/en/research-and-analysis/reports/2018/04/american-families-face-a-growing-rent-burden#0-overview.

The racial and social inequities perpetuated by egregious rent increases and the housing crisis raise the stakes for the state as a whole, and communities of color, low-income individuals and families, people with disabilities and seniors, in particular. Increasing inequity between tenants and homeowners is a thread that runs through other dimensions of inequity that these historically marginalized groups face, and addressing this overarching divide allows us to move toward greater social equity overall. In other words, stabilizing rent for all tenants in California also means broadly addressing the critical needs of the most vulnerable among us, which is essential to achieving shared prosperity for Californians as a whole.

Part Two: The Need for Rent Control in Achieving Housing for All

The Public Response: Government's Role and Responsibility

The numerous, far-reaching impacts of the housing affordability crisis, and the inability of the current market and government policies to resolve them, signify the need for policy change. The essential role of government is to protect the public interest, and to ensure that all members of the community are treated fairly and with equal dignity.[81] To fulfill that role, government must periodically adjust the rules governing markets so they meet people's needs as opposed to causing them harm. The rental housing market in California is currently in a moment that requires policy intervention. Rent controls are part of a needed adjustment to the rules of the market to ensure Californians' access to housing. The current structure has resulted in a broken market and housing price increases. Its actions to improve neighborhoods also result in housing price increases, and it has a responsibility to limit the passing on of these costs to tenants. It also has a responsibility to fix broken housing markets to advance public well-being.

The Public's Role in Creating Land Value

As anyone who has looked for housing knows, neighborhood conditions around a home are often as much a factor as the building itself.[82] When the public schools,[83] air quality,[84] neighborhood safety,[85] or public infrastructure like parks[86] and public transit improve in a neighborhood, the prices of homes in that neighborhood tend to rise. Yet these improvements are largely a result of public action, such as increased public funding, new regulations, smart planning. Furthermore, public improvements as well as maintenance of public goods and services are made possible through the taxes paid by the general public, homeowners and tenants alike.[87] Because land value tends to increase when public investments are made,[88] regulation of land value simply recaptures value created by the public. As economic development expert Richard Rybeck writes, "Most members of the public end up paying twice for infrastructure. First, they pay taxes to create or improve infrastructure. Second, if they want to locate their home or business nearby, they must pay a landowner a premium rent or price to get access to the infrastructure that their taxes created."[89]

In sum, government action, which is supported by the collective contributions of all citizens, is responsible for a portion of increased property values, no matter what property owners do.[90] In addition to government action, the public also creates tremendous value through myriad private interactions. California's diverse peoples generate a creative culture that leads

81 powell, john (April 2018). "The Role of Government." Blueprint for Belonging Papers. Haas Institute for a Fair and Inclusive Society, University of California, Berkeley. Accessed at https://haasinstitute.berkeley.edu/role-government.

82 Anenberg, Elliot, and Edward Kung (2018). "Can More Housing Supply Solve the Affordability Crisis? Evidence from a Neighborhood Choice Model," Finance and Economics Discussion Series 2018-035. Washington: Board of Governors of the Federal Reserve System, https://doi.org/10.17016/FEDS.2018.035.

83 Haurina, Donald R. and David Brasington (1996). "School Quality and Real House Prices: Inter- and Intra-metropolitan Effects". Journal of Housing Economics, 5(4), pp. 351- 368.

84 V. Kerry Smith and Ju-Chin Huang, (1995) "Can Markets Value Air Quality? A Meta-Analysis of Hedonic Property Value Models," Journal of Political Economy Vol, 103(1), pp. 200-227

85 Pope D.G., Pope J.C. (2012) "Crime and property values: Evidence from the 1990s crime drop," Regional Science and Urban Economics, 42(1-2), pp. 177-188.

86 Heckert, Megan and Jeremy Mennis (2012) "The Economic Impact of Greening Urban Vacant Land: A Spatial Difference-In-Differences Analysis." Environment and Planning A: Economy and Space. 44(12), pp. 3010-3027.

87 Rybeck, Richard (July 16, 2018) "How to Kill Land Speculation." Shelterforce: The Voice of Community Development. https://shelterforce.org/2018/07/16/land-speculation/.

88 Richard J. Arnott and Joseph E. Stiglitz (1979) "Aggregate Land Rents, Expenditure on Public Goods, and Optimal City Size". The Quarterly Journal of Economics. 93(4) pp. 471-500.

89 Rybeck, Richard (July 16, 2018) "How to Kill Land Speculation". Shelterforce: The Voice of Community Development. Accessed at https://shelterforce.org/2018/07/16/land-speculation.

90 Ambrosius, Joshua D., John I. Gilderbloom, William J. Steele, Wesley L. Meares, and Dennis Keating. 2015. "Forty Years of Rent Control: Reexamining New Jersey's Moderate Local Policies after the Great Recession." Cities 49(December), pp. 121–33. https://doi.org/10.1016/j.cities.2015.08.001.

to technical and artistic innovation and a thriving economy, which in turn generates increased demand for access to the new jobs and the cities in which they are located.

Economists often mistakenly treat rental housing as a simple consumer good. In fact, rental housing involves two separable aspects: the building, and the land or location, as Adam Smith pointed out in *The Wealth of Nations* more than two centuries ago. The "building rent" is the amount actually necessary to pay for the operation and maintenance of a home and to provide a normal profit to the landlord on their invested capital. The "land rent" is an extra payment for access to a desirable location. For tenants in coastal California a substantial part of the rent is really just an admission charge for the privilege of living here.[91] As Smith wrote in his seminal book on market economics, the land rent is "a species of revenue which the owner, in many cases, enjoys without any care or attention of his own."[92] Professor Lee Friedman points out that since the actions of the landlord determine the building rent but not the land rent, reductions in unearned land rent have no effects on the production and maintenance of housing.[93] [94]

Requirements established in the California constitution ensure that rent controls will only limit increases in land or locational rent and will not limit necessary increases in building rent. That is because landlords are entitled to rent increases necessary to provide them with a "fair return" on their investment. These rent increases must be sufficient to compensate for any increases in the cost of operation and maintenance of the buildings they own, and ensure that their cash flow increases keep up with inflation. But rent control will limit the increases landlords can impose that go beyond what is needed for a fair return, increases that are an admission charge for access to locations in California.

We all, homeowners and tenants alike, contribute to making California a desirable place to live in. Our rental housing market is structured so that private landlords take this publicly-created value for private profit, charging tenants higher rent for their contribution. This allows real estate investors to exact an enormous transfer of wealth from people who do not own real estate to people who do. It disrupts the lives of individuals, families, and communities. Rent control policies can correct this by rebalancing fairness between tenants and landlords.

91 Barton, Stephen (2011), "Land Rent and Housing Policy: A Case Study of the San Francisco Bay Area Rental Housing Market," American Journal of Economics and Sociology, 70(4), pp. 845 – 873.

92 Smith, Adam (1776). The Wealth of Nations.

93 Friedman, Lee S. (2002). Microeconomics of Public Policy Analysis, Chapter 13, "The Control of Prices to Achieve Equity in Specific Markets," pp. 507 – 549.

94 Skaburskis, Andrejs and Michael B. Teitz (1998), "The Economics of Rent Regulation," pp. 41 – 60 in Keating, W. Dennis and Michael B. Teitz and Andrejs Skaburskis (1998). Rent Control: Regulation and the Rental Housing Market.

The Public's Responsibility to Fix Broken Markets

Housing markets always depend on the rules that government enforces. It is not a question of whether there are rules, but what rules there will be, and what values and priorities those rules reflect. The debate over rent control is too often dominated by a false dichotomy in which government and the market are opposed to each other. In fact, government makes markets possible. Government establishes the detailed structure of law and regulation that defines the rights and obligations of the parties involved, and government provides essential public investments and services such as transportation, public safety, and education. Without these no market can function effectively in a modern society. Markets require appropriate public investments and regulatory oversight in order to deliver goods and services that are safe, fairly priced, produced by methods that do not damage the environment, and pay workers a living wage. Determining how government can best shape a particular market requires careful analysis, rather than an assumption that markets are inherently self-regulating.

When markets and the rules governing them work poorly, the owners who control production and allocation of necessary goods and services have disproportionate power and the market norm of maximizing profit leads to consequences such as extracting unnecessarily high prices from consumers, depressing wages, and damaging the environment. The rental housing market in California is an example of a market that is not working well. Windfall profits are being made in large part due to forces that have nothing to do with the investments or actions of property owners. When the housing market is as dysfunctional as it is in many parts of California, tenants are effectively subsidizing landlords with rent payments above what a fully competitive market would allow landlords to charge.

As previously noted, the US Supreme Court and California courts have consistently ruled that owners of rent-regulated properties have a constitutional right to a fair return on investment, so no rent control policy will eliminate the right of a landlord to turn a reasonable profit.[95] But at various moments in history and in various areas of life, the state has intervened to limit profits to something closer to what would be charged in a fully competitive market while still ensuring a fair return on investment. For instance, public utility regulation allows the investor-owned companies that provide public necessities such as gas, electricity, and water to charge prices that provide a fair return on their investment. It does not allow companies to take advantage of the lack of sufficient competition in their market to charge consumers more than the price they would charge in a fully competitive market.

The public has both a legal and a moral right to make changes in law and regulation to ensure that investors cannot take advantage of markets that fail to protect the public interest. Housing is a basic human need, and in other markets when this happens, the state intervenes and protects the public from harm while still allowing for a fair return on investment.

95 Birkenfeld v. City of Berkeley, California Supreme Court, 17 Cal.3d 129 (1976). For a discussion of relevant legal cases, see Baar, Ken, Patrick Burns and Daniel Flaming (2016) City of San José ARO Research to Support 2016 Updates to the Rent Stabilization Regulations. April 16, 2016.

Rent Control Policy Benefits and Limits

As described in Part I, data on rent burden clearly shows a crisis in housing affordability that is especially harmful for renters in California. While California is faced with a range of housing issues that require us to pursue various policy goals, the goal of addressing the housing affordability and displacement crises facing overburdened renters must be prioritized. Rent control is a key policy for meeting this goal, but restrictive state legislation and narrow policy debates have severely limited the ability of local governments to consider rent control policies and decide for themselves how to respond to their citizens' housing needs.

Frequently the debate around rent control engages a divisive framework: we can stabilize rent for existing tenants, as studies have found the policy does,[96] [97] but some researchers and advocates contend that by doing so, we may slow the production of new housing supply. This flawed dichotomy undermines the overall goal of providing affordable housing for all, both now and in the future. In this framework, stabilizing rent for existing tenants is often considered just one of several policy goals. Instead, we argue for making an intentional choice to center the needs of existing renters in defining the policy objective at hand. Focusing entirely on other housing policy goals means ignoring the urgent and immediate needs of millions of overburdened renters across the state.

We argue for making an intentional choice to center the needs of existing renters in defining the policy objective at hand. Focusing entirely on other housing policy goals means ignoring the urgent and immediate needs of millions of overburdened renters across the state.

96 Keating, W. Dennis, Michael B. Teitz and Andrejs Skaburskis (1998) Rent Control: Regulation and the Rental Housing Market.

97 Abood, Maya Vanessa Carter, and Manuel Pastor (forthcoming) "Rent Regulations: A Literature Summary." USC Program on Environmental and Regional Equity.

The Unique Benefits and Possibilities of Rent Control

➔ **A cost-effective and responsive policy approach:** Where most other programs require tremendous financial resources and take a great deal of time, renter protections can be established as a matter of law and the administration of rent control is typically paid for through modest per-unit fees. For example, rent board programs in Santa Monica and Berkeley are cost-neutral, with fees collected sufficiently covering all operating costs.[98] Renter protections immediately advance the goal of stabilizing rents for historically marginalized residents who have built their communities and contributed to the value of their neighborhoods long before the present wave of economic development.[99] As these places experience increased public investments in infrastructure and services, as well as new economic development and job growth, rent control helps to ensure that existing residents can benefit from the improvements that they helped create.

➔ **Housing stability for existing tenants:** Rent control is, first and foremost, an anti-displacement tool. The vast majority of academic studies on rent stabilization find that it increases renters' ability to choose to remain in their homes.[100] A recent study of the effects of rent control in San Francisco found that it increased tenants' probability of staying in their homes by nearly 20 percent, and that without the financial savings that rent control provided, they would otherwise have left the city.[101] The literature also shows that these effects of stability are greatest for older tenants and long-term tenants,[102] thereby supporting aging in place and the preservation of community connections.

98 Gordon, Leslie (January 2018). Strengthening Communities Through Rent Control and Just-Cause Evictions: Case Studies from Berkeley, Santa Monica, and Richmond. Urban Habitat. Accessed at http://urbanhabitat.org/resources.

99 Lin, Margaretta, Dan Lindheim, and Minkah Eshe-Smith (2017). "Housing is Essential: A Commonsense Paradigm Shift to Solve the Urban Displacement and Racial Injustice Crisis," Berkeley Planning Journal, 29(1), pp. 79-99.

100 Abood, Maya Vanessa Carter, and Manuel Pastor (forthcoming) "Rent Regulations: A Literature Summary". USC Program on Environmental and Regional Equity.

101 Diamond, Rebecca. Tim McQuade, and Franklin Qian (December 2017). "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." Accessed at https://web.stanford.edu/~diamondr/DMQ.pdf This study examined the economic effects of San Francisco's rent-control policy on a subset of tenants in rent controlled apartments (those in small multifamily housing built between 1980 and 1990) from 1995 to 2012. Since the study only included a portion of rent controlled units, we can extrapolate that the benefits of increased affordability experienced by the overall tenant population are far greater.

102 Diamond, Rebecca. Tim McQuade, and Franklin Qian (December 2017). "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." Accessed at https://web.stanford.edu/~diamondr/DMQ.pdf.

→ **Improved affordability:** Several studies have shown that rent control provides financial benefits to current tenants. Research by UCLA professors William Clark and Allan Heskin on the early impacts of rent regulations in Los Angeles (prior to the enactment of Costa-Hawkins in 1995) determined that after living in rent-stabilized homes for three to five years, tenants' rents were between 26.5 to 30.9 percent lower than market rent, and for those with tenure between five and ten years, this discount was as high as 36.8 percent.[103] Although the evidence is mixed, some studies have found that in cities with rent regulations, even non-controlled units actually had slightly more affordable rents compared with units in cities without rent control.[104] [105] A recent study of the effects of rent control in San Francisco found that benefits to tenants averaged "between $2300 and $6600 per person each year, with aggregate benefits totaling over $214 million annually."[106] The financial benefits of rent control can help renters to not only meet their basic needs, but open up opportunities for individual advancement and well-being.

→ **Preservation of economic diversity:** Egregious rent increases continue to place more of the existing housing stock out of reach for lower-income tenants, thus increasing California's already overwhelming affordability gap. Rent control, particularly when combined with regulations related to condominium conversions and other renter protections such as "just cause for eviction" ordinances, can help prevent the expansion of California's existing shortfall of housing for lower-income renters.[107] In doing so, it can help to maintain economic diversity and integration. A study of the effects of lifting rent control in Cambridge, Massachusetts found that after the policy's repeal, not only did the value of formerly stabilized properties increase by 18 to 25 percent in ten years, but the value of non-controlled units increased by 12 percent. The researchers suggested that wealthier households moved into the city after lower-income tenants had been displaced by unregulated rent increases, while they may not have been willing to move in prior to decontrol.[108] This suggests that rent control can contribute to preventing displacement that would ultimately lead to more exclusionary, economically-segregated cities. As we note in the following pages, however, rent control is only a step in this direction and must be supplemented by additional government initiatives to raise incomes and reduce poverty.

103 Clark, W. A. V. and Allan D. Heskin (February 1982). "The Impact of Rent Control on Tenure Discounts and Residential Mobility." Land 58(1), pp. 109-117.

104 Sims, David P. (2007). "Out of Control: What Can We Learn from the End of Massachusetts Rent Control?" Journal of Urban Economics 61(1), pp. 129–51.

105 Abood, Maya, Vanessa Carter, and Manuel Pastor (forthcoming) "Rent Regulations: A Literature Summary". USC Program on Environmental and Regional Equity.

106 Diamond, Rebecca, Tim McQuade, and Franklin Qian (December 2017). "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." Accessed at https://web.stanford.edu/~diamondr/DMQ.pdf.

107 Abood, Maya, Vanessa Carter, and Manuel Pastor (forthcoming) "Rent Regulations: A Literature Summary". USC Program for Environmental and Regional Equity.

108 Autor, David H., Christopher J. Palmer, and Parag A. Pathak. (2012). "Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge Massachusetts." Working Paper 18125. National Bureau of Economic Research. https://doi.org/10.3386/w18125. as cited by Abood, Maya, Vanessa Carter, and Manuel Pastor (forthcoming) "Rent Regulations: A Literature Summary". USC Program for Environmental and Regional Equity.

Limitations of Rent Control

We acknowledge that in addition to rent control being just one part of the solution, it also has limitations and requires thoughtful policy design to mitigate any downsides. We believe that none of these limitations should preclude the use of rent control to prevent residential displacement, but it is important to consider and respond to these limitations when designing local programs.

- **Means testing:** A common critique of rent control is that it is not means-tested, and thus does not specifically target the renters that need it most. Proponents of rent control point out an important reality: that any means-testing would very likely lead to discrimination against low-income renters because landlords would be incentivized to evict eligible tenants or solely rent to non-qualifying tenants who could pay higher rents. Additionally, as detailed in Part I, data on rent burden rates indicate that a majority of renters do stand to benefit from greater housing affordability, and they rightfully should, as California's high rents reflect unearned increases in rent based on public investment and services, and scarcity conditions in which tenants are subsidizing landlords. There is no more reason to limit the benefits of rent control to the lowest-income tenants than there is to limit the benefits of public utility regulation to only the lowest-income users of electricity and water. We thus recognize that means-tested approaches are important and appropriate for other policies, but in the case of rent control, the lack of means-testing provides critical benefits that overcome this aspect of the policy.

- **Potential effects on supply and tax revenues:** Others raise concern that rent control may decrease housing supply[109] and property values, and subsequently impact tax revenues.[110] Yet, numerous empirical studies, as well as housing production trends in cities with rent control, show no negative effect on housing production, often finding that other local conditions and market cycles have a greater influence on supply.[111] [112] The three largest Bay Area cities with rent control (San Francisco, San Jose, and Oakland) have only 27 percent of the region's housing but according to the U.S. Census Bureau those cities have built 43 percent of the Bay Area's new multifamily rental units in buildings with five or more units since 2000. Similarly, the City of Los Angeles, with 42 percent of the housing in Los Angeles County, has built 62 percent of new multifamily rentals since 2000.[113] Other concerns, such as the potential loss of rental units due to condominium conversions, can be addressed through ordinances regulating condominium conversions, which nearly all California cities with rent control employ. Nonetheless, landlords may be able to take advantage of other loopholes, which should be addressed through additional changes in state law.

109 Diamond, Rebecca, Tim McQuade, and Franklin Qian (December 2017). "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." Accessed at https://web.stanford.edu/~diamondr/DMQ.pdf.

110 Taylor, Mac and Michael Cohen (December 2017). Letter to California Attorney General Xavier Becerra regarding the proposed statutory initiative pertaining to rent control (A.G. File No. 17-0041). Legislative Analyst's Office.

111 Zuk, Miriam (September 2015). "Rent Control: The Key to Neighborhood Stabilization?" Accessed at https://haasinstitute.berkeley.edu/rent-control-key-neighborhood-stabilization.

112 Arnott, Richard (1995). "Time for Revisionism on Rent Control?" The Journal of Economic Perspectives 9(1), pp. 99–120. Joshua D. Ambrosius, et al. "Forty years of rent control: Reexamining New Jersey's moderate local policies after the great recession," Cities, 49, pp. 121–133. Gilderbloom, John and Richard Appelbaum (1988) Rethinking Rental Housing, pp. 134-136. Ken Baar, "Facts and Fallacies in the Rental Housing Market", Western City, Sept. 1986, 49 - 50. as cited by Abood, Maya, Vanessa Carter, and Manuel Pastor (forthcoming) "Rent Regulations: A Literature Summary". USC Program for Environmental and Regional Equity.

113 U.S. Census Bureau, American Community Survey, 2016 One-Year Estimates. Table B25127.

On the other hand, rent control may involve trade-offs, which require California to make an intentional choice about its priorities. While data suggests that it is not associated with a decline in property values,[114] the Legislative Analyst's Office notes that under strong rent control systems, tax revenue from residential rental property will rise more slowly.[115] But inflicting enormous hardship on tenants, driving millions into poverty, and tens of thousands into homelessness, is too high a price to pay for generating more tax revenue. California has better options for raising the revenue we need for state and local government. Rent control's benefits, both to renters and to the state as a whole, far outweigh the costs.

→ **Need for additional government action to create choice and opportunity:** It is also critical to recognize that the need for reforms extends beyond rent control and housing policy more broadly. Although rent control can prevent forced displacement, for residents of neighborhoods with concentrated poverty, rent control alone may not be enough. Some extremely low-income families may be unable to pay even the lowest market-rate rent, or they may be prone to missing a rent payment and thus subject to eviction for just cause. The state must therefore ensure access to stable, living-wage jobs that allow families to weather any financial emergencies, comfortably afford rent month-to-month, and build savings and assets over time. This is one part of ensuring not just stability, but full access to opportunity and choice—both the choice to stay in their current homes and neighborhoods, as well as the choice to move to areas where they may have greater access to opportunities for self-advancement. Part of this must involve additional public investment in resources to improve school quality and employment opportunities, as well as other pathways to opportunity, mobility, and equity. Another factor is vigilant enforcement of laws already on the books, such as fair housing laws that protect renters from discrimination. Rent control provides a baseline for housing stability, but Californians must also work toward establishing stronger employment policies, more equitable tax structures, greater investment in the socially-owned housing sector, and other reforms that support the goals of social equity.

114 Gordon, Leslie (January 2018). Strengthening Communities Through Rent Control and Just-Cause Evictions: Case Studies from Berkeley, Santa Monica, and Richmond. Urban Habitat. Accessed at http://urbanhabitat.org/resources. For example, Berkeley's median value of owner-occupied units nearly doubled from 2000 to 2010, increasing from $380,200 to $731,100.

115 Taylor, Mac and Michael Cohen (December 2017). Letter to California Attorney General Xavier Becerra regarding the proposed statutory initiative pertaining to rent control (A.G. File No. 17-0041). Legislative Analyst's Office.

Putting Tenant Protection and Housing Production Together: Near and Long-Term Strategies

Rent control alone does not solve for the full range of Californians' housing needs, but it addresses one key need held by a large segment of California's population: the growing housing costs that burden over 9.5 million renters, while also advancing our state's broader goals of social equity and progress. Rent control is first and foremost about protecting and prioritizing existing residents' stability, which preserves access to emerging opportunities in their current neighborhoods and helps open up new housing choices that come with increased financial stability. It allows residents to remain a part of the communities that they have invested in and built, access well-paying jobs, and build wealth that facilitates upward mobility. It provides families with the ability to have peace of mind, to plan for a future, and to belong to a community. We assert that these benefits, as well as the broader societal benefits that they contribute to, are invaluable. California must strive toward achieving them by upholding housing stability for renters as a key public policy goal. To do this, cities need to be able to have conversations about effective rent control policy designs and consider all options that may be necessary to ensuring the broadest range of benefits to their citizens.

Renter protection and housing production are not an either/or decision. California needs both in order to make room for both new and longtime residents, but without rent control to anchor our policy approach, the individual and societal consequences of the crisis will continue to intensify and harm California as a whole, while the benefits of all other policy efforts will manifest too late.

With California's growing population and economy, it is clear that producing new housing is essential to meeting the state's housing needs. We must continue to pursue changes that reduce barriers to housing production, especially of subsidized housing as well as multifamily housing that can be affordable by design. This includes developing new funding sources for affordable housing development and addressing exclusionary zoning policies at the root of the displacement crisis. But producing enough housing to fill the 3.5 million-unit gap is a long-term strategy, rather than a short-term part of the solution to displacement and housing poverty.

As discussed previously, the housing crisis is not a simple matter of supply and demand. The key concern is timing. Tenants need immediate relief from extreme hardships they face, and we cannot afford to stand back and hope that new housing "catches up" to demand and "trickles down" to create enough affordable housing. If our goal is to stop further displacement and expand access to places of opportunity in California, relying solely on the market simply will not work. In fact, any production strategy that does not include rent control and other protections will be insufficient.

A Comprehensive Approach for California's Diverse Housing Needs: Protection, Production, Preservation, Power, and Place

There is an emerging framework among researchers, community advocates, and policymakers of a comprehensive policy approach that includes five strategies (the "five Ps"): three which have been more traditionally referenced[116 117] –protection, production, and preservation–as well as two important additions–power and placement.[118 119 120] Rent control and other renter protections provide a necessary foundation for the remaining four Ps.

- Protection: protecting tenants and socioeconomically disadvantaged residents from displacement (e.g. just cause for eviction and rent control policies)
- Production: increasing the production of new housing by generating funding, removing exclusionary land use policy barriers, and other strategies (e.g. affordable housing linkage fees, public land policies, elimination of exclusionary zoning)
- Preservation: preserving existing affordable housing, including income-restricted units and units on the market that are rented at relatively lower rates (e.g. funding programs that support the acquisition and rehabilitation of older affordable rental units)
- Power: ensuring equitable community participation that leads to responsive and inclusive housing decisions (e.g. an expanded role for limited-equity cooperatives and community land trusts)
- Placement: creating access to housing for socioeconomically disadvantaged people in places that connect residents to opportunities and break patterns of segregation (e.g. fair housing laws and source of income discrimination laws)

116 Karlinsky, Sarah, Egon Terplan, and Kristy Wang (October 2017). "What Does the Bay Area Need to Do About Housing? SPUR. Accessed at https://www.spur.org/news/2017-10-16/what-does-bay-area-need-do-about-housing.

117 Non-Profit Housing Association of Northern California (June 2017). On Track Together - Housing and Transportation: Building the Bay Area's Vibrant, Sustainable, and Affordable Future Together. Accessed at https://nonprofithousing.org/ontracktogether/.

118 Bay Area Regional Health Inequities Initiative (2017). Displacement Brief. Accessed at http://barhii.org/wp-content/uploads/2017/10/BARI-III-Displacement-Brief.pdf.

119 Get Healthy San Mateo County. "Looking for Solutions? Use the 5 P's of Healthy Housing." Accessed at http://www.gethealthysmc.org/pod-blue/looking-solutions.

120 Haas Institute for a Fair and Inclusive Society, Housing Policy and Belonging in Richmond. Accessed at https://haasinstitute.berkeley.edu/stayingpower.

The Magnitude of the Challenge

The magnitude of California's housing shortage indicates just how long-term any effort to resolve the crisis must be. The state currently has an affordable housing gap of 1.5 million homes for extremely low- and very low-income households,[121] and overall, it needs to build 3.5 million new homes by 2025 in order to satisfy current demand, address pent-up or latent demand, and accommodate projected population growth.[122] Recent statewide measures such as SB 2 (Atkins, Building Jobs and Homes Act) and AB 1397 (Low, Adequate Housing Element Sites), both passed as part of the 2017 Legislative Housing Package, have begun to address barriers to market-rate and affordable housing production.[123] However, analyses by the California Legislative Analyst's Office and the UCLA Anderson Report indicate that it will take many years for additional production to slow the rate of increasing rents, let alone bring them back down to affordable rates.[124]

- **If construction continues at the same pace since 2000 (an average of 1 percent each year), California will only build approximately 1.2 million homes by 2025[125] —less than 35 percent of the total estimated need.[126]**
- **To merely keep California's housing costs from escalating faster than the rest of the United States, the Legislative Analyst's Office (LAO) estimates in addition to the 100,000 - 140,000 units that are expected to be built annually, yearly production would need to increase by as much as 100,000 units, with most growth occurring in the state's high-demand coastal communities.[127]**
- **However, actually reversing the trend and achieving even slightly more affordable levels would require far more. Using the LAO's estimates, the UCLA Anderson Forecast finds that to achieve a modest 10 percent reduction in price, California would need to increase its housing stock by 20 percent, about 2.8 million additional units of housing.[128]**

121 California Department of Housing and Community Development (February 2018). California's Housing Future: Challenges and Opportunities. Accessed at http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

122 McKinsey Global Institute (2016). A tool kit to close California's housing gap: 3.5 million homes by 2025. Accessed at https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx.

123 California Department of Housing and Community Development (2018), California's 2017 Housing Package. Accessed at http://www.hcd.ca.gov/policy-research/lhp.shtml#summary.

124 Zuk, Miriam and Karen Chapple (May 2016). "Housing Production, Filtering and Displacement: Untangling the Relationships." Institute of Governmental Studies, University of California, Berkeley. Accessed at https://www.urbandisplacement.org/sites/default/files/images/udp_research_brief_052316.pdf.

125 U.S. Census Bureau. American Community Survey 2016 One-Year Estimates. Table B25001.

126 McKinsey Global Institute (2016). A tool kit to close California's housing gap: 3.5 million homes by 2025. Accessed at https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx.

127 Legislative Analyst's Office (March 2015), "California's High Housing Costs: Causes and Consequences", March 17, 2015, http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf. The LAO estimates that it would take as many as 100,000 additional units to return to the price differential between California and the rest of the country in 1980.

128 Nickelsburg, Jerry (September 2017). "Affordable Housing to Get a Bump." The UCLA Anderson Forecast for the Nation and California.

The Limits of Market-Rate Housing Production

California's rental housing market is broken. It is not, and will not be, for the foreseeable future, capable of providing the amount of housing that low-income residents need. The current housing market requires tenants to compete for places to live and allows landlords to charge whatever the market will bear, leaving the lowest-income renters with the only option of paying to live in units that cost more than what they can afford.

The state does need to build new housing units to address the shortage, but it is critical to recognize that while more housing is needed at all income levels, the market is responding primarily to the demand for housing from middle- and upper- income people.[129] [130] As they come online, new market-rate rental housing units play an important role of addressing demand at the high end of the market. While primarily accessible to above moderate-income households, these new homes can contribute to preserving the relative affordability of older homes by relieving some of the pressure at the lower end of the market (where the need is greatest).

This new market-rate housing may eventually "filter down" to prices affordable to moderate and low-income tenants but this process can take generations.[131] This will not solve the current shortfall of 1.5 million rental units for very low-income and extremely low-income tenants.[132] Researchers Miriam Zuk and Karen Chapple of the Urban Displacement Project at UC Berkeley explain that "units may not filter at a rate that meets needs at the market's peak, and the property may deteriorate too much to be habitable. Further, in many strong-market cities, changes in housing preferences have increased the desirability of older, architecturally significant property, essentially disrupting the filtering process."[133]

Their analysis of the effects of market-rate construction on filtering show that in the Bay Area, roughly 1.5 percent of units filter down annually, meaning that they become newly occupied by lower-income households. They also point out that other research by economist Stuart Rosenthal of Syracuse University, which finds that rents on such units decline by only 0.3 percent per year,[134] suggests that these lower-income households also take on a heightened housing cost burden.[135]

129 Fourth Cycle Regional Housing Needs Allocation (RHNA) Performance (2018). California Cities and Counties, Data Provided by California Department of Housing and Community Development.

130 Stein, Jeff (August 2018). "In expensive cities, rents fall for the rich -- but rise for the poor." Washington Post. Accessed at https://www.washingtonpost.com/business/economy/in-expensive-cities-rents-fall-for-the-rich--but-rise-for-the-poor/2018/08/05/a16e5962-96a4-11e8-80e1-00e80e1fdf43_story.html?noredirect=on&utm_term=.648be0d29805.

131 Zuk, Miriam and Karen Chapple (May 2016). "Housing Production, Filtering and Displacement: Untangling the Relationships." Institute of Governmental Studies, University of California, Berkeley. Accessed at https://www.urbandisplacement.org/sites/default/files/images/udp_research_brief_052316.pdf.

132 California Department of Housing and Community Development (February 2018). California's Housing Future: Challenges and Opportunities. Accessed at http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

133 Zuk, Miriam and Karen Chapple (May 2016). "Housing Production, Filtering and Displacement: Untangling the Relationships." Institute of Governmental Studies, University of California, Berkeley. Accessed at https://www.urbandisplacement.org/sites/default/files/images/udp_research_brief_052316.pdf.

134 Rosenthal, Stuart (2014). "Are Private Markets and Filtering a Viable Source of Low-Income Housing? Estimates from a 'Repeat Income' Model," American Economic Review 104(2), pp. 687-706, https://www.aeaweb.org/articles/pdf/doi/10.1257/aer.104.2.687.

135 Ibid.

Conclusion

Housing is a basic need, fundamental to a healthy and stable life. All Californians should have the choice to stay rooted in their homes and communities, benefit from new investments and opportunities in their neighborhoods, and live without fear of unjust rent increases or eviction. But for too many renters in California, a safe, stable, and affordable home is out of reach. And still for others, housing is no longer an option. The hardships of unaffordable housing disrupt people's health, education, and bonds with family and community. These consequences have most deeply impacted some of the groups who can least afford it: seniors, people with disabilities, low-wage workers, people of color, and families with children.

These challenges call for policy that stabilizes rents in the near term. In taking action to address the housing crisis, our policy goal must be first and foremost about people, not units. It must center on creating true belonging–structural inclusion where institutions and policies meet and are responsive to people's needs. Rent control policies can lay a foundation for this goal by providing a cost-effective, immediate, and widespread effect of stabilizing rents. They would have broad benefits, making more of tenants' incomes available to be spent on other necessities, reducing traffic, freeing up public resources for other priorities, and increasing the stability and cohesion of neighborhood communities.

Other strategies to resolve the housing crisis–producing more housing, preserving existing affordable housing, removing barriers to racial integration–are essential, but they are long-term solutions. Without rent control, their benefits will not manifest until long after much of the harm caused by the broken housing market has been done. Only rent control can provide an immediate solution to the growing housing cost burden on renters.

This moment demands a public response today to correct for the failures of the current market, reduce the cost burden on renters, prevent further displacement, and balance fairness between tenants and homeowners. A significant part of the cost of housing being charged to tenants, and collected by landlords, is not due to any investment or action by landlords. Costs have increased in part because of public actions that improve neighborhood safety, air quality, school quality, and other qualities of life that increase property values. Because public action creates value, government has a legitimate responsibility to limit how much of it translates to increased rental costs.

Current law in California sets strict limits on rent control policies, restricting the possibilities for stabilizing rents in the state. These limits, such as exempting all single-family homes and all housing units built within the last forty years in California's largest cities, or twenty four years in the rest of the state, remove an important policy tool for local, county, and state governments and voters to consider. Furthermore, they hinder our collective ability to imagine and advance a future that is only possible through greater affordability for all.

The dire challenges facing the majority of renters in the state signify a need to remove restrictions on rent control and open the debate on implementing rent control policies.

The Haas Institute for a Fair and Inclusive Society brings together researchers, community stakeholders, and policymakers to identify and challenge the barriers to an inclusive, just, and sustainable society in order to create transformative change.

Contact

460 Stephens Hall
Berkeley, CA 94720-2330
Tel 510-642-3326
haasinstitute.berkeley.edu

@haasinstitute

EXHIBIT 4

RENT CONTROL PROGRAM COMPARISON

Los Angeles County Update: Board of Supervisors capped rents at 3% on September 11, 2018 for the next 6 months. Staff was given 60 days to come back with an ordinance for a long term rent stabilization program.

	Glendale	GTU Proposal	Berkeley	Santa Monica	West Hollywood	Los Angeles City	Mountain View
	Info/History	Info/History	Info/History	Info/History	Info/History	Info/History	Info/History
Year Implemented	-	(Jan 2018)	1978	1979	1984	1978	Nov-16
Qualifying Units	(40K-47K)	TBD	19,436	27,542	16,895	631,000	15,742
Employees Budgeted	(20-25)	TBD	20.75	24	12	83	N/A
Budget	($5,000,000)	TBD	$5,243,029	$5,181,693	$2,800,000	$20,654,612	$2,500,000
Fee	($150-$250)	TBD	$250	$198	$144	$24.51	$124
	Features	Features	Features	Features	Features	Features	Features
Base Rent		11/5/2017					10/19/2015
Rent Cap		(0%-4%) CPI	(65% CPI 0%-7%) 2.3%	(75% of CPI) 2.9%	(75% of CPI)	(CPI 3%-8%) 3%	(100% CPI 2%-5%) 3.6%
Passthrough		Yes	Yes	Yes	Yes	Yes	No
Banking		N/A	Yes	Yes	Yes	No	Yes
Tenant Relocation		N/A	Yes	Yes	Yes	Yes	Yes
Buyout		Yes	Yes	Yes	Yes	Yes	Yes
Exemptions		S8/NP/CH	NP/<2/CH	S8/<3/CH	S8/ NP/<2/CH	S8/NP/<2/CH	S8/ NP/<3/CH
Owner Adj./Hardship		Yes	Yes	No	Yes	Yes	Yes
Inspections		N/A	Complaint Based	Complaint Based	Complaint Based	Every 4 Years/CB	N/A
Tenant Adjustment		Yes	Yes	No	Yes	Yes	Yes/Banking
Rent Board		Yes	Yes	Yes	Yes	Yes	Yes

CB- Complaint Base CH - Costa Hawkins NP - Non-Profit S8 - Section 8

EXHIBIT 5

County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

SACHI A. HAMAI
Chief Executive Officer

August 15, 2018

To: Supervisor Sheila Kuehl, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Sachi A. Hamai
Chief Executive Officer

REPORT OF THE TENANT PROTECTIONS WORKING GROUP (ITEM NO. 6, AGENDA OF MAY 16, 2017)

On May 16, 2017, the Board of Supervisors (Board), adopted a Motion (Motion) by Supervisors Solis and Kuehl directing the Chief Executive Officer (CEO), in coordination with the Directors of the Departments of Regional Planning, Consumer and Business Affairs, Public Health, Public Works, Beaches and Harbors, the Executive Director of the Community Development Commission, the Assessor, and County Counsel to report to the Board with a Los Angeles County Tenant Protection Policy Development Framework (Framework). Further, upon submission of the Framework, the Motion directed the CEO to convene and provide technical support to a Tenant Protections Working Group (Working Group), with two members to be appointed by each Supervisor. Among its many responsibilities, the Working Group was to provide recommendations to the Board within 180 days of its first meeting on tenant protections that might be enacted for County unincorporated areas. The attached Report of the Tenant Protections Working Group (Report) represents the formal recommendations and conclusions of the Working Group.

MEETINGS OF THE WORKING GROUP

From January 24, 2018 through August 8, 2018, thirteen (13) public meetings of the Working Group were convened by the CEO and held at the County Hall of Administration. The majority of these meetings were moderated by a professional facilitator who ensured participation by each member, managed the timing of agenda topics, and documented discussion and voting by members. Outside legal counsel with expertise in tenant protections and rent stabilization policies was also retained by the County, and provided a comprehensive legal framework and a range of tenant

protection measures for the consideration of the Working Group. County departments and other subject matter experts presented statistical data on County unincorporated areas and detailed information regarding best practices from other jurisdictions. Finally, beginning in March 2018, formal translation services were made available to the public during each of the meetings.

The Working Group's process was further enhanced by the many members of the public, and the non-profit and business organizations representing County unincorporated areas, who were diligent about attending the Working Group meetings and sharing their perspectives during the public comment portion of each meeting. At its June 13, 2018 meeting, the Working Group extended its regular public comment period to include one hour of formal and coordinated presentations by landlord and tenant groups, followed by questions from the Working Group. In total, more than sixty (60) members of the public were given the opportunity to address the Working Group during its thirteen (13) meetings.

At the final two meetings of the Working Group on July 25, 2018, and August 8, 2018, formal votes were conducted on specific recommendations related to tenant protections and rent stabilization. The attached Report includes the recommendations approved by a majority of the Working Group at these two meetings. The Report itself was approved without opposition as accurately reflecting the discussions and sentiments of the Working Group.

SUMMARY OF WORKING GROUP RECOMMENDATIONS

The recommendations contained in the attached Report build upon the previously submitted Framework, and focus on four key tenant protection policy areas: a) regulating rent increases; b) regulating evictions; c) additional laws, regulations, and assistance programs; and d) implementation mechanisms. More specifically, the Working Group recommends that the Board adopt the following policies for the unincorporated areas of the County:

a) A rent stabilization program for applicable tenants that would limit the maximum allowable rent increase effective each year for covered rental units.

b) "Just Cause" eviction requirements that would apply to all tenants in County unincorporated areas, regardless of unit type, ownership type, or coverage under a rent stabilization program.

c) Implement programs to address issues involving potential harassment, discrimination, housing conditions and habitability, and financial assistance for certain tenants.

d) Funding mechanisms for ongoing oversight and enforcement that would be shared by tenants and landlords, and that would be cost-neutral to the County General Fund.

In addition, as new programs are implemented, the Working Group recommends a significant outreach and education program for both tenants and landlords to increase awareness of the rights and responsibilities related to rental housing.

CONCLUSION

The Working Group developed its Report through an open and public process that spanned more than six months and included approximately thirty (30) hours of public meetings. The recommendations contained in the Report reflect a broad range of tenant protection measures that seek to address issues such as affordability and housing stability for eligible renters in the County unincorporated areas.

If you have any questions regarding this memorandum or the attached Report, please contact Doug Baron at (213) 974-8355 or via email at dbaron@ceo.lacounty.gov.

SAH:JJ:DSB
VD:acn

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Assessor
Beaches and Harbors
Community Development Commission
Consumer and Business Affairs
Health Agency
Public Health
Public Works
Regional Planning

Report of the Los Angeles County Tenant Protections Working Group

August 15, 2018

HOA.102318142.1

TENANT PROTECTIONS WORKING GROUP

Malcolm Bennet, International Realty and Investments
Maria Lou Calanche, Legacy LA
Martha Cota, Latinos in Action
Dr. Richard Green, USC Lusk Center for Real Estate
Jessie Kornberg, Bet Tzedek
Fred Nakamura, Neighborhood Legal Services
Diego Rodrigues, Alma Family Services
Barbara Schultz, Legal Aid Foundation of Los Angeles
Patrick Spillane, IDS Real Estate Group
Jacqueline Waggoner, Enterprise Community Partners, Inc.

FACILITATOR

Lisa Cleri Reale

SPECIAL COUNSEL

Goldfarb & Lipman LLP

Table of Contents

I. EXECUTIVE SUMMARY

Recognizing the increasing cost of housing and its impact on housing stability, the Tenant Protections Working Group (Working Group) was formed in response to a May 16, 2017 Motion adopted unanimously by the Los Angeles County Board of Supervisors (Board). The Motion was introduced by Supervisors Hilda L. Solis and Sheila Kuehl, and instructed the County Chief Executive Officer to develop a Tenant Protections Policy Development Framework and convene the Working Group. More specifically, the Motion directed that the Working Group include two members appointed by each County Supervisor and report back to the Board within 180 days with recommendations for tenant protections that might be enacted in the unincorporated areas. The first meeting of the Working Group took place on January 24, 2018.

The Working Group submits its report back to the Board in response to the Board's directive to propose a policy implementation framework for a program to enhance the County's tenant protections. The report is presented in four sections that cover the following areas:

- Background and Policy Framework
- Process to Develop Working Group Recommendations
- Working Group Recommendations
- Next Steps

The report first introduces the issues to be considered when contemplating a tenant protections program, and establishes the foundation for a policy framework. The report then discusses the process by which the Working Group formed its recommendations, as well as the recommendations themselves and next steps for the County to consider. Finally, the report provides an appendix of statistical information related to rental housing in the County unincorporated areas.

From January 2018 through August 2018, the Working Group met on a bi-monthly basis, guided by a professional facilitator and outside legal counsel with expertise in tenant protections and rent stabilization policies. Following the Board's May 16, 2017 Motion, the Working Group discussed key policy areas and developed recommendations for the following areas; A) regulating rent increases; B) regulating evictions; C) additional laws, regulations, and assistance programs; and D) implementation mechanisms.

Following months of discussion, votes on specific recommendations were held at two separate meetings of the Working Group: July 25, 2018 and August 8, 2018. Because not every Working Group member attended both meetings, by a vote of eight (8) in favor, none opposed, zero abstentions, and two (2) absent, the Working Group voted on August 8, 2018 to combine the vote tally from the two meetings, wherever applicable, and approve this Report as accurately reflecting the discussions and sentiments of the Working Group.

The specific recommendations as voted on by the Working Group are as follows:

A. Regulating Rent Increases

Rental units in unincorporated Los Angeles County are currently not subject to local regulation. The Working Group recommends by a vote of seven (7) in favor, two (2) opposed, and one (1) abstention[1] that the County adopt rent stabilization for applicable rental units in unincorporated Los Angeles County. The units recommended to be exempted from the proposed rent stabilization are discussed in Appendix A of this Report. Specifically, the Working Group recommends the following:

[1] One of the Working Group members was unable to attend sufficient meetings to have a basis to form a substantive position and chose to abstain from voting. Accordingly, a majority of the vote tallies in this Report include at least one abstention.

- Rent Increases for Covered Rental Units. By a vote of seven (7) in favor, one (1) opposed, and two (2) abstentions, the Working Group recommends one rent increase for Covered Rental Units per 12-month period. The maximum pre-approved rent increase shall equal the lower of the increase in the Consumer Price index (CPI) or eight percent (8%). The minimum pre-approved annual rent increase shall equal the lesser of three percent (3%) or the CPI change year over year plus two percent (2%), but shall never be less than zero (e.g., if the annual change in CPI were 0.5%, then the minimum pre-approved annual rent increase would equal 2.5%; if the annual change in CPI were negative 3% or lower, then there would be zero pre-approved annual rent increase).
- Banking Unused Rent Increases. By a vote of six (6) in favor, three (3) opposed, and one (1) abstention, the Working Group recommends that the County prohibit "rent-banking," meaning that if a landlord does not increase rent up to the maximum allowable rent, the difference cannot be applied for rent increases in future years.
- Landlord Petitions. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends a petition process to allow landlords to petition for rent increases above the maximum rent should the landlord be able to show he or she is not making a fair return on his or her investment. In addition, by a vote of eight (8) in favor, one (1) opposed, and one (1) abstention, the Working Group recommends that landlords be allowed to petition to pass through capital improvement costs to tenants over and above the maximum rent. No rent increase, whether through the fair return petition or the pass-through process, may exceed ten percent (10%) in a given year.

- Tenant Petitions. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends that tenants be allowed to file a petition for a rent decrease in the event of a reduction of housing services.
- Mediation. By a vote of eight (8) in favor, one (1) opposed, and one (1) abstention, the Working Group recommends that the County provide a voluntary mediation process for landlords and tenants.
- Rent Registration. By a vote of six (6) in favor, three (3) opposed, and one (1) abstention, the Working Group recommends that all Covered Rental Units be registered with a County oversight body. The Working Group recommended that the registry track the maximum allowable rent for each Covered Rental Unit, and that landlords and tenants would be required to register the rent at the beginning of each new tenancy.
- Interplay with Costa-Hawkins. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends that should the Costa-Hawkins Act be repealed, the Board reconvene the Working Group for further discussion and recommendations as to a regulatory response.

B. Regulating Evictions

California State law does not limit the reasons for which a tenancy may be terminated, if minimum notice requirements are followed. The Working Group reached agreement regarding the adoption of "Just Cause" eviction requirements, which would limit the reasons a landlord can terminate a tenancy. The Working Group recommends that every notice of termination of a residential tenancy in unincorporated Los Angeles County be required to expressly identify at least one reason for which the tenancy is being terminated. Specific recommendations are as follows:

- Applicability. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends that Just Cause for Eviction protections, as specified and defined below, should apply to all residential rental units in unincorporated Los Angeles County including single family homes, accessory dwelling units, and rental units in multi-family buildings. The Working Group recommends that Just Cause for Eviction protections should apply regardless of whether the County chooses to adopt a larger rent stabilization policy.
- "For Cause" Terminations. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends that "For Cause" terminations follow those outlined in State law as based on the conduct of the tenant household.
- "No Fault" Terminations. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends that the County add two "No Fault" reasons for terminating a tenancy: owner move-ins, and going out of the rental business and withdrawing a property from the rental market as provided under the Ellis Act.
- Additional Eviction Limitations. By a vote of seven (7) in favor, two (2) opposed, and one (1) abstention, the Working Group recommends landlords not be permitted to evict solely on the basis of a change in ownership by sale or foreclosure or during the academic school year when the rental unit is the primary residence of a school age child.
- Enhanced Noticing Requirements. By a vote of eight (8) in favor, one (1) opposed, and one (1) abstention, the Working Group recommends that any termination of tenancy notice include information related to the County's Just Cause for Eviction policies, and tenants' rights information in both English and the tenant's primary language.

- Relocation Assistance. By a vote of eight (8) in favor, one (1) opposed, and one (1) abstention, the Working Group recommends that in No-Fault evictions the landlord should be required to pay relocation assistance to the terminated tenant household except for qualifying owner move-ins for rental units that are not subject to the recommended rent stabilization program.
- Right of Return. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends that the County require landlords to offer a first right of return to all tenants subject to a No-Fault termination to the full extent permitted under the Ellis Act except for qualifying owner move-ins for rental units that are not subject to the recommended rent stabilization program.

C. Additional Laws, Regulations and Assistance Programs

The Working Group recommends programs to address potential harassment, discrimination, housing conditions and habitability, and assistance for tenants.

- Habitability. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends the County implement a complaint-based inspection program, a rent escrow account program, a tenant habitability program, and engage in systemic code enforcement practices, each modeled after the City of Los Angeles' programs to ensure habitability of units. Further, the Working Group recommends that if a landlord must perform substantial rehabilitation of a unit, that relocation assistance and right to return for tenants is required.
- Anti-Harassment, Anti-Discrimination. By a vote of eight (8) in favor, one (1) opposed, and one (1) abstention, the Working Group recommends the County adopt an ordinance prohibiting landlords from refusing to rent to a tenant solely on the basis of being a Section

8 voucher holder, or solely because of the tenant's participation in other similar federal, state or local rent assistance programs.

D. Implementation Mechanisms

The Working Group evaluated the options for implementing a tenant protections program, and ongoing oversight of the program such that County staff and administrative resources would be required. The Working Group recommends an oversight board and a dedicated funding source to administer the program. The Working Group recommends that the cost of such an administrative structure be shared between landlords and tenants.

- Oversight Board. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends the Board of Supervisors appoint an oversight board to hear petitions from landlords and tenants. The Working Group recommends the oversight board include both landlord and tenant representation.
- Administrative Fees. By a vote of eight (8) in favor, one (1) opposed, and one (1) abstention, the Working Group recommends the County assess an annual fee to landlords for each unit covered by the rent stabilization program. Up to fifty percent (50%) of the fee can be passed through to tenants over and above their maximum allowable rent.
- Education and Outreach. By a vote of nine (9) in favor, none opposed, and one (1) abstention, the Working Group recommends a dedicated multi-lingual outreach program to educate landlords and tenants about their rights and responsibilities.

The Working Group submits the following report regarding the policy framework and range of options to implement County tenant protections for Board consideration. Should the Board choose to adopt a tenant protections program, the Working Group is available for

consultation on the administrative framework for such a program, as well as any policy discussions as needed.