

Los Angeles Coalition for Responsible Housing Solutions

May 2, 2018

Ms. Sachi Hamai
Chief Executive Officer
County of Los Angeles
500 West Temple Street, Room 713
Los Angeles, CA 90012

Dear Ms. Hamai,

On behalf of the members of the Los Angeles Coalition for Responsible Housing Solutions, we are writing to express our position on the upcoming Tenant Protections Working Group meeting on May 2, 2018, specifically as it relates to regulating rent increases.

As a coalition that continually seeks common ground to address the housing and homelessness crisis, we offer our expertise, opinion and suggestions because we believe housing is a shared challenge with shared solutions. We fundamentally believe our participation and input into the County's discussion will help create a long-term foundation for success while our exclusion will likely result in lopsided, unworkable results.

The regulation of rent increases has been a central point of discussion for the Tenant Protections Working Group thus far. In some instances, members have suggested that the Working Group should adopt regulations on rent regardless of data or empirical analysis. The cart is before the horse for some members.

While there is a shared challenge of long-term rent affordability, particularly for elderly or single parent households, we assert that artificial market fixes do not offer stability for the rental market. There are countless studies, discussions and reports from highly regarded institutions like the State Legislative Analyst, the California League of Cities, universities and countless news articles that suggest rent control does nothing to increase housing or long-term affordability. The Coalition asserts that artificial regulations will not only endanger rental market stability, they will create potentially destructive outcomes that will threaten the supply and overall stability of the housing market.

Supply Threat

The State Legislative Analyst report from 2016 suggests that (1) expanding the number of units covered by rent control; and (2) prohibiting property owners from resetting rents would not increase the housing supply and would discourage new construction. The Legislative Analyst

continued that “this approach does very little to address the underlying cause of California’s high housing costs: a housing shortage.”¹

Owners of rental housing subject to rent control are more likely to convert properties to condos or other forms of ownership. The market values (the price a property could be sold for) of properties appears to decline when they are placed under rent control.

The Coalition strongly urges the County to seek policies and remedies that will foster new development, rather than creating a questionable financial environment for builders and tenants.

Financial Threat

Rent control splits the rental housing market into two segments—the regulated segment and the shadow market (unregulated units). When prices in the regulated segment are kept artificially low, prices in the shadow market increase. Prices in the shadow market, where prices are not regulated, are forced higher than the normal market because the shadow market absorbs the excess demand in the restricted market.

Furthermore, rent control ends up benefitting upper income renters, not families, low income, seniors or minorities. Households would have to compete based on factors other than how much rent they are willing to pay. Property owners might decide between tenants based on their income, creditworthiness, or socioeconomic status, which is likely to benefit more affluent renters.

County Program Administration

Undoubtedly, any regulatory structure adopted by the County will have a budget impact. Most jurisdictions that implement a form for rent control have appointed or elected boards who oversee operations and staffing. The County will need to reallocate funding for the same purpose.

For example, the City of Santa Monica, which has approximately 50,000 rental units, similar to the approximately 50,000 rental apartments in the unincorporated County, has a Rent Control Board of five members with over 25 staff members and budget of over \$5 million.

The Coalition would like to respectfully suggest that rather than expending financial and fully loaded employee benefits, the County allocate the same funding back to tenants in the greatest need by expanding a rental voucher program to protect the most in-need tenants. The voucher should go directly toward assisting the elderly and single families, those most likely in need.

Conclusion

Property owners need tenants, just as much as tenants need a place to call home. However, implementing a regulatory structure that does nothing to help the neediest tenants while simultaneously stifling new development, is simply bad policy. We support policies that protect tenants, provide stability and support the housing market. We cannot support a regulatory structure that ignores data, the need to build more affordable housing and the costs on property owners.

¹Mac Taylor, Legislative Analyst’s Office, Perspectives on Helping Low-Income Californians Afford Housing, February 9, 2016

We look forward to a continued dialogue on all issues related to the Tenant Protections Working Group and affordable housing.

We appreciate your consideration,

The Los Angeles Coalition for Responsible Housing Solutions, including:

Apartment Association of Greater Los Angeles
Apartment Association, California Southern Cities
Arcadia Association of REALTORS®
Beverly Hills Greater Los Angeles Association of REALTORS®
Building Owners and Managers Association International
Burbank Association of REALTORS®
California Apartment Association
Greater Antelope Valley Association of REALTORS®
Greater Downey Association of REALTORS®
Los Angeles County Business Federation
Long Beach Chamber of Commerce
NAIOP – Commercial Real Estate Development Association
Pacific West Association of REALTORS®
Pasadena Foothill Association of REALTORS®
Rancho Southeast Association of REALTORS®
South Bay Association of REALTORS®
Southland Regional Association of REALTORS®
Tri Counties Association of REALTORS®
United Chambers of Commerce San Fernando Valley Region
Valley Industry and Commerce Association
West San Gabriel Valley Association of REALTORS®