

# **PROPOSITION 21:**

## **EXPANDS LOCAL GOVERNMENTS' AUTHORITY TO ENACT RENT CONTROL ON RESIDENTIAL PROPERTY. INITIATIVE STATUTE**

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### **Secretary of State Ballot Summary:**

- Amends state law to allow local governments to establish rent control on residential properties over 15 years old.
- Allows rent increases on rent-controlled properties of up to 15 percent over three years from previous tenant's rent above any increase allowed by local ordinance.
- Exempts individuals who own no more than two homes from new rent-control policies.
- In accordance with California law, provides that rent-control policies may not violate landlords' right to a fair financial return on their property.

### **Background:**

The Costa-Hawkins Rental Housing Act (Costa-Hawkins) is a state statute passed in 1995 that limits the use of rent control in California. Costa-Hawkins prohibits cities from enacting rent control on housing first occupied after February 1, 1995, and housing units where the title is separate from connected units, such as free-standing houses, condominiums, and townhouses. It also states that housing exempted from a local rent control ordinance before February 1, 1995, must remain exempt and allows landlords to increase rent prices to market rates when a tenant moves out. Prior to the enactment of Costa-Hawkins, local governments were permitted to enact rent control, provided landlords would receive just and reasonable returns on their rental properties.

A similar proposition to this one, Proposition 10, also backed by the AIDS Healthcare Foundation and its president Michael Weinstein, was on the ballot in 2018 but was voted down by 59% of voters. Proposition 10 was one of four housing-related measures on the 2018 ballot. Two of the four measures passed; Proposition 1 authorized \$4 billion in bonds for affordable housing programs for veterans and Proposition 2 that authorized the state to use revenue from an existing 1 percent tax on income above \$1 million on homelessness prevention housing.

In 2019, AB 1482 was signed into law to cap annual rent increases at 5 percent plus inflation for tenants. AB 1482 also required "just cause" before a landlord could evict tenants that had occupied the rental for at least one year. The law includes exemptions for housing built in the past 15 years and some single-family homes and duplexes.

### **Legislative Analyst and Director of Finance estimate of fiscal impact:**

Potential reduction in state and local revenues of tens of millions of dollars per year in the long term. Depending on actions by local communities, revenue losses could be less or more.

### **Support and Opposition:**

Supporters include the AIDS Healthcare Foundation and ACCE who argue the affordability crisis for renters has reached epic proportions with many people paying 50 percent or more of their income to keep a roof over their head requiring a statewide rent control measure. They also say that this measure allows California cities to pass sensible limits on rent increases and protect families, seniors and veterans from skyrocketing rents.

The opposition includes the Apartment Association, the State Building and Construction Trades Council, many building trades locals, business and veterans' groups. They argue that voters overwhelmingly rejected the 2018 rent control initiative and Michael Weinstein's second attempt will also be rejected. They say we need policies that encourage more affordable and accessible housing and this measure is a distraction aimed at delaying important advances in protecting renters and building housing to alleviate the crisis impacting working families. They also contend that this will interfere with historic renter protections and block the path towards future investment in the construction of affordable housing units.

**Prior Positions:**

The Federation took a support position on Propositions 1, 2 and 10 related to housing on the 2018 ballot.

**A YES vote on this measure means:**

Voters would allow local governments to enact rent control on housing that was first occupied over 15 years ago, with an exception for landlords who own no more than two homes with distinct titles or subdivided interests.

**A NO vote on this measure means:**

Voters would not allow local governments to enact rent control.