

**Metropolitan Transportation Commission and the Association of Bay Area Governments
Joint MTC Legislation Committee and
ABAG Legislation Committee**

May 10, 2019

Agenda Item 7b2

California Housing Legislation – Protection Bills

Subject: AB 1482 (Chiu) – Statewide Annual Cap on Rent Increases

Background: AB 1482 would establish a statewide limit on rent increases, allowing for a maximum of 5 percent plus the Consumer Price Index (CPI)¹, annually, effective March 15, 2019. The proposal would bar a rent increase above 10 percent in a single year. AB 1482 would not apply to: 1) deed-restricted affordable housing; 2) dormitories; and 3) does not apply to housing already subject to more restrictive rent caps. The bill requires the landlord to provide notice of any increase in the rental rate to each tenant in accordance with existing law. It also requires that, by January 1, 2033, the Department of Housing and Community Development (HCD) must report to the Legislature regarding the effectiveness of this program. The report shall include, but not be limited to, the impact of the rental rate cap established in this bill on the housing market within the state.

Issues: The bill aims to strike a balance between protecting tenants with the need for landlords to earn a reasonable enough rate of return to stay in the business, and avoid creating any disincentive for new residential development. Not surprisingly, the bill is opposed by advocates on both sides of the issue, with many tenant advocates concerned the allowable rent increases are too high and apartment association representatives pointing out that California voters showed their dislike of any form of rent control in their rejection of Proposition 10 on the November 2018 ballot. In our view, AB 1482 is different enough from Proposition 10 that it is reasonable for the Legislature to revisit the issue. Most importantly, by setting a statewide annual rent increase of 5 percent plus inflation, AB 1482 provides landlords with a predictable and reasonable rate of return, something that was not the case with Proposition 10. That measure simply broadened the scope of local rent control policies, which tend to allow much lower annual rent increases.

As you know, the cost of housing in California is the highest of any state in the nation, with Bay Area rents and housing prices topping the list. Additionally, the pace of change in the cost of housing has far outstripped that in other parts of the county. For example, in 1970 housing costs in California were 30 percent higher than the national average; now they are

¹ Over the past 25 years the CPI in California have averaged approximately 2.5 percent. However, CPI fluctuates year-to-year and region-to-region, based on macro- and local economic conditions.

250 percent higher. While incomes have increased over that period, they have done so at a much slower pace. As a result, over half of renters and 80 percent of low-income renters are rent-burdened, meaning they pay over 30 percent of their income towards rent.

Research by Zillow from 2018 found that some areas with a high percentage of rent-burdened households experienced a rapid increase in homelessness, and areas where high rents are combined with high poverty experienced triple the homelessness rate of the average community. According to the Turner Center for Housing Innovation at UC Berkeley, California has approximately 16.6 million renters living in about 5.7 million rental units. Of those, 1.9 million renters live in the state's approximately 700,000 rent-controlled units. The other 14.7 million Californians live in approximately five million housing units that are not subject to any controls regarding the amount of rent increases sought upon the completion of a lease.

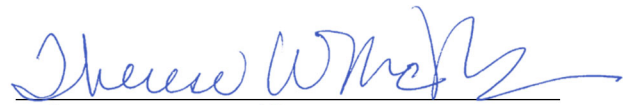
The CASA Compact was predicated upon the understanding that a solution to the Bay Area's housing crisis requires progress on the "3Ps" of *protection* of existing residents from displacement, *preservation* of existing affordable housing and the *production* of more housing for residents at all income levels. Bay Area legislators are embracing this approach as it's widely recognized that bills that focus on production, while essential, will not address the near-term pressures facing the region's most economically vulnerable households.

In the spirit of supporting a comprehensive and balanced solution to the Bay Area's housing crisis, staff recommends a support position on AB 1482.

Recommendation: Support

Bill Positions: See attached

Attachment: Attachment A: Bill Positions


Therese W. McMillan

Attachment

AB 1482 (Chiu) Bill Positions

Support: Alliance of Californians for Community Empowerment (co-sponsor), California Rural Legal assistance Foundation (co-sponsor), PICO California (co-sponsor), Public Advocates (co-sponsor), Western Center on Law and Poverty (co-sponsor), PolicyLink, ACT-LA, AFSCME Local 3299, American Civil Liberties Union (ACLU), Asian Americans Advancing Justice-California, Asian Americans and Pacific Islanders for Civic Empowerment Education Fund, Asian Pacific Environmental Network (APEN), Bay Area Legal Aid, California Alliance for Retired Americans, California Conference of Machinists, California Conference Board of the Amalgamated Transit Union, California Labor Federation, California Reinvestment Coalition, California Renters Legal Advocacy and Education Fund (CaRLA), California Rural Legal Assistance, California Rural Legal Assistance Foundation, California Teamsters Public Affairs Council, Central Coast Alliance United for a Sustainable Economy (CAUSE), Central Valley Empowerment Alliance, Chan Zuckerberg Initiative, Coalition for Humane Immigrant Rights (CHIRLA), Congregations Organized for Prophetic Engagement (COPE), Courage Campaign, East Bay Community Law Center (EBCLC), East Bay For Everyone, East Bay Housing Organizations, Engineers and Scientists of California IFPTE Local 20 AFL-CIO, Enterprise Northern California, Eric Garcetti (Mayor of Los Angeles), Esperanza Community Housing Corporation, Fair Rents for Redwood City, Faith in Action Bay Area, Faith in the Valley, Hamilton Families, Housing California, Hunger Action Los Angeles, Indivisible San Diego Central, Indivisible SF, Inlandboatmens Union of the Pacific, Just Cities/Dellums Institute, The Kennedy Commission, Korean Resource Center, Koreatown Immigrant Workers Alliance, LA Forward, LA Voice, Law Foundation of Silicon Valley, Leadership Counsel for Justice & Accountability, Legal Aid Foundation of Los Angeles (LAFLA), Legal Services for Prisoners with Children, Los Angeles Alliance for a New Economy, Los Angeles Homeless Services Authority, Monument Impact, National Association of Social Workers-California Chapter, National Union of Healthcare Workers, Nonprofit Housing Alliance of Northern California, The Orange County Civic Engagement Table, Planning and Conservation League (PCL), Power California, Progressive Asian Network for Action (PANA), Public Counsel, Public Interest Law Project, Professional and Technical Engineers IFPTE Local 21 AFL-CIO, Sacramento Filipinx LBTQIA, Sacred Heart Community Service, San Francisco Foundation, SEIU California, SEIU Local 1021, South Bay Progressive Alliance, Southern California Association of Nonprofit Housing (SCANPH), State Building Trades and Construction Trades Council of California, Strategic Actions for a Just Economy (SAJE), TechEquity Collaborative, Tenderloin Neighborhood Development Corporation, Thai Community Development Center, TransForm, United Teachers Los Angeles, University of California Davis Bulosan Center for Filipino Studies, Utility Workers of America, UNITE HERE AFL-CIO, UNITE HERE Local 19, Viet Vote, Working Partnerships USA, YIMBY Action

Support if Amended: Bay Area Council, Building Industry Association of the Bay Area, San Francisco Bay Area Planning and Urban Research Association (SPUR), Youth United for Community Action (YUCA), One San Mateo, Community Legal Services East Palo Alto, Housing for All Burlingame, Oakland Chamber of Commerce, Related California.

Oppose: Apartment Association California, Southern Cities Apartment Association of Orange County, California Apartment Association, California Association of Realtors, California Rental Housing Association, East Bay Rental Housing Association, Southern California Apartment Association.