



Proposition 10

Expand Local Authority to Enact Rent Control

Placed on the Ballot by the Petition Signatures

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Purpose

Proposition 10 would repeal the Costa-Hawkins Rental Housing Act of 1995 and thus remove current limits on the kinds of rent control laws cities and counties can enact.

Background

Rent control policies set an upper limit on the prices landowners may charge tenants to lease property. They can be instituted if policymakers feel that rent prices are too high or unfair for some reason. For example, rent control was instituted after World War II in New York, when returning soldiers caused demand for housing to skyrocket.¹ Typically, a price ceiling is set and increase limits may also be instituted, which, for example, tie price increases year after year to the rate of inflation.

In California, the Costa-Hawkins Rental Housing Act of 1995 limits local rent control laws in three main ways. First, local jurisdictions cannot apply rent control to single-family homes. Second, rent control cannot apply to newly built housing completed on or after February 1, 1995. Third, rent control laws cannot tell landlords what they can charge a new renter when first moving in.²

Costa-Hawkins was passed after a decade-long campaign by property owners to oppose rent control policies passed by municipalities.³ While California has always been an expensive place to own or rent a residence, housing prices began to increase rapidly in the 1970s, reaching about 80% higher than overall US levels by 1980.⁴ Renters in California pay 50 percent more for housing than renters in other states.⁵

¹ <https://www.nytimes.com/2013/07/28/magazine/the-perverse-effects-of-rent-regulation.html>

² <https://lao.ca.gov/BallotAnalysis/Proposition?number=10&year=2018>

³ http://articles.latimes.com/1995-07-25/news/mn-27574_1_rent-control-feature

⁴ <https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx>

⁵ <https://lao.ca.gov/BallotAnalysis/Proposition?number=10&year=2018>

While rent control seems like a simple solution to the problem of high rent prices, economic analysis shows that rent control policies reduce housing supply and discourage future investment in housing, overall increasing home prices. Research in San Francisco reveals that rent control policies enacted in 1994 led to a 15 percent decrease in housing supply and a city-wide increase in housing prices of 7 percent.⁶ Additionally, a 2015 report by the California Legislative Analyst's Office cites the lack of housing supply as the chief driver of high housing prices and estimates that California would need to add 100,000 houses to coastal areas each year to meeting housing demand.⁷

Proposal⁸

Proposition 10 repeals the Costa-Hawkins limits on rent control laws. Without these limits, cities, and counties would be able to regulate rents for *any* housing and also regulate increases when a new renter moves in. Prop 10 itself does not make any changes to local rent control laws. It changes the state law to allow local governments to enact those laws for their own jurisdictions.

Fiscal Impact⁹

The LAO analysis notes that the effects of Prop 10 will depend on the specific actions that local governments take. That is, they will depend on how many communities pass new laws, how many properties are covered, and specifically many rents are limited. The most likely effects are:

- A reduction in rental housing supply if landlords sell rental housing to people who then live there.
- A decline in the value of rental housing if potential landlords are less interested in buying these properties.
- A decline in housing expenses for some renters and in income for some landlords.
- Less mobility for renters if renters move less often.

The LAO estimates that Prop 10 is likely to reduce state and local revenue in the long term, mostly due to reductions in property tax revenues. How much will depend on how widely local governments enact rent control and the specifics of each new law. The LAO estimates annual revenue losses ranging from tens of millions of dollars to hundreds of millions.

⁶ https://cepr.org/sites/default/files/McQuade,%20Tim%20DMQ_Paris.pdf

⁷ <https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx>

⁸ <https://lao.ca.gov/BallotAnalysis/Proposition?number=10&year=2018>

⁹ <https://lao.ca.gov/BallotAnalysis/Proposition?number=10&year=2018>

It also estimates that renters benefitting from lower rent would have more disposable income, stimulating consumption and increasing sales tax revenue.

Supporters¹⁰

Two committees are registered to support Prop 10.

- Yes on 10 – A Coalition of Teachers, Nurses, Seniors and Renters for Affordable Housing, Sponsored by AIDS Healthcare Foundation and ACCE Action
- Make Housing Affordable – Yes on Prop. 10, A Coalition of Community Groups, Renters, Unions, Small Landlords and Homeowners

The California Democratic Party also supports Prop 10.

As of August 01, 2018, supporters of Prop 10 have contributed about \$2.5 million to support the measure. The AIDS Healthcare Foundation is the largest donor.¹¹

Arguments of Supporters¹²

- Restores local authority to enact rent control.
- Puts fair annual limits on how much landlords can raise the rent.
- Keeps tenants in their homes.

Opponents

Four committees are registered to oppose Prop 10.

- No on Prop 10; Californians for Responsible Housing, A Coalition of Veterans, Seniors, Affordable Housing Providers, Social Justice Groups, Taxpayer Associations, and Labor; Sponsored by the California Apartment Association
- No on Prop 10 – A Flawed Initiative That Will Make the Housing Crisis Worse, A Coalition of Housing Advocates, Renters, Large and Small Businesses, Taxpayer Groups, and Veterans.
- Californians for Affordable Housing, No on Proposition 10, Sponsored by the California Rental Housing Association
- California Rental Housing Association, No on Prop 10 (Nonprofit 501(C)(6))

¹⁰ <http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/17-0041-expands-local-governments-authority-enact-rent-control-residential-property-initiative-statute/>

¹¹ <http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/17-0041-expands-local-governments-authority-enact-rent-control-residential-property-initiative-statute/>

¹² <http://voterguide.sos.ca.gov/quick-reference-guide/10.htm>

The California Republican Party also opposes the measure. As of August 01, 2018, opponents of Prop 10 have contributed over \$20 million to oppose the measure.¹³

Arguments of Opponents¹⁴

Opponents argue that Prop 10 will make California's housing crisis worse, not better, saying it would:

- Be bad for renters and bad for homeowners.
- Allow regulation of single-family homes.
- Put bureaucrats in charge of housing by letting them add fees on top of rent and increase bureaucratic red tape for property owners who wish to lease their property.
- Increase bureaucratic red tape for landowners who wish to lease their property¹⁵
- Lead to less housing available due to less opportunity for profit
- Discourage future investment in building rental housing

Conclusion

A **YES** vote on Proposition 10 would eliminate current restrictions on cities and counties to enact rent control laws.

A **NO** vote on Proposition 10 would maintain restrictions already in place on cities and counties, on the kinds of rent control they can have.

For more information on Proposition 10, visit:

www.roseinstitute.org

www.VoteYesOnProp10.org

www.noprop10.org

¹³ <http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/17-0041-expands-local-governments-authority-enact-rent-control-residential-property-initiative-statute/>

¹⁴ <http://voterguide.sos.ca.gov/quick-reference-guide/10.htm>

¹⁵ <https://sf.curbed.com/2018/7/16/17576018/california-democratic-party-endorsement-prop-10-costa-hawkins-repeal>