RENT STABILIZATION

AN OVERVIEW OF THE POSSIBILITIES FOR THE CITY OF SACRAMENTO

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Introduction

Sacramento is experiencing a severe shortage of affordable housing that is causing undue stress and financial burdens on our renter households. Rents are rising, the vacancy rate is shrinking, and most of the new housing units built in Sacramento are aimed at above-moderate income households. This crisis has led many community members to call for rent stabilization to protect vulnerable renters.

Rent stabilization (also known as rent control) is broadly defined as a policy tool that protects tenants of privately owned residential properties from excessive rent increases, the same way homeowners are protected from excessive interest rate increases by fixed rate mortgages and property tax increases by Proposition 13. Rent stabilization aims to preserve the affordability of non-subsidized units while ensuring landlords receive a fair return on their investment. Increasingly, rent stabilization is seen as one of several effective community stabilization and anti-displacement policies that could relieve rent-burdened Sacramento residents. This paper will review the history of rent stabilization, common components of rent stabilization policies, the various effects of rent stabilization, and discuss how rent stabilization could be enacted in the City of Sacramento.

Terminology: Rent stabilization

Many terms exist to describe rent stabilization policies including: rent stabilization, rent control, and rent regulation. For the purposes of this paper, we'll refer to these policies generically as "rent stabilization," as it best describes the intention of the policies to stabilize rents and communities.

The Sacramento Housing Crisis: A Brief History

Sacramento County needs 58,552 more affordable rental homes to meet the needs of its lowest income renters. Even as more people find themselves in need of affordable housing, Sacramento County has lost over two-thirds of the funding it used to have to build new affordable homes (CHPC & SHA, 2018). Rent stabilization represents an opportunity to protect housing insecure renters.

The Renters

"Sacramento is seeing the highest rent hikes of any major California city."

- Ryan Lillis, Sacramento Bee, June 8, 2017

Sacramento's affordable housing crisis has been hardest on the 50% of Sacramento households that rent their home (City of Sacramento, 2013). While homeowners in Sacramento have seen home prices appreciate rapidly even as their mortgage payment remains stable, **renters have seen their housing costs skyrocket**. In 2016, 54% of renters in the City of Sacramento were rent burdened, paying more than a third of their incomes towards rent (American Community Survey, 2016). For Sacramento's lowest income households, the situation was particularly dire: 80% of extremely low income households were severely cost burdened, paying more than half their income towards rent (CHPC & SHA, 2018). From June 2016 to June 2017, Sacramento rents increased 9.9 percent. That is the highest year-over-year rent increase in the nation (Hart, 2017).

While the State of California requires tenants receive notice when the landlord increases their rent, there is currently no limit on rent increases in Sacramento County or statewide. The state requires landlords to give tenants at least 30 days' advance notice for a proposed rent increase of ten percent or less and 60 days' advance notice if the rent increase is more than ten percent.

Rent stabilization would provide protections and security to renter households. Rent stabilization, when paired with just cause eviction protections as discussed below, "assures tenants in rent-stabilized units that once they move in their rents will not drastically increase, **giving tenants a level of security similar to that of homeowners who are protected from rapid cost increases by the state property tax limitation and fixed-rate mortgages"** according to the Berkeley Rent Stabilization Board (Barton & Kelekian, 2010). California's Proposition 13 has been described as "**rent control for landlords."** In this case, it stabilizes property taxes for property owners and set tax rates at 1% of a property's sale price while annual increases were capped at 2% or less. California's local governments have lost this revenue to subsidize stable payments for homeowners. Furthermore, fixed-rate mortgages became industry standard in the 1930s. The New Deal created the Home Owners Loan Corporation which acquired

defaulted loans and restricted them with fixed rates of interest. A few years later, the Federal Housing Administration insured fixed rate mortgages to "facilitate the flow of funds into mortgage financing" (Butkiewicz, 2009). One scholar suggested, "Americans now seem to regard the availability of long-term fixed-rate mortgages as part of their civil rights" (Woodard, 2010). The protections that homeowners receive are a direct result of government intervention and regulation. Renters deserve the same protections. Without them, households overpaying for rent are at heightened risk of involuntary displacement and homelessness.

Furthermore, this crisis is perpetuating racial inequality in Sacramento. Sacramento residents of color are disproportionately likely to be rent burdened – 64% of Black and 59% of Latino renters pay more than 30% of their incomes towards rent (PolicyLink, 2018). Nearly half of Sacramento residents are low-, very low-, or extremely-low income (City of Sacramento, 2013). Increasing rents are particularly difficult for lower income renter families already spending over half their income on rent, at the expense of quality food, transportation, healthcare, and other necessities (CHPC & SHA, 2017). Unaffordable rents also crowd out a significant amount of local spending. If all Sacramento renters paid no more than 30% of their income on housing, they would have an extra $302 million to spend in the community each year, or $6,100 per household (PolicyLink, 2018). Unchecked, the housing crisis will continue to destabilize Sacramento as a whole.

Rent Stabilization History

The Past

"War, that prolific parent of legislation, has spawned more rent control than any other cause."

- *John Willis, historian, 1950*

The history of rent stabilization in the U.S. begins during World War 1 when war production began heating up and new workers flocked to high employment area. All resources had to go to war production, leading to a stop in housing construction. This resulted in dramatic shortages in housing. Political leaders recognized the importance of housing their workforce to ensure the economy and war production did not halt. Washington D.C. and New York City became the first jurisdictions in the U.S. to pass rent stabilization legislation in 1918 and 1920, respectively (Willis, 1950). Throughout the decades, particularly throughout World War 2, many jurisdictions nationwide passed rent stabilization ordinances.

The 1960s-1980s were the height of rent stabilization's popularity as a tool for preserving housing affordability. Due to inflation from the Vietnam War and increased price of oil due to OPEC embargoes, rent increases were growing much faster than wage increases. During this time, 170 jurisdictions nationwide established rent stabilization laws, predominantly in urban areas with the highest rental costs and strongest tenant organizing efforts, including California (Kahn & Keating, 2001). Thirteen California cities enacted rent stabilization policies during this

time, starting with Beverly Hills in 1978 and including Hayward, Berkeley, and West Hollywood (Hart, 2017). By the 1990s however, deregulation, policies to promote market-driven development and the decline of public housing increased the power of the private and for-profit housing industry, resulting in the weakening and elimination of rent stabilization laws, as exemplified by the passage of the Costa-Hawkins Act in 1995 (Matsuoka, 2017).

The Present

The historic circumstances that led to the passage of rent stabilization include workers facing economic difficulties (including rents rising faster than incomes), a mounting lack of available affordable housing, and a willingness to fight for progressive policy change (Kahn & Keating, 2001). Thus, it's no surprise that calls for rent stabilizations of some kind are underway and gaining momentum across the state. California has the highest poverty rate in the nation due to the expensive cost of housing (U.S. Census's Supplemental Poverty Measure, 2017).

In November 2016, five jurisdictions in the Bay Area had rent stabilization ordinances on the ballot. Two of the cities, Mountain View and Richmond, won new rent stabilization ordinances and accompanying eviction protections; Richmond was reaffirming the July 2015 passage of a rent stabilization ordinance by their City Council, which had subsequently been challenged by the California Apartment Association (Ioffee, 2017). In the same election, Oakland, Berkeley, and East Palo Alto voters strengthened existing rent stabilization ordinances in several ways, including: extending just cause protections to additional units; increasing relocation assistance amounts; and disallowing rent increases above 10 percent. In the same election, Humboldt County passed a rent stabilization ordinance for mobile homes. Despite challenges to rent stabilization in the courts, their legality has been upheld repeatedly, and many of the arguments made by rent stabilization opponents will be addressed later in this paper.

Continued Momentum

In 2018, Half Moon Bay's City Council considered rent stabilization (Woudenberg, 2018) and signature gathering to place rent stabilization and/or just cause measures on the ballot took place in Inglewood, Pasadena, Glendale, Long Beach, Sacramento, Santa Cruz, Santa Ana, Santa Rosa, National City and Pomona. A temporary rent stabilization measure was put in place in unincorporated Los Angeles County (Marcellino, 2018). The Los Angeles City Council studied the feasibility of extending just cause eviction protections from rent regulated units to all rental units in the city (Khouri, 2017). Tenant advocates in San Diego have been calling for rent stabilization since March 2016 (SDCAA, 2016).

Limitations Under the Costa-Hawkins Rental Housing Act

In California, the Costa-Hawkins Rental Housing Act imposes three important limitations on any local rent stabilization ordinance. First, single-family homes and condominiums must be exempt. Second, any new ordinance can only cover homes built before 1995. Ordinances already in place when Costa-Hawkins passed, as in San Francisco, were prohibited from covering units built after the date the local law was adopted.

The prohibition of rent stabilization's application to single-family homes is especially important in Sacramento. Nearly half of Sacramento's rental housing stock is made up of single-family homes (City of Sacramento, 2013). Many of these rented single-family homes are owned by investment funds who bought up single-family homes in the wake of the foreclosure crisis. The Blackstone Group alone owns nearly 50,000 homes across the nation, including thousands of rented homes in Sacramento County (Manoucheri, 2017). A report by the Alliance of Californians for Community Empowerment (ACCE) discovered Sacramento "is the home of corporate landlords" and warned of the potential power these financial institutions have to set de facto rental prices throughout the region. The report found the price of rent for single family homes in Sacramento were increasing much faster than the price of rent for apartment units (ACCE, 2018). Preliminary data analysis from PropertyRadar, an online real estate tracking tool, indicates that approximately 10,000 multifamily rental properties in the City of Sacramento, ranging from two-unit duplexes to hundred-unit apartment complexes, could be covered under a local rent stabilization ordinance given the limitations imposed by Costa-Hawkins. Of the rental units in properties registered with the City of Sacramento's Rental Housing Inspection Program, 72% are eligible to be covered by a rent stabilization ordinance under Costa-Hawkins.

Table 1. Units registered with City of Sacramento RHIP by construction year and type of property

	Year Property Built				
Type of Property	**Prior to 1995**	**1995 or after**	**Total Rental Units**	**No. of Units**	**% of units**
Single Family	18,788	6,164	24,952	Precluded by Costa-Hawkins	
Duplex	8,465	301	8,766	29,543	28%
3-4 Units	5,540	84	5,624	Eligible for Coverage	

5-10 Units	7,452	25	7,477	76,242	72%
11-20 Units	7,622	338	7,960		
21-99 Units	15,607	868	16,475		
Over 99 Units	31,556	2,975	34,531		
Total Rental Units	**95,030**	**10,755**	**105,785**		

retrieved May 2018

The third limitation on rent stabilization, known as "vacancy decontrol," allows landlords to raise rents to any amount when a renter moves out at the end of a tenancy. As such, rent stabilization ordinances are often accompanied by a "just cause eviction" ordinance to prevent landlords from using no-fault evictions to remove tenants to raise rents, as discussed in more detail below.

Elements of Rent Stabilization Ordinances

Allowable Rent Increases

*"When [a developer is] writing a proforma, they make certain assumptions of how fast the rent is going to increase. The lender is going to mandate 3% rate of increase.... **If you can make a project financially work assuming 3% inflation increase year over year, why do you think it's your god given right to make 5, 6 ,7 % increases later on?** You never expected this in the first place.*

- Joan Ling at the Housing, Equity, & Community Series: Protecting Renters Forum at UCLA Lewis Center, February 2018

A key feature of rent stabilization policies it the governance of allowable rent increases which is intended to provide a fair rate of return for landlords and stabilize communities and protect renters. Most rent stabilization policies use inflation measures such as the Consumer Price Index (CPI) as the benchmark for allowable increases. This is intended to ensure housing costs stay proportional to household income. In Sacramento, the Area Median Income increased by 5.25% from $76,100 in 2017 to $80,100 in 2018. Meanwhile, median rent rose 8.8% in the same time frame (Apartment List, 2018). In Berkeley, for example, allowable rent increases are 65 percent of the Consumer Price Index in that year. In 2018, the allowable increase was 2.3% of the current rental payment, translating to a $23 maximum increase for every $1000 paid in rent. Some policies have a set percentage increase (such as an annual five percent increase) or a combination of a set percentage and percentage of the CPI, depending on which is lower. Bay

Area cities have set increases that range from five to eight percent (Urban Displacement Project, 2016). Many policies allow only one increase per year.

Furthermore, rent stabilization laws must be "reasonably calculated to ... provide landlords with a just and reasonable return on their property" under Birkenfeld v. City of Berkeley (1976). This ruling mandated local rent stabilization ordinances provide for landlord expenses through capital improvement surcharges, fuel or tax surcharges, and/or a means of appealing for individual rent increases based on hardship (PolicyLink, 2001). In Los Angeles, for example landlords can raise rents to cover the cost of capital improvements if the improvements meet the criteria set by the Rent stabilization Division of the Housing and Community Investment Department and are distributed across a two-year span (HCIDLA, 2015). These provisions ensure rent stabilization is fair to landlords as well as tenants and that property owners have the resources to continue to maintain their properties.

Enforcement

Rent stabilization policies are generally tailored to the local context and jurisdictions have taken a wide array of approaches to curtailing rent increases. For a detailed comparison of seven rent stabilization policies in California cities, see Appendix 1. Some rent stabilization programs are pro-actively enforced and involve robust data-collection and monitoring by jurisdiction staff, such as tracking baseline rents, rent increases, and eviction notices in a citywide rent registry, and empowering the jurisdiction to take enforcement measures against noncompliant landlords (21 Elements, 2017). Many jurisdictions make the registry available online so that tenants can check to see if their home is covered under rent stabilization and other tenant protections. Without a registry of units subject to rent stabilization, cities cannot track compliance and enforcement is more difficult (Urban Displacement Project, 2016). Other programs are complaint-driven and rely on tenants to enforce their own rights, leaving the jurisdiction to set policy and resolve disputes (21 Elements, 2017). Most jurisdictions create an appointed or elected rent board to govern allowable rent increases, settle disputes, and more. Elected boards are generally considered more protective of tenants and directly democratic than appointed boards. Costs associated with the implementation of rent stabilization are paid for by a per-unit fee paid by property owners or shared between property owners and tenants, like the City of Sacramento's Rental Housing Inspection Program.

Some rent stabilization policies are pegged to housing market indicators such as vacancy rates (Urban Displacement Project, 2016). Like many proposed rent stabilization policies, Santa Rosa's Measure C proposed an opportunity for the law to be reconsidered if city's vacancy rate was above 5 percent for a year, for example. (Editorial Board, 2017).

More comprehensive rent stabilization ordinances include additional tenant protections, such as a requirement tenants be notified of their rights upon moving in and upon passage of the ordinance; award of attorney fees if there is a violation of the ordinances; and/or the placement of security deposits in a savings account that can accrue interest on the tenant's behalf.

There is no single policy that can be replicated across jurisdictions without adjustment. Nineteen California cities have enacted rent stabilization ordinances, including San Francisco, Los Angeles, San Jose, and Berkeley. Rent stabilization ordinances are in effect in over 100 cities and counties nationwide. And, in each case, these policies have been tailored to respond to the local region's housing market, comply with state law, and balance private and public interests.

Just Cause Eviction Ordinances

Rent stabilization policies in California are almost always accompanied by a "just cause" eviction ordinance. Just cause eviction protections require landlords to provide a specific reason for their eviction of a tenant. State law requires any just cause eviction ordinance to allow for eviction for failure to pay rent, violation of lease or rental agreement, and nuisance. Additionally, a landlord is allowed to evict tenants to remove units from the rental market entirely under the Ellis Act (Tenants Together, 2017). Local ordinances also generally allow for eviction due to failure to grant the owner access. Under some ordinances, landlords may evict tenants in cases where the tenant is not at fault but there only under certain conditions. For instance, in some municipalities with just cause eviction protections, these "no-fault" evictions trigger a requirement to pay evicted tenants relocation assistance. Santa Rosa's proposed Measure C required property owners to pay tenants three months of rent plus an additional $1,500. In Mountain View, the ordinance requires assistance paid only to tenants at or below 80% or area median income (Residential Tenant Protections, 2017). Requiring relocation assistance payments disincentivizes no-fault evictions and helps protect tenants against the heightened risk of homelessness, job loss, and negative health effects associated with evictions (Desmond, 2015).

Requiring a landlord provide the reason for an eviction protects tenant from evictions based on retaliation, discrimination, and harassment. Currently, California state law Cal. Civ. Code § 1942.5 puts the burden on tenants to sue their landlord if the tenant was evicted due to retaliation, discrimination, and harassment. This state law presumes retaliation if the landlord begins decreasing services, increasing rent or beginning the eviction process within 180 days of the tenants' complaint. Thus, requiring the landlord to provide a reason during eviction, gives tenants an affirmative defense against unlawful detainer proceeding they otherwise would not have. Unlike rent stabilization, just cause eviction protections can be extended to all rental housing, including all apartments, single family homes, and condominiums regardless of construction date because the Costa-Hawkins Rental Housing Act does not restrict just cause protections.

Under Sacramento's current system, a landlord can evict a family from their home without any reason whatsoever. No cities in Sacramento County have "just cause" requirements for evictions (Sacramento County Public Law Library, 2017). This lack of protection puts many families, who are already struggling to provide their children with a safe and stable home, at unnecessary and damaging risk to their well-being. Tenants displaced through eviction face

substantial costs: packing and moving expenses; lost wages due to taking time off work to apartment-hunt and move; rental housing application fees; security deposits and rent prepayments; and in some cases, hotel costs or other payments for temporary housing. In Sacramento County, a total of 27,907 Unlawful Detainers were filled from 2014-2016. This was the 6th largest number in the State of California (Inglis & Preston, 2018). Furthermore, unlawful detainers only cover formal eviction proceedings and do not count how many tenants were forced to move due to a sudden, dramatic increase in rent. Sacramento cannot have full renter protections without rent stabilization, but just cause eviction protections are a valid common sense policy on its own.

With the passage of San Jose's just cause protections in April 2017, Los Gatos became the only California municipality to have rent stabilization without an accompanying just cause ordinance (Gordon, 2018). Putting just cause protections in place without rent stabilization does not fully protect tenants against landlords who raise rents in order to remove a tenant without formally evicting them (Urban Displacement Project, 2016).

Rent Stabilization Opposition and Limitations

An Analysis of Rent Control Ordinances in California, a report commissioned by the California Apartment Association and conducted by Beacon Economics (2016), raises three main potential negative side effects of rent stabilization: decreased new housing supply, reduced tenant mobility and decreased property maintenance. These are the most commonly cited downsides of rent stabilization. This section explores these arguments and addresses the question of who benefits from rent stabilization policies and its power to prevent homelessness. For a more detailed list of empirical studies and their findings on whether rent stabilization reduces the quality and quantity of housing available, see Appendix 2.

Rent Stabilization Does Not Decrease Housing Construction

Opponents of rent stabilization cite concerns for the policy's potential to reduce the overall stock of new rental housing, however, Costa-Hawkins specifically exempts new construction from rent stabilization. Ironically, cities with active rent stabilization policies have seen more construction of apartments than cities without rent stabilization. In the Bay Area, San Francisco, San Jose, and Oakland have seen more new multifamily apartment buildings than other cities in the region, even though all three have rent stabilization policies. (Casuso, 2018) Los Angeles County, which has a rent stabilization ordinance, saw a 61% increase in new construction from July 2016 to June 2017, with 10,000 new units built (Chiland, 2017). Studies of housing construction in New York City demonstrate that New York's biggest housing construct booms took place during the times the strictest rent stabilizations were in place, with the first boom bringing 665,000 new units between 1921 and 1928. The second boom brought 676,000 new units from 1947 to 1965. (Collins, 2009). Meta-analysis of studies on rent stabilization's effects on construction rates find that moderate rent stabilization policies that exempt new construction do not inhibit construction of new rental housing (Downs, 1988; Appelbaum & Gilderbloom, 1990; see also Appendix 2). A study comparing 161 New Jersey

cities with and without rent stabilization found no impact on new construction between 1990 and 2000 (Gilderbloom & Ye, 2007). A 2017 study by Urban Habitat looked at construction rates in Santa Monica, Berkeley, and Los Angeles and found no evidence of rent stabilization discouraging new housing construction, concluding instead that availability of financing and local land use policies such as zoning are the drivers of housing construction or lack thereof (Gordon, 2018).

Rent Stabilization Promotes Neighborhood Stability

As rents rise with vacancy decontrol in place, rent stabilization make tenants less likely to move, as a move will likely result in a higher rent. A mounting body of research demonstrates the negative impacts of involuntary displacement from rising rents and evictions on the health, human capital, and financial stability of low income tenants and communities. Rent stabilization fosters stability in neighborhoods. From 1990 to 2000, 35% of renters in New York City (which has rent stabilization) stayed in the same unit, compared to 14% of renters nationwide who stayed in the same unit. A study by the Bay Area Council Economic Institute found "Rent-controlled apartments are another source of[…]below-market-rate housing supply. Eliminating rent stabilization in the city would move 16,222 households out of affordability" (Bellisario et al, 2016). By creating an additional means of keeping homes affordable, rent stabilization protects renters from involuntary displacement, helping them to stay and build their lives and livelihoods in their neighborhoods.

A recent study of San Francisco's rent stabilization policy found the renters who benefited most under rent stabilization were those who stayed in their place from 1994 onward. The study estimates they saved between $2,300 and $6,600 each year while renters who arrived after 1994 paid about 5% more that they would have without rent stabilization. The policy promoted stability as it increased the likelihood rent stabilized tenants would stay in their address by 20%. The study group was limited to San Francisco tenants in small buildings who lived in their homes in 1994 when they became rent stabilized (Diamond, McQuade, & Qian, 2017)

Rent Stabilization Does Not Affect Housing Maintenance and Quality

Another concern with rent stabilization is the potential to reduce the quality and maintenance of rental housing because it is theorized to eliminates the profit motive for property owners to keep their units in good repair. Research demonstrates this concern is largely offset by allowances in modern rent stabilization policies for recouping capital investments in repairing, modernizing, and maintaining properties as well as the effects of increasing land values (Downs, 1988; see also Appendix 2). Property owners can still pass along the cost of repairs and maintenance to renters under rent stabilization as part of their fair return on investments in their property.

Importantly, renters in the City of Sacramento have additional protections because of the City of Sacramento's proactive rental housing inspection ordinance. All rental housing is periodically inspected and landlords who have not maintained their properties are subject to fines. This ordinance covers single family and multifamily homes. This program is intended to promote safe rental housing, maintain and increase property values, and offers annual self-certification inspections by rental property owners. Furthermore, the city has a "Residents Rights Form" for every new tenant informing them of their right to a safe home.

Rent Stabilization Benefits All Renters

Unlike subsidized affordable housing and Section 8 housing choice vouchers, rent stabilization does not typically target lower income people directly by means-testing recipients. Some rent stabilization ordinances aim to more narrowly target lower income households, as with Los Angeles' opt-in exemption of luxury apartments from their rent stabilization ordinance and New York's requirement that households make less than $200,000 annually to qualify for rent stabilization (21 Elements, 2017). No California rent stabilization policy means tests households. Generally, rent stabilization benefits moderate- and above moderate-income households as well as lower income households, as with any social policy that is universal rather than means-tested (Downs, 1988). Nor do all lower income residents benefit – the primary beneficiaries are the people who happen to be living in an apartment that can be covered by rent stabilization at the time of the policy's implementation. A longitudinal study of the effects of Santa Monica's rent stabilization, passed in 1979, found that rent stabilization benefited renters at every income level and increased the length of time the average tenant stayed in their residence. Older adults and lower income households saved the most on rent, with households earning less than $15,000 seeing the percentage of their incomes spent on rent drop from 67 percent in 1979-80 to 56 percent by 1987 (Levine, Grigsby, & Heskin, 2007). In contrast, research commissioned by the California Apartment Association found that households making between $35,000 and $75,000 annually saw the biggest benefit from rent stabilization policies: on average, there was a 5-percentage point reduction in the proportion of middle-income households in California cities with rent stabilization policies spending 30% or more of their income on rent from 2000 to 2013 in comparison to cities without rent stabilization. This research did not find a statistically significant effect on the proportion of lower- or higher-income households paying more than 30 percent of their income on housing (Beacon Economics, 2016). Note that this second study defined "lower income" households more broadly than the first, as households with incomes below $35,000.

Rent stabilization that applies regardless of tenant income is more simple and efficient to administer and operate. Means testing would require more administrative work to collect, verify, and keep current information on tenant incomes (Gordon, 2018). **Introducing means testing into a rent stabilization ordinance is more likely to promote discrimination against lower income tenants than to ensure rent stabilization only assists those with the lowest incomes.** Applying protections unequally to tenants based on income is ultimately fruitless because the vast majority of tenants are lower income and segregating tenants by income opens up the possibility of increased risk of discrimination. In the City of Sacramento, only 27.6 percent of renters earn more than 100% of the HUD Area Median Family Income (HAMFI). Comparatively, 59.5% of homeowners earn over 100% AMI (Comprehensive Housing Affordability Strategy (CHAS), 2010-2014). Thus, the vast majority of renters are earning below the median area family income and much poorer than homeowners.

Rent Stabilization is Homelessness Prevention

California's growing homelessness crisis is rooted in increasing economic inequality and rising housing costs (Quigley, Raphael, & Smolensky, 2001). When average incomes are stagnant and there is a shortfall of affordable housing, rates of homelessness increase. For every $100 increase in

average asking rents, metropolitan areas see a 15 percent increase in homelessness (California Department of Housing and Community Development, 2017). Sacramento's recent sharp increases in rents were named as one of the key factors driving the 30 percent increase in individuals experiencing homelessness in the Sacramento County 2018 Point in Time Count. Researchers have found rent stabilization reduces the number of people experiencing homelessness because, without rent stabilization, rent costs would be even higher (Gissy, 1997).

Conclusions

Rent stabilization is best understood as a means of stabilizing neighborhoods and preventing tenant displacement and secondarily as way to preserve the relative affordability of some rental housing. A progressive rent stabilization policy, particularly when paired with a just cause eviction ordinance and other tenant protections, can provide relief to Sacramento's cost-burdened renters. Rent stabilization does not hinder nor increase the supply of housing, either market rate or affordable, and thus must be part of a comprehensive strategy for maintaining and expanding affordable housing options that include new affordable housing construction.

Appendix 1: Detailed Comparison of Five Cities with Rent stabilization

	Berkeley	Los Angeles	Oakland	San Francisco	San Jose	Santa Monica	West Hollywood
Just Cause Eviction	Extensive	Extensive	Extensive	Extensive	Minimal (dominant motive can't be retaliation)	Extensive (inc. units not subject to rent control)	Extensive
Relocation Assistance	Yes	Yes	No relocation aid	Yes	No relocation aid	Yes	Yes
Condo Conversion Limits	Max 100 units/year	Notice requirements	Replacement unit requirement; notice	First right of refusal to tenant	First right of refusal; notice; 2/3 tenants must agree	Permit req'd unless 2/3 tenants agree; right to remain	CUP req'd, with findings (no adverse effect and vacancy >5%)
Annual Rent Increase	65% of CPI, 7% max.; 1.7% for 2014	Equal to CPI; 3% min./8% max.; 3% for 7/1/14 to 6/30/15	Equal to CPI; 10% max; 1.9% from 7/1/14 to 6/30/15	60% of CPI, max. 7%; 1.0% from 3/1/14 to 2/28/15	8% per year, or 21% if no increase in 2 years	0.8% oe $14 per month effective 9/1/14; none if market rent set after Sept. 1, 2007	75% of CPI; 1.25% from 9/1/14 to 8/31/15
Landlord Cost Pass-Throughs	None	Gas and electric up to 1% of rent; capital improvement, rehab work	None	Generally allowed for utilites, with some restrictions	Only if charge is new and approved by Council resolution	$7 for gas and electric upon application and approval	Up to 0.5% for gas/electric
Other Automatic Rent Increases	Additional T: 10% increase; Additional security deposit for pet(s) where previously prohibited	Additional T: 10% increase; Smoke detectors; Rehab and capital improvement work	Accumulate unused increases for up to 10 years	Accumulate unused increases; Stormwater management; Property tax due to ballot measure approved between 11/1/96 & 11/30/98; 50% of property tax for bonds passed after 11/14/02; 50 percent of SFUSD or SFCCD bond costs	None	Security deposit for additional Ts or new pets; School tax surcharges; Stormwater management, clean beaches, and ocean parcel tax surcharges	None
Registration Fees	$194/yr.; $4/month for 12 months may be passed through to T; Penalties if late; Reimbursement for low-income Ts	$24.51/yr.; $12.25 may be passed through to T	One-half of $30 service fee may be passed through to T	$29 apartment registration fee; half may be passed through to T		$174.96/yr; $13/month may be passed through; Low-income, senior Ts exempt	$120/yr.; $5/month may be passed through; Partial rebate for certain Ts
Rent Increases Requiring Official Approval	To yield fair return on investment; Capital improvements, with limitations; T not in occupancy	To yield fair return	Any ground (includes banking, capital improvements, uninsured repairs, housing service costs, or where necessary to meet fair return requirements); Enhanced notice required for capital improvements	7% annual cap based on "need"; Capital improvement up to 10% of base rent; Rehabilitation	Debt service costs deemed "reasonable" under circumstances" by hearing officer if denial is hardship to L; Any ground for increase beyond 8% where T petitions, hardship to T may be considered; Any reason not provided in ordinance	To yield fair return ; Street lighting; Capital improvement; Earthquake repairs; 12% cap for hardship Ts; To correct rent or amenities; T not in occupancy	To yield fair return, up to 12% increase in first 12 month period after decision
Tenant Application for Rent Reduction	Yes	Yes	Yes	Yes	Yes	Yes	Yes

	Berkeley	Los Angeles	Oakland	San Francisco	San Jose	Santa Monica	West Hollywood
Exempt Units	Hotels <14 days; Single family residences; Duplexes if L occupies one; New construction (only as to rent increases)	Hotels <30 days; Luxury units; Single family dwellings; Substantially renovated units; New construction; Nonofit housing; Voluntarily-vacated units; Mobile-homes, recreational vehicles & parks	Hotels; New construction; Substantially renovated units; Owner-occupied buildings with up to 3 units; Nonprofit cooperatives	Hotels <32 days; Substantially renovated units; New construction; Nonprofit cooperatives & units owned by nonprofit public benefit corporations	Hotels <30 days; Voluntarily-vacated units; Prior T evicted for nonpayment of rent or breach of lease; New construction	Hotels <14 days Retirement homes Owner-occupied 1, 2 or 3-unit building Single family residences New construction "Incentive" unit	Hotels <30 days; New construction; Units first occupied after 7/1/79; Rooms rented to boarders where L occupies unit as principal residence; Dwelling units legally converted from nondwelling units
Evictions for Substatial Renovation	Must require more than 60 days to repair; T refuses to vacate during repair	None for substantial renovation; Limited evictions permitted under Primary Renovation Program	Obtain building permit for repairs necessary to comply with law or correct violation; L to apply for extension beyond 3 months; T offered right to return at same rent; Special notice requirements	Former T may rerent at controlled rent; No mininimum cost for nonmajor work; Permits necesary prior to serving notice; No ulterior motive	None	Removal permit from city	Permitted where building must be permanently eradicated or demolished b/c uninhabitable or if building may not be inhabited while correcting violation notice by government agency
Special Eviction Notice Rules	Grounds and specific facts; 120 days' notice to T & city for removal from market	Grounds and specific facts; 60 days' notice to Ts in unit one year; Declaration with city for relative or owner-occupancy, major rehabilitation or permanent removal from rental use	Grounds, statement that advice re termination available from Board & other req'd info; Copy of notice filed with Board within 10 days of service on T	Grounds; Inform T in writing that advice concerning notice may be obtained from Board; File copies of notice with Board w/in 10 days after service	90 days' notice to Ts in unit one year; 120 days' notice where "severe housing shortage" (no "shortage" as of early 2014); Offer to arbitrate; Notice to city within 5 days	Grounds and specific facts; 60 days' notice to Ts in unit one year; Owner/relative evictions to include current T & rent, info on proposed T; notice to board within 3 days of service on T	Grounds and specific facts; 60 days' notice to Ts in unit 1 year; Relative/owner-evictions require 90-day notice specifying proposed T, with copy to city; Written statement of alleged violations for breach of covenant or refusal to renew
Relocation Assistance	Owner/relative occupancy: $4,500 if in unit 1 year or more; no eviction if elderly, disabled and in unit 5 years or more; Removal from market: $8,700; $13,700 if tenancy began prior to 1/1/99; additional $2,500 for Ts with minors, elderly,	For elderly, disabled & Ts with minors, $16,350 if <3 years, $19,300 if >3 years or <80% AMI, $15,000 if "Mom & Pop" property; For others, $7,700 if <3 years, $10,200 if >3 years or <80% AMI, $7,450 if "Mom & Pop" property; L must pay tenant relocation assistance	None	$5,261 to eligible Ts (incl. subtenants, minors), max. of $15,783 per unit; additional $3,508 for elderly, disabled & Ts with minors; Fees different for Ellis Act evictions	None	$8,300 to $17,350 depending on number of bedrooms; $9,500 to $19,950 depending on number of bedrooms for seniors, disabled & parents with minor child, OR city approval of displacement plan OR move T to comparable unit	$5,100 to $12,800 depending on number of bedrooms; $13,500 for seniors, disabled, Ts with dependent children, moderate income; $17,00 for low-income; L must reimburse city for relocation aid

Appendix 2: Effects of modern rent stabilization laws on rents, affordability, and rental housing investment: a summary of the results of existing studies

	Effect	Study
Rents and affordability		
Rents	Vacancy decontrol-recontrol provisions resulted in large rent increases upon decontrol	Clark, Heskin, and Manuel 1980 (Los Angeles) Gilderbloom 1986 (New Jersey) Gilderbloom and Keating 1982 (New Jersey) Los Angeles RSD 1985 (Los Angeles)
	Full CPI formulas brought percentage rent increases in line with national averages	Gilderbloom 1984 (New Jersey)
Overall affordability	Minor, except for locales with strong rent stabilizations (Santa Monica, Berkeley, West Hollywood)	Appelbaum 1990b (Santa Monica, Berkeley, West Hollywood) Clark and Heskin 1982 (Los Angeles) Daugherbaugh 1975 (Anchorage and Fairbanks, Alaska) Gilderbloom 1986 (New Jersey) Gilderbloom and Keating 1982 (Springfield, New Jersey) Hartman 1984 (San Francisco) Heffiey and Santerre 1985 (New Jersey) Levine and Grigsby 1987 (Santa Monica) Los Angeles RSD 1985 (Los Angeles) Los Angeles RSD 1988 (Los Angeles) Mollenkopf and Pynoos 1973 (Cambridge, Massachusetts) Ryden 1981 (Los Angeles) Shulman 1980 (Santa Monica) Vitaliano 1983 (New York State)

Investment in rental housing

New construction	None	Appelbaum 1983 (Santa Monica) Clark, Heskin, and Manuel 1980 (Los Angeles) Gilderbloom 1983 (New Jersey) Gruen and Gwen 1977 (New Jersey) Los Angeles Community Development Department 1979 (Los Angeles) Los Angeles RSD 1985 (Los Angeles) Sorenson 1983 (Alaska) Vitaliano 1983 (New York State)
Maintenance and capital improvements	None	Apartment and Office Building Association 1977 (Montgomery County, Maryland) Clark, Heskin, and Manuel 1980 (Los Angeles) Eckert 1977 (Brookline, Massachusetts) Gilderbloom 1978 (Fort Lee, New Jersey) Los Angeles RSD 1985 (Los Angeles) Los Angeles RSD 1988 (Los Angeles) Rydell 1981 (Los Angeles) Sternlieb 1974 (Boston) Sternlieb 1975 (Fort Lee, New Jersey) Urban Planning Aid 1975 (Boston area) Vitaliano 1983 (New York State) Wolfe 1983 (Berkeley, Oakland, and Hayward, California)
Abandonment and demolitions	None	Gilderbloom 1983 (New Jersey) Marcuse 1981 (New York City) U.S. General Accounting Office 1978 (various cities)

Overall valuation of rental housing and tax base	Minimal	Clark, Heskin, and Manuel 1980 (Los Angeles) Eckert 1977 (Brookline, Massachusetts) Gilderbloom 1978, 1983 (New Jersey) Gilderbloom 1981 (Fort Lee, New Jersey) Los Angeles RSD 1985 (Los Angeles) Massachusetts Department of Corporations and Taxation 1974 (Cambridge, Massachusetts) Revenue and Rent Study Committee 1974 (Brookline. Massachusetts)

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