

# Proposition 21

## Rent Control

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### Purpose

Proposition 21 would expand local governments' authority to impose rent control measures on residential properties.<sup>1</sup>

### Background

Rent control policies limit how much a landlord may raise a tenant's rent. These policies often result from skyrocketing rent prices caused by housing shortages.

Seventeen million Californians are renters, totaling 45% of the state's total population.<sup>2</sup> California's rental prices are among the highest in the nation; the state's median rent is \$1,447, whereas the United States' is \$1,012.<sup>3</sup> These figures are part of a decades-long trend; California's housing prices soared to levels 80% above the US average in 1980 and have continued to rise since.<sup>4</sup> The state's housing affordability crisis is especially acute in metropolitan areas such as Los Angeles and the Bay Area, and has caused many Californians to demand action.<sup>5</sup>

In 1995, California passed the Costa-Hawkins Act to address the issue of non-uniform rent control policies across the state.<sup>6</sup> Costa-Hawkins placed three main limits on local governments with respect to the rent control policies they can enact. Rent control policies cannot be applied to single-family homes, to housing built after 1995, and they cannot tell landlords what to charge new tenants.<sup>7</sup>

Costa-Hawkins has faced two recent challenges. First, in 2018, rent control advocates placed a measure on the ballot that would have fully repealed Costa-Hawkins and allowed cities and

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<sup>1</sup> Legislative Analyst's Office, "Proposition 21. Expands Local Governments' Authority to Enact Rent Control on Residential Property. Initiative Statute. Analysis of Measure," n.d., <https://lao.ca.gov/ballot/2020/Prop21-110320.pdf>.

<sup>2</sup> "Residential Rent Statistics for California." n.d. Department of Numbers. Accessed September 27, 2020. <https://www.deptofnumbers.com/rent/california/>.

<sup>3</sup> Legislative Analyst's Office, "California's High Housing Costs: Causes and Consequences," March 15, 2017. <https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx>.

<sup>4</sup> Ibid.

<sup>5</sup> Elijah Chiland, "Rent Control in Los Angeles, Explained." *Curbed LA*. June 4, 2018. <https://la.curbed.com/2018/6/4/17302800/rent-control-los-angeles-rules-guide>.

<sup>6</sup> Legislative Analyst's Office, "Proposition 21."

<sup>7</sup> Ibid.

counties to enact rent control policies for all forms of housing. Voters rejected that measure by a margin of 20% statewide, defeating it in 56 of 58 counties.<sup>8</sup>

Second, the California Legislature passed the Tenant Protection Act of 2019, which established a statewide ceiling on rent increases for most rental housing in California. The ceiling is 5% plus inflation or 10%, whichever is lower.<sup>9</sup> This restriction applies to most housing that is more than 15 years old.<sup>10</sup>

### Proposal

Proposition 21 would change three provisions of the Costa-Hawkins Act. First, it would make most properties more than 15 years old eligible for rent-control protections. Second, it would allow rent control on single-family homes owned by people with more than two properties. Third, it would authorize cities and counties to limit rent increases for new tenants to no more than 15% over three years.

### Fiscal Impact

The California Legislative Analyst's Office projects that Prop 21 could reduce state, county, and local revenues by tens of millions of dollars over time.<sup>11</sup> The extent of these losses would be determined largely by the extent of rent control policies adopted by local governments. Further, the value of rental housing would eventually decline in California as landlords would be discouraged by the rising costs of owning rental properties.

### Supporters

Prop 21 supporters include:

- AIDS Healthcare Foundation (AHF)
- SEIU of California
- Housing Is A Human Right (HHR)
- Yes on 21 – Renters and Homeowners United to Keep Families in Their Homes
- California Democratic Party
- Senator Bernie Sanders (D-Vermont)
- Our Revolution
- Rep. Maxine Waters (D-CA)
- Dolores Huerta Foundation

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<sup>8</sup> Ballotpedia, "California Proposition 10, Local Rent Control Initiative (2018)."

[https://ballotpedia.org/California\\_Proposition\\_10\\_Local\\_Rent\\_Control\\_Initiative\\_\(2018\)](https://ballotpedia.org/California_Proposition_10_Local_Rent_Control_Initiative_(2018)).

<sup>9</sup> Matt Levin, "A Rare Tenant Win and a Lingering Question: Why Don't California's Renters Have More Political Punch?" 2019. *CalMatters*, May 30, 2019. <https://calmatters.org/politics/2019/05/california-renters-lack-power-despite-rare-tenant-win>.

<sup>10</sup> "Bill Text - AB-1482 Tenant Protection Act of 2019: Tenancy: Rent Caps." n.d.

[https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201920200AB1482](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1482).

<sup>11</sup>Legislative Analyst's Office, "Proposition 21."

As of September 24, 2020, supporters raised approximately \$24 million in total contributions, with more than \$20 million coming from the AIDS Healthcare Foundation, led by activist Michael Weinstein.<sup>12</sup>

### Arguments of Supporters

Supporters argue that passing Prop 21 would help remedy the state's housing crisis by:

- Limiting rent increases.
- Providing housing stability for vulnerable populations.
- Giving local communities more authority on issues of rent control.
- Making housing more accessible for millions of Californians amid economic turmoil.

### Opponents

Opponents include:

- Governor Gavin Newsom (D)
- California Building Industry Association
- Building Trades Unions
- Veterans Groups
- California Chamber of Commerce
- Congress of California Seniors
- California Rental Housing Association

As of September 24, 2020, opponents raised approximately \$41 million in total contributions, mostly from rental property owners. Major donors include Essex Property Trust Inc. (\$6.6 million), California Business Roundtable Issues PAC (\$5.6 million), and Equity Residential (\$5.5 million).<sup>13</sup>

### Arguments of Opponents

Opponents argue that passing Prop 21 would do little to remedy the state's housing crisis because it:

- Discourages housing investments in the state long-term.
- Reduces the availability of middle-class housing.
- Eliminates protections for homeowners.
- Imposes new bureaucratic controls over rent control, without public oversight.

### Conclusion

A YES vote on Prop 21 would allow local governments to enact more kinds of rent control policies on more kinds of housing than under current law.

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<sup>12</sup> Ballotpedia, "California Proposition 21."

<sup>13</sup> Ibid.

A NO vote on Prop 21 would continue to limit the rent control policies that local governments can apply.