



PROPOSITION 33

Expands Local Governments' Authority to Enact Rent Control on Residential Property. Initiative Statute.

ANALYSIS OF MEASURE

BACKGROUND

Rental Housing Is Expensive in California. Renters in California typically pay about 50 percent more for housing than renters in other states. In some parts of the state, rent costs are more than double the national average. Rent is high in California because the state does not have enough housing for everyone who wants to live here. People who want to live here must compete with other renters for housing, which increases rents.

Several Cities Have Rent Control Laws. Some local governments in California have laws that limit how much landlords can increase rents from one year to the next. These laws often are called rent control. About one-quarter of Californians live in communities with local rent control. Examples of places with rent control are the Cities of Los Angeles, San Francisco, and San Jose.

State Law Limits Rent Increases. In addition to local rent control laws, a state law prevents most landlords from increasing a tenant's rent by more than 5 percent plus inflation (up to a total of 10 percent) in a year. This law lasts until 2030.

State Law Limits Local Rent Control. Another state law, known as the *Costa-Hawkins Rental Housing Act* (Costa-Hawkins), limits local rent control laws in three main ways. First, rent control cannot apply to any single-family homes. Second, rent control cannot apply to any housing built on or after February 1, 1995. Third, rent control laws generally cannot tell landlords what they can charge a new renter when first moving in. Instead, rent control can only limit how much landlords increase rent for existing renters.

PROPOSAL

Allows Local Governments to Expand Rent Control. Proposition 33 eliminates Costa-Hawkins. Under the proposition, cities and counties can control rents for any housing. They also can limit how much a landlord may increase rents when a new renter moves in. The proposition itself does not make any changes to existing local rent control laws. Generally, cities and counties would have to take separate actions to change their local laws.

Limits State Ability to Regulate Rent Control. Proposition 33 prevents the state from taking future actions to limit local rent control.

FISCAL EFFECTS

Effects on Renters and Landlords. If Proposition 33 passes, local rent control laws probably would expand in some communities. This could have many effects on renters, landlords, and rental properties. The most likely effects are:

- Some renters who live in properties covered by rent control would spend less on rent. Some renters who live in properties not covered by rent control would spend more on rent.
- Some renters would move less often.
- Fewer homes would be available to rent. One reason for this is that some landlords would sell their properties to new owners who would live there instead of renting it out.
- The value of rental housing would decline because potential landlords would not want to pay as much for these properties.

The size of these effects would depend on how many properties end up being covered by local rent control and how much rents are limited. These things would be decided by future actions of local governments and voters.

Reduced Local Property Tax Revenues. A decline in the value of rental properties would reduce the amount of property taxes paid by landlords. This would reduce property tax revenues for cities, counties, special districts, and schools. With time, these property tax reductions likely would be at least tens of millions of dollars each year (annually). This is less than one-half of 1 percent of all property tax revenue. About half of the reduction would be property tax revenues that would have gone to schools. In some years, the state might give more money to schools to cover their losses.

Increased Local Government Costs. If local rent control laws expand, local governments could have increased costs to carry out these laws. These costs could range from a few million dollars to tens of millions of dollars annually. These costs likely would be paid by fees on landlords.

YES/NO STATEMENT

A **YES** vote on this measure means: State law *would not* limit the kinds of rent control laws cities and counties could have.

A **NO** vote on this measure means: State law *would continue to* limit the kinds of rent control laws cities and counties could have.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT

- Reduction in local property tax revenues of at least tens of millions of dollars annually due to likely expansion of rent control in some communities.

BALLOT LABEL

Fiscal Impact: Reduction in local property tax revenues of at least tens of millions of dollars annually due to likely expansion of rent control in some communities.