

PROPOSITION 10: *ESTIMATING THE SCALE OF EXPANDED RENT CONTROL IN THE BAY AREA*

POLICY BRIEF

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SUMMARY

In this policy brief, we look at the demand for rent control in the Bay Area, how it is applied today, and how it could be expanded in the event of Proposition 10 passing. Overall, we ask: does Proposition 10 make sense for the Bay Area? We conclude that yes it does – many more tenants could be protected from rent hikes if Proposition 10 were to pass. Renter protections are a key component of any suite of solutions to address the displacement crisis inflicting the region, which has resulted in further segregation and exclusion for the region’s most vulnerable residents.¹ It is imperative for policymakers, however, to prevent the unintended consequences of rent control² (i.e., deferred maintenance and landlords removing units from the rental market) with creative policies that ensure an inclusive future for the region.

Key takeaways include:

- Today, around three quarters of all renter households – approximately 885,000 - in the Bay Area are not protected from rent hikes, and most of these households are also unprotected from no-cause evictions. Around 41% of the households not protected by rent control are families with children.
- Proposition 10 could result in a significant expansion of rent control to cover tens of thousands more tenants in cities that have already passed these policies, especially for tenants in single-family rentals. Over the last ten years cities like Oakland, Richmond, Mountain View, and San Jose have seen a large uptick in the share of single-family homes being used as rentals.
- In terms of covering “newly constructed units” in some form of rolling inclusion such as that proposed in Berkeley’s Measure Q, we find the potential impact of extending rent control to single-family rentals would have a larger impact than modest changes to the new construction cut-off year, possibly due to low production rates in the last half of the 1990s. However, instituting rolling cut-offs could provide significant coverage into the future, especially as cities have begun to increase multi-family housing production and hopefully will continue to do so.³
- It is challenging to estimate both the exact number of rent-controlled units, and the prevalence and magnitude of extreme rent hikes due to severe data limitations. Both of these facts point to the need to establish better data collection systems, which would allow jurisdictions to better assess the problems and tailor policies to address them, while increasing transparency along with other potential benefits.

INTRODUCTION

California is in a housing affordability crisis that has given rise to a renewed interest in rent regulation in communities across the state. Nearly half of Bay Area renters are already housing-burdened, spending 30% or more of their income on rent, and 24% of Bay Area renters are severely burdened spending 50% or more of their income on rent.⁴ Our research has shown that these housing pressures can result in households being forced to make difficult trade-offs on basic needs, stress from housing instability, and being forced to move to new and worse neighborhoods or out of the region all together.⁵ Furthermore, California's housing affordability crisis has fallen disproportionately on lower-income households and communities of color, in particular, women of color.^{6 7} This policy brief shows that many renter households in the Bay Area are unprotected against these pressures – some live in cities without rent regulations and others fall through the cracks of existing rent control policies.

We define displacement as any time a household is forced to move for reasons beyond their control – rent hikes can result in households being displaced from their unit, and the consequences of displacement are well-documented.⁸ A survey we conducted in San Mateo county showed that one in three displaced low-income households experienced some period of homelessness or marginal housing after being displaced. About a third of households left the county, which can mean changes in schools, longer commute times, and decreased access to healthcare and other social infrastructure.⁹ Our recent research on rising housing costs in San Francisco, Alameda and Contra Costa Counties showed that as housing prices rise, low-income people of color are increasingly living in areas that became newly segregated and high poverty.¹⁰ While many of the cities in those counties already have rent control, as this brief shows, even in cities with rent control policies, many tenants are still left unprotected.

In response to these pressures, communities across California have organized to promote new rent regulations as one part of the answer to the housing crisis. In Northern California, voters continue to add provisions to their renter protections at the ballot box. For example, in Berkeley, voters have recently strengthened protections for families with school-age children from eviction (Measure AA), and in Oakland voters moved to limit the capital improvement costs that can be passed on to tenants in the form of a rent increase (Measure JJ). Cities including Alameda and Union City have created new rent dispute mediation programs. And most significantly, voters in the cities of Richmond and Mountain View passed rent control policies in the 2016 general election, representing the first new rent control in California in over ten years.

Rent control policies in the United States fall into two categories.¹¹ The first generation of policies, which arose in response to drastic rent increases associated with wartime housing shortages in the first half of the last century, sought to permanently freeze rents below market rate.¹² Such interventions tend to be considered by policymakers today only as temporary responses to natural disasters or other emergencies. The second generation of policies typically allow modest annual rent increases, to protect the tenant's housing security and give a fair return to the property owner. Second generation policies typically do not apply to vacant units, and newly

constructed units are often exempted for a period, so as not to disincentivize the development of new rental housing. Fourteen California cities¹³ have some form of second generation rent control, but with varying characteristics as we discuss further below.

Now, a state ballot initiative called Proposition 10, if passed would repeal state limitations on local jurisdictions' ability to widen the reach of rent regulations. These limitations, imposed by the Costa-Hawkins Rental Housing Act of 1995 ("Costa-Hawkins"), limit local government's ability to apply rent control in three ways: (1) rent regulation could no longer be applied to single-family homes, (2) housing built after 1995, or any earlier cut-off date already in local rent ordinances, was exempted from any local rent regulation; and (3) vacancy decontrol became mandatory, meaning that rent controls could not apply to vacant units, and owners could increase rents to market rate between tenancies without any restriction.

Today, nine of California's fourteen rent control ordinances are in Bay Area cities. In total, current Bay Area rent regulations cover approximately 318,000 housing units, or about a quarter of total rental units in the Bay Area. In this policy brief, we look at the demand for rent regulation in the region, how it is applied today in the Bay Area, and how it could be expanded in the event of Proposition 10 passing. First we look at the demand vis-à-vis data on rent increases, then we survey the Bay Area's current rent control programs, and we conclude by looking at the impact of Costa-Hawkins exemptions, and what could change if the law were repealed.

UNDERSTANDING THE DEMAND FOR RENT CONTROL IN THE BAY AREA

The primary goal of second generation rent control is to protect sitting tenants from rent hikes. However, it is nearly impossible to analyze the prevalence of significant rent hikes, since no systematic data is collected on rent increases of sitting tenants. The primary dataset on rental housing used by planners and policy analysts is a small but representative sample of housing units collected by the American Community Survey that asks residents how much they pay in rent. This provides only a cross-section each year for cities with populations over 60,000 and it is very unlikely that the same tenants in the same units will be sampled repeatedly over time in a way that would allow analysts to estimate rent increases of sitting tenants. Nevertheless, this data source for the Bay Area's largest 27 cities shows that rents are increasing in the Bay Area year over year.¹⁴

As observed in Figure 1, median contract rents, which include rent paid for sitting tenants as well as asking rents on vacant units, have increased on average 6% year over year between 2010 and 2017. These median rents, however, vary significantly across cities, and likely across neighborhoods, reflecting both increases in market rents on vacant units, as well as increases on sitting tenants. For instance, from this dataset we estimate a maximum of 22% annual increase in median contract rent for Antioch between 2014 and 2015, as well as Napa between 2016 and 2017. However, anecdotal evidence from community groups and newspaper articles, which likely report on the high end of the spectrum on rent hikes, have shown that sitting tenants have re-

ceived rent increases anywhere between 25% and more than doubling of rents from one year to the next, often due to changes in ownership, lack of controls on single-family rentals, capital improvements, and efforts to turn over units to command higher rents. For some of the reported extreme rent increases, tenants attempted to challenge landlords in court or seek help through rent arbitration programs, often with little success.¹⁵

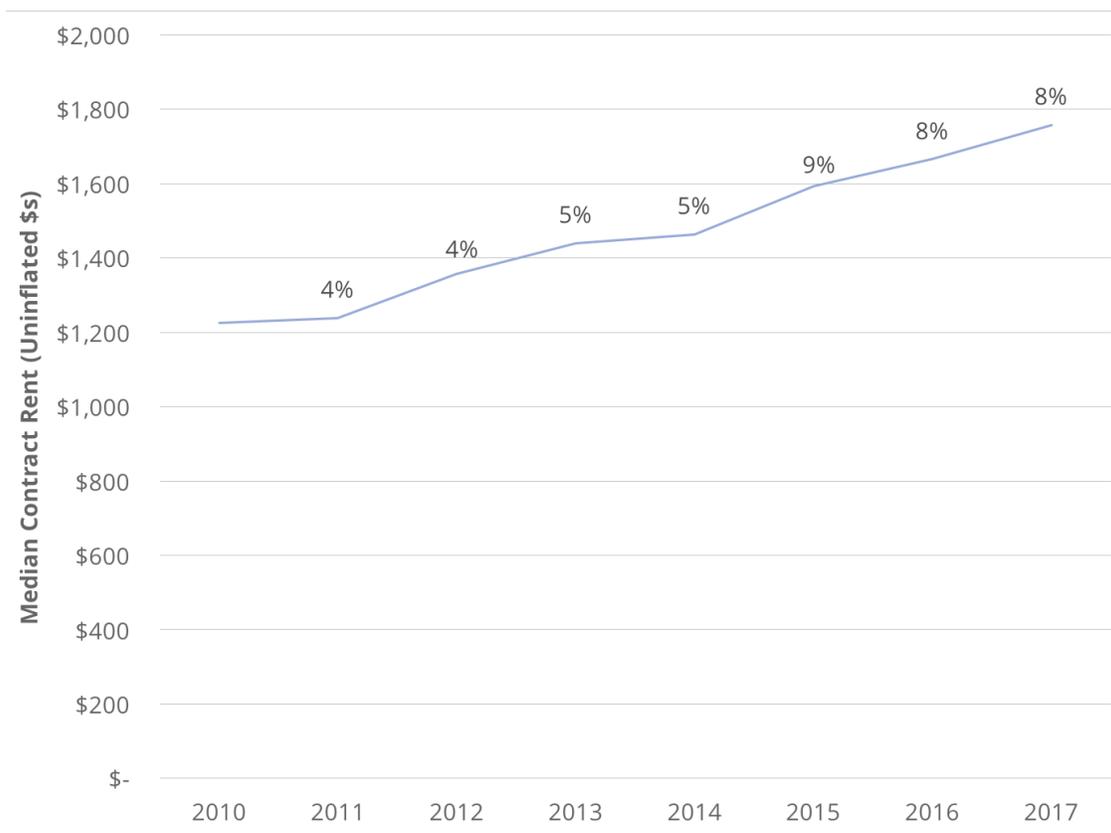


Figure 1. Median Contract Rent for Bay Area’s 27 Largest Cities

Source: American Community Survey (ACS), 2010-2017 1-year Estimates, Table B25058.

Note: Data labels indicate the average annual increase in median contract rent across the 27 cities. Rents are not inflation-adjusted in order to estimate year over year increases.

The other data sources that cities and analysts use to describe the rental market come from real estate data companies like Costar and Zillow. Costar data on “effective rents” come from newly signed leases,¹⁶ whereas Zillow Rent Index data is modeled on proprietary rental listings, neither of which captures the rent increases on sitting tenants. Nevertheless, data from Zillow’s Rent Index for multifamily units in 95 Bay Area cities, show similar growth in median asking rents on multi-family units as the data presented above.¹⁷ The average 6% growth is well above consumer price index growth each year, which averaged 2% over this time period, as well as wage growth year over year.¹⁸ If rent hikes on sitting tenants are influenced by market rents, this data confirms the extreme pressure being put on Bay Area renters, which can be more severe in particular cities and neighborhoods.

RENT CONTROL COVERAGE IN THE BAY AREA TODAY

Of the 101 jurisdictions in the Bay Area, nine cities have rent control ordinances - Berkeley, East Palo Alto, Hayward, Los Gatos, Mountain View, Oakland, Richmond, San Francisco, and San Jose. Renter populations in these nine cities make up about 46% of Bay Area renters overall. Some of these ordinances pre-date Costa-Hawkins; San Francisco, San Jose, and Berkeley were the first rent control policies in the region in 1979 and 1980. East Palo Alto, Hayward, and Oakland followed in the 1980s, and the Los Gatos policy was adopted in 2004. Other rent control ordinances are part of a recent wave of tenant protections campaigns; Mountain View and Richmond's policies were passed in 2016.

Table 1. Rent control ordinances in the Bay Area

City	Year Adopted	"New Construction" Cut-Off Year	Other Exempt Units (beyond Single-Family Homes)	Allowable Annual Rent Increases ¹⁹
Berkeley	1980	1980	Owner-occupied duplexes (if duplex was owner-occupied in 1979) ²⁰	65% Consumer Price Index (CPI)
East Palo Alto	1988	1988	Owner-occupied duplexes and triplexes	80% CPI
Hayward	1983	1979	Units are only covered if landlord owns at least five rent control eligible units in Hayward.	5%
Los Gatos	2004	2004 (effectively 1995 under Costa-Hawkins)	Duplexes (renter or owner-occupied)	70% CPI or 5%, whichever is greater ²¹
Mountain View	2017	1995	Duplexes (renter or owner-occupied)	100% CPI
Oakland	2002	1983	Owner-occupied duplexes and triplexes	100% CPI
Richmond	2016	1995	Permitted small, second housing units built in compliance with Small, Second Unit Ordinance	100% CPI
San Francisco	1979	1979	None	60% CPI
San Jose	1979	1979	Duplexes (renter or owner-occupied)	5%

These rent control policies share parameters that correspond to the main three limitations Costa-Hawkins places on how jurisdictions can implement rent control (i.e., vacancy decontrol, only pre-1995 units, and no single-family homes). However, they differ in other ways such as their exemption/coverage, allowable rent increases, and in their level of permissibility of “banking,” wherein landlords can apply unused rent increases in subsequent years. See Table 1 for a summary of the rent control ordinances in the Bay Area, and some of these differences. All nine Bay Area cities that have rent control ordinances also have some form of “just cause for evictions” protections. Just cause evictions protections and rent control are likely to be stronger tenant protections when implemented together, especially in a context of rent control with vacancy decontrol since landlords could otherwise simply evict tenants and reset a unit’s rents to market rate.

BAY AREA RENT CONTROL BY THE NUMBERS

Quantifying rent-controlled units in Bay Area cities that have these ordinances is complicated by the fact that not all of these cities have rental registries. Berkeley, East Palo Alto, Mountain View, Richmond, and San Jose all have some form of unit registration for rent-controlled units (though not all track rents). Hayward, Los Gatos, Oakland, and San Francisco, however, do not have rent registries. San Francisco and Hayward both were able to provide estimates of rent-controlled units, in San Francisco’s case estimates were based on the collection of the Rent Board fee, while the City of Hayward provided their own Census-based estimates of controlled units. Los Gatos and Oakland do not have these estimates, so numbers for these cities were calculated on author estimates of Census data. These Los Gatos and Oakland estimates are likely generous as they do not reflect all exemptions (duplexes in Los Gatos, and owner-occupied duplexes and triplexes in Oakland). The challenges of finding comparable data on rent-controlled units points to a need for improved data collection systems.

Comparing the Rent Board estimates of rent-stabilized units in the Bay Area cities, to Census²² estimates of total rental units (see Table 2), we estimate that 57% of total rental units in cities with these ordinances are currently covered by rent control. There is a wide range of coverage – while 86% of rental units in Berkeley are covered by rent control, only 6% of units are covered in Hayward due to the possibility for landlords there to apply to permanently decontrol rent control-eligible units. In East Palo Alto and Richmond, 51% of rental housing stock is covered by rent control, and only 29% of units in San Jose are covered. This is not surprising given that all three cities have high shares of single-family rentals (single-family rentals represent 41% of the rental housing stock in East Palo Alto and Richmond, and 33% of the housing stock in San Jose), as this brief details below. In the nine-county region overall, only 26% of total rental units are covered by rent control; around 885,000 rental units are not protected by any form of rent control, and 41% of non-protected renter households are families with children.²³

Table 2. Rent Control Coverage by the Numbers - Cities with Ordinances in the Bay Area

City	Units covered by rent control	Units covered by rent control as percentage of total rental housing stock
Berkeley	22,600	86%
East Palo Alto	2,500	51%
Hayward	1,300 ²⁴	6%
Los Gatos	2,000 ²⁵	48%
Mountain View	13,500	69%
Oakland	54,000	56%
Richmond	9,600	51%
San Francisco	172,400	76%

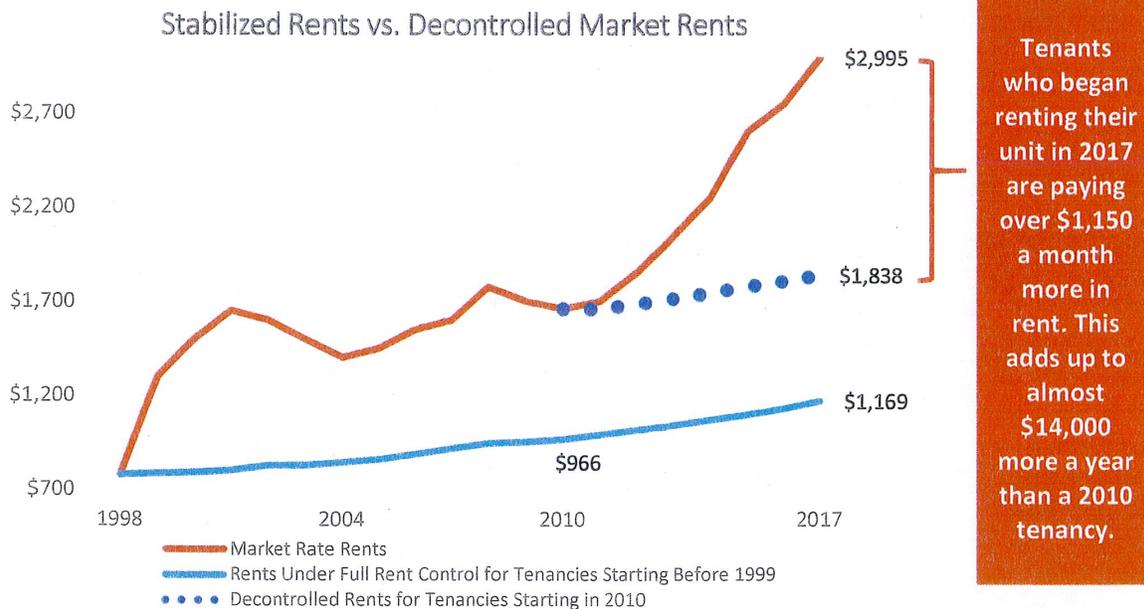
Rent Board estimate sources described in section above. Total rental housing stock source: American Community Survey (ACS), 2012-2016 5-year Estimates, Table B25127. Note: Figures rounded to the nearest hundred.

THE IMPACT OF COSTA-HAWKINS EXEMPTIONS ON RENT CONTROL IN THE BAY AREA

As described earlier, the Costa-Hawkins Rental Housing Act of 1995 created a series of restrictions on what kinds of units can be covered by local rent control ordinances. In this section we estimate the impact of these restrictions on rent control coverage in the Bay Area, beginning with the impacts of vacancy decontrol, followed by the exemption of single-family rentals and “newly constructed” units.

Impacts of Vacancy Decontrol

Though our ability to estimate rent hikes on sitting tenants is limited by data availability, it is possible to approximate the rent increases that happen between tenancies. Because of Costa-Hawkins, units that are covered under a municipality’s rent control ordinance are “uncontrolled” at the time of vacancy. This means that when a tenant moves out, a landlord is allowed to increase the asking rent without restrictions. In a strong housing market, this likely will lead to a landlord increasing the rent significantly. Using data from their rental registry, the Berkeley Rent Board estimates that the difference in monthly rent for a tenant that began renting in 2010 versus 2017 is approximately \$1,150 (Figure 2). That means that if a person who occupied their 2-bedroom unit in 2010 moved out in 2017, landlords on average raised the rent by 60%.



Source: Kelekian (2018).²⁶

As stated above, most cities in the Bay Area do not have a rent registry, and therefore are unable to conduct similar estimates. In an effort to estimate the impact of vacancy decontrol, we again turned to American Community Survey 1- year estimates for 2017 on the median rents paid by the year households moved into their unit. This data is currently only available for gross rent, which includes other household costs, so rental data in Table 3 are higher than those presented in Figure 1. For renters in cities with a rent control ordinance in place since at least 2010, those that moved in more recently pay rents that reflect the impact of vacancy decontrol. As observed in Table 3, on average, rents for tenants that have moved in since 2015 in cities with rent control are between \$600 and \$1,300 more than those paid by tenants that moved in before 2010. These estimates, however, include units that are exempt from rent control ordinances, so the difference for units that are subject to rent control are likely higher.

Table 3. Median Gross Rent by Year Household Moved-in for Cities with Rent Control

City	Moved In 1979 or Earlier	Moved In 1980 to 1989	Moved In 1990 to 1999	Moved In 2010 to 2014	Moved In 2015 or later	Difference between Pre-2010 and 2015+ Move-Ins
Berkeley	\$840	\$823	\$1,005	\$1,632	\$1,864	\$891
Hayward		\$952	\$1,444	\$1,737	\$1,997	\$686
Oakland	\$1,147	\$1,054	\$1,036	\$1,364	\$1,765	\$660
San Francisco	\$918	\$1,119	\$1,098	\$2,015	\$2,522	\$1,331
San Jose	\$2,278	\$1,985	\$1,335	\$1,902	\$2,425	\$607

Single-Family Rentals in the Bay Area by the Numbers – Cities with Existing Rent Control Ordinances

As we explain in more detail below, the majority of Bay Area cities with existing ordinances would likely extend protections to single-family rentals if Costa-Hawkins were repealed. It is therefore important to dig into the data on single-family rentals in order to better understand the short-term potential implications of Proposition 10. Single-family rentals have been on the rise in California and across the nation, particularly in the wake of the foreclosure crisis. See Figure 3 for single-family rentals represented as a share of single-family homes in Bay Area cities with rent control ordinances. Key drivers of this national phenomenon include a boom in single-family home construction in the early 2000s, followed by the recession and foreclosure crisis, which led to more families with a need to rent, and more formerly-owned homes entering the rental housing stock.²⁷ In some places, a significant share of these homes may be investor-owned; in Oakland, for example, by October 2011, investors had acquired 42% of all the properties that had gone through foreclosure since 2007.²⁸

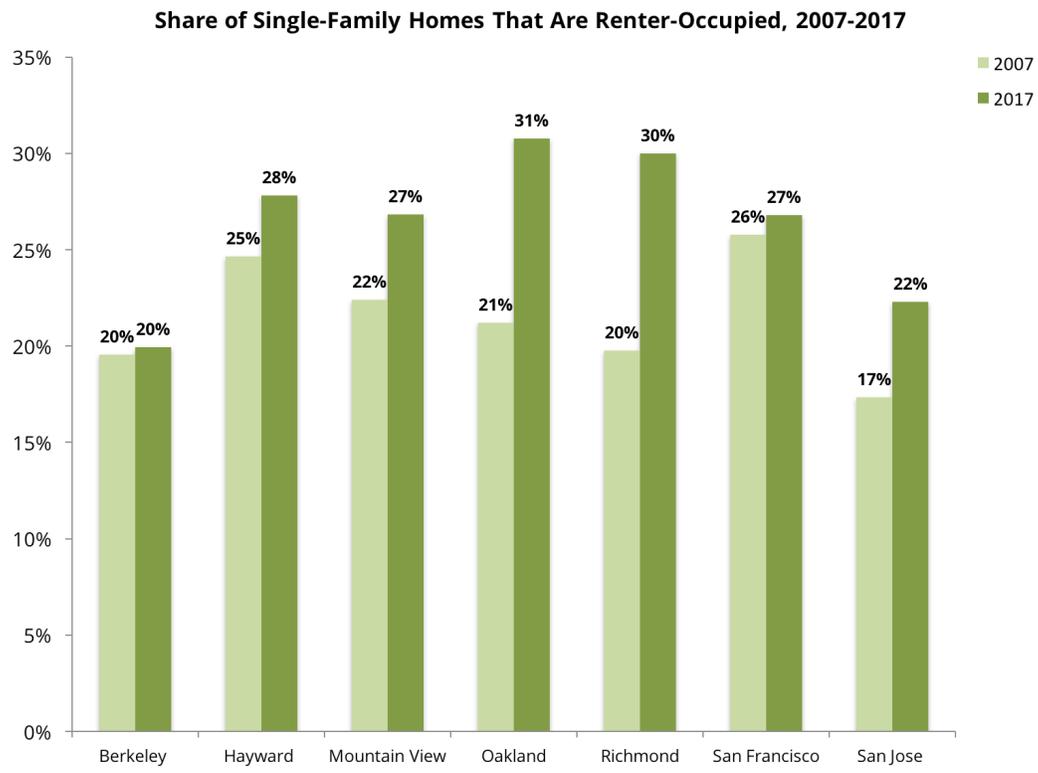


Figure 3. Share of Single-Family Homes That Are Renter-Occupied, 2007-2017
 Source: American Community Survey, 1 Year Estimates, 2007, and 2017, Table B25032.²⁹

Looking at the total rental housing stock for Bay Area cities with rent control ordinances, single-family rentals make up 23% of all rental units. Though as noted above, rates in some cities are much higher, with single-family rentals representing higher shares of the rental housing stock in Los Gatos (40%), Richmond and East Palo Alto (both 41%) (see Table 4). In the Bay Area overall, single-family rentals represent 32% of renter-occupied units.

Table 4. Single-Family Rentals (SFRs) in Bay Area cities with Rent Control Ordinances

City	Number of Single-Family Rentals (SFR)	SFRs as Percentage of Rental Housing Stock
Berkeley	4,700	18%
East Palo Alto	2,000	41%
Hayward	7,400	33%
Los Gatos	1,700	40%
Mountain View	3,600	18%
Oakland	23,000	24%
Richmond	7,700	41%
San Francisco	29,000	13%
San Jose	45,400	33%

Source: American Community Survey, 2012-2016 5 Year Estimates, Table B25127.
 Note: Figures rounded to the nearest hundred.

Rent Increases on Single-Family Rentals

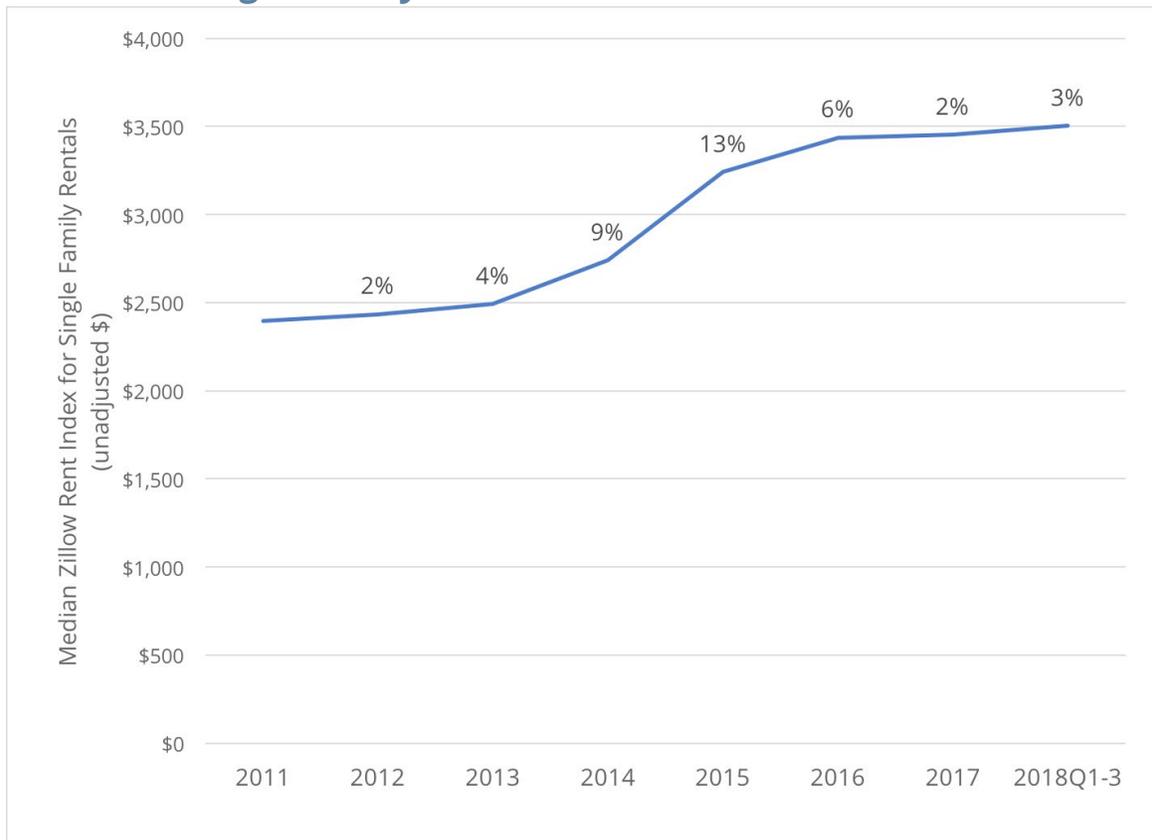


Figure 4. Median Zillow Rent Index on Single-Family Rentals for Bay Area Cities

Note: Data labels indicate the average annual increase in median ZRI for single-family rentals across the 95 Bay Area cities captured. Rents are not inflation-adjusted in order to estimate year over year increases.

To estimate annual rent increases on single-family rentals we use Zillow’s Rent Index, which represents asking rent on vacant single-family homes. As observed in Figure 4, market rents on single-family homes have grown at similar rates as multi-family units and if we are to assume these also reflect demands on sitting tenants, we may expect to see similar year over year rent hikes on tenants. On average since 2010, asking rent on single-family rentals has grown by 6%, peaking between 2014-2015 and leveling off to rates closer to inflation in more recent years. But again, like multi-family units, the change varies greatly between years, cities, and likely neighborhoods. For some cities, this variation may be due to a small stock of single-family rental units and what may come onto the rental market in any given year. The highest annual growth rate during this time period, for instance, was found in St. Helena, which had a 34% growth in its single-family rent index from 2013-2014, followed by La Honda between 2012-2013 and Emeryville for 2014-2015, which both had increases of 30% during those time periods.

Impacts of “New Construction” Cut-Off

Table 5 shows that there are about 113,000 units in Bay Area cities with ordinances that are not protected due to the construction year of the building. It is unlikely (and ill-advised due to the potential impact on new housing construction that the region needs) that cities would adopt policies to include new construction and cover all of these units at once. However, instituting rolling cut-offs, as is being proposed in Berkeley’s Measure Q, could provide significant coverage. A rolling cut-off would begin to cover these units in the future as we explore further in following sections of this brief.

Table 5. Number Units Built between Each City’s Cut-off Year and Today Currently Excluded from Rent Control Protections

	Rent Control Cut-off Year	Multifamily (2+) Rental Units Built between Cut-off Year and Today
Berkeley	1980	4,400
East Palo Alto	1988	1,000
Hayward	1979	5,900
Los Gatos	1995	300
Mountain View	1995	1,800
Oakland	1983	14,700
Richmond	1995	1,900
San Francisco	1979	36,000
San Jose	1979	46,600

Source: American Community Survey (ACS), 2012-2016 5-year Estimates, Table B25127. Note: Figures rounded to the nearest hundred.

WHAT COULD HAPPEN IN THE BAY AREA IF PROPOSITION 10 PASSES?

Of the fourteen rent control ordinances in California, eleven existed in 1995, when the Costa-Hawkins Rental Housing Act was signed into law. If Proposition 10 or a future repeal initiative were to pass, what could happen in these cities? While Proposition 10 would enable cities to increase the coverage of rent control, it is important to first understand what is in existing ordinances that could go into effect following Costa-Hawkins repeal. Due to challenges in estimating the impact of vacancy control given limited data on rent increases on sitting tenants, we limit this analysis to single-family rentals and new construction.

Costa-Hawkins prohibits the application of any rent regulation to single-family homes, vacant units, and newly constructed apartments. But when Costa-Hawkins was passed in 1995, several of the Bay Area's nine rent ordinances applied to single-family homes, vacant units, and new construction. Cities' approaches to amending existing ordinances in the wake of Costa-Hawkins varied. Select portions of certain rent ordinances remained 'on the books', superseded by state law and acknowledged as unenforceable. If Costa-Hawkins were repealed, the provisions in these select ordinances could re-apply.

In other cases, after 1995, some cities opted to amend their rent ordinances in order to bring them into compliance with Costa-Hawkins. In some of these instances, amendments exempted single-family homes and condos "pursuant to the Costa-Hawkins Rental Housing Act," which is somewhat ambiguous language in terms of a theoretical post-Proposition 10 scenario. To determine how the coverage of rent regulation could expand were Costa-Hawkins to be repealed requires reviewing the original provisions as well as subsequent amendments for each ordinance. Table 6 in the appendix summarizes how coverage could expand if Costa-Hawkins were repealed, noting where language is unclear.

Overall, of the nine cities in the Bay Area with rent control policies, seven - Berkeley, East Palo Alto, Hayward, Oakland, Mountain View, Richmond, San Francisco - would likely extend coverage to single-family homes and condos under Proposition 10. San Jose would extend coverage to condos, but not single-family homes. Without Costa-Hawkins, Los Gatos rent control would theoretically extend to new construction, though not to single-family homes or condos.

Hypothetical Coverage of Single-Family Rentals

If Costa-Hawkins were to be repealed, and single-family rentals were covered in Bay Area cities with existing rent control ordinances, even if current cut-off years were maintained, we estimate over 100,000 new households could receive tenant protections in the form of rent control. However, this is not a scenario that would take place overnight; San Jose and Los Gatos would have to pass amendments before rent control could apply to single-family rentals.

Figure 5 compares the number of rent-controlled units today in Bay Area cities that have rent control policies with the number of rental units that could be controlled if single-family rentals

were covered in all of these cities, but existing cut-off years were maintained. If single-family rentals were newly covered in all nine cities, 76% of total rental units in these cities would be covered by rent control - compared to the existing coverage rate of 57%. The approximately 100,000 additional units represent 8% of total rental units in the Bay Area.

It is also important to consider the possibility that some single-family homes could be pulled out of the rental market if Proposition 10 passes³⁰ and think creatively about mitigating this risk while not harming property owners.

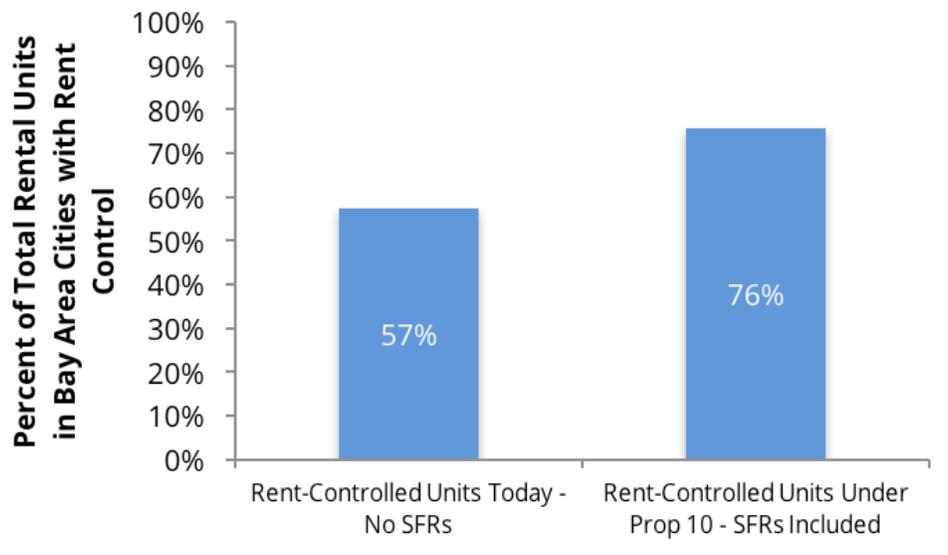


Figure 5. Share of Rental Units That Would Be Rent-Controlled in Bay Area Cities with Existing Policies if Single-Family Rentals Were Covered

Source: American Community Survey, 2012-2016 5 Year Estimates, Table B25127.

Hypothetical Modification of New Construction Cut-Off Year

We also looked at the potential impact if cities with rent control ordinances were to modify the “new construction” cut-off years. Measure Q, which is on the ballot this year in Berkeley proposes a rolling twenty-year new construction exemption for Berkeley in the event that Proposition 10 passes. We used 2000 as a hypothetical new construction cut-off year to approximate the parameters of Measure Q in Berkeley. However, the passage of Proposition 10 would not mandate any one kind of rent control ordinance – it would simply give cities the right to choose how to structure their policies, so this analysis represents a hypothetical scenario in which cities with rent control choose to follow in Berkeley’s footsteps..

If the cut-off year were changed to 2000 for all nine Bay Area cities with rent control, approximately 65,000 additional multifamily rental units could be covered if cities were to adopt legislation similar to Measure Q.³¹ This number likely reflects the low rates of new multi-family construction between the early 1980s and 2000; however, multifamily production is on the rise, and policymakers are looking for more ways to unlock development.^{32,33} This suggests that a rolling cut-off year may capture a greater number of additional units in the future. These estimates only

cover cities that already have rent control policies in place; of course, the passage of Proposition 10 would also expand the potential reach of rent control ordinances that may be adopted in other Bay Area cities in the future.

CONCLUSIONS

In the hot market of the Bay Area, extreme rent hikes represent a serious displacement risk for the 885,000 households in the Bay Area who currently are unprotected by rent control. Over forty percent of these households are families with children who are especially vulnerable to the negative impacts of housing insecurity and displacement. Rent control coverage in the Bay Area is limited both by the fact that many cities have yet to pass ordinances, and by the limitations placed on existing ordinances by Costa-Hawkins. This brief finds that the passage of Proposition 10 could result in over 100,000 newly protected households in single-family rentals and if cities with rent control were to pass measures to cover newer construction (through the year 2000, for example), an additional 65,000 units could be covered in the short-term.

Proposition 10 could therefore result in significant new protections for Bay Area renters, something that the region desperately needs. Yet the potential longer term unintended consequences of such an expansion, like the removal of rental units from the market, are significant. It is therefore urgent for leaders in the region and state to take bold, creative actions to design renter protection policies that work for landlords and renters alike.

This brief also points to the severe lack of data on both rental units covered by rent control, and on rent hikes for sitting tenants, highlighting the need for better data collection. One proposal coming from the region's committee to address the Bay Area housing crisis, CASA, is to develop and fund a regional rental housing data collection program that would encourage landlord compliance with rent regulation, deter illegal evictions, and help tailor policy responses, including preservation of affordable housing, all necessary actions for our region.³⁴

Whether or not Proposition 10 passes, our region can do much more to protect renters. Today, of the region's 1.2 million rental housing units in the Bay Area, only about a quarter are rent-controlled (~ 318,000 units). If all Bay Area cities had rent control, even with the restrictions of Costa-Hawkins (exempting housing built after 1995 and single-family rentals), 55% of rental housing stock in the 9-county region could be covered (~ 667,000 units). While such a region-wide policy is unlikely, this brief demonstrates both the magnitude of the problem, and the need for large-scale interventions to protect the region's tenants and support its diverse population with inclusive policies.

APPENDIX

Table 6. Implications of Proposition 10 passage based on existing California rent control ordinances

City	Expansion of Rent control to Other Housing Types Under Proposition 10
Berkeley	Single-family homes & condos
East Palo Alto	Single-family homes & condos ^{*35}
Hayward	Single-family homes & condos ³⁶
Los Gatos	none
Oakland	Single-family homes & condos [*]
Mountain View	Single-family homes & condos ^{*37}
Richmond	Single-family homes & condos
San Francisco	Single-family homes & condos [*]
San Jose	Condos ³⁸

**Ordinance includes ambiguous language, which makes theoretical post-Proposition 10 application somewhat unclear.*

ENDNOTES

- ¹ Philip Verma, Dan Rinzler, and Miriam Zuk, "Rising Housing Costs and Re-Segregation in Alameda County," "Rising Housing Costs and Re-Segregation in Contra Costa County," "Rising Housing Costs and Re-Segregation in San Francisco," (Urban Displacement Project and California Housing Partnership, September 2018).
- ² Rebecca Diamond, "What Does Economic Evidence Tell Us about the Effects of Rent Control," (Brookings Institute, October 2018).
- ³ Metropolitan Transportation Commission (MTC), Vital Signs, 2018. <<http://www.vitalsigns.mtc.ca.gov/housing-production#chart-0>>.
- ⁴ American Community Survey (ACS), 2012-2016 5-Year Estimate, Table B25074.
- ⁵ Justine Marcus and Miriam Zuk, "Displacement in San Mateo County, California: Consequences for Housing, Neighborhoods, Quality of Life, and Health," (Urban Displacement Project, May 2017).
- ⁶ Sarah Treuhaft et al., "Solving the Housing Crisis Is Key to Inclusive Prosperity in the Bay Area" (PolicyLink, PERE/USC and The San Francisco Foundation, April 2018).
- ⁷ California Department of Housing and Community Development, "California's Housing Future: Challenges and Opportunities. Final Statewide Housing Assessment 2025," (February 2018). http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.
- ⁸ Matthew Desmond and Rachel Tolbert Kimbro, "Eviction's Fallout: Housing, Hardship, and Health," (Social Forces, 2015). Tim Jolleyman and Nicholas Spencer, ""Outcomes identified in association with frequent moves included: higher levels of behavioral and emotional problems; increased teenage pregnancy rates; accelerated initiation of illicit drug use; adolescent depression; and reduced continuity of healthcare," (Journal of Epidemiology and Community Health, 2008).
- ⁹ Marcus and Zuk, 2017.
- ¹⁰ Philip Verma, Dan Rinzler, and Miriam Zuk, "Rising Housing Costs and Re-Segregation in Alameda County," "Rising Housing Costs and Re-Segregation in Contra Costa County," "Rising Housing Costs and Re-Segregation in San Francisco," (Urban Displacement Project and California Housing Partnership, September 2018).
- ¹¹ Hans Lind, "Rent Regulation: A Conceptual and Comparative Analysis," (International Journal of Housing Policy, January 2001).
- ¹² Richard Arnott, "Time for Revisionism on Rent Control?," (The Journal of Economic Perspectives, 1995).
- ¹³ We exclude Thousand Oaks due to the limited nature of its rent control policy, wherein only apartment tenants who have lived in the same eligible rent controlled unit since 1987 are eligible.
- ¹⁴ These twenty-seven cities include: Alameda, Antioch, Berkeley, Concord, Daly City, Fairfield, Fremont, Hayward, Mountain View, Napa, Oakland, Palo Alto, Pleasanton, Redwood City, Rich-

mond, San Francisco, San Jose, San Leandro, San Mateo, Santa Clara, Santa Rosa, South San Francisco, Sunnyvale, Union City, Vacaville, Vallejo, Walnut Creek

¹⁵ Tammerlin Drummond, "Piedmont Investor Hits Oakland Tenants with \$1,300 Rent Hike," (East Bay Times, September 2017); Kevin Kelly, "Tenants at Two Redwood City Apartment Buildings Protest Large Rent Hikes," (The Mercury News, January, 2018); Shawn Carter, "San Francisco Tenants Fighting Landlord Who Hiked Rent by \$4,800," (CNBC, September, 2017); Peter Hegarty, "Tenants Face 133 Percent Rent Increase at Alameda Condominium," (East Bay Times, January, 2018).

¹⁶ Elliott Granoff, Costar, personal communication (2018), and costar.com.

¹⁷ <https://www.zillow.com/research/data/>

¹⁸ See the Bureau of Labor Statistics, CPI All Urban Consumers Time Series <https://data.bls.gov/timeseries/CUUR0000SA0?output_view=pct_12mths>, and Employment, Hours, and Earnings Time Series <<https://data.bls.gov/timeseries/CES0500000003>>.

¹⁹ Many of the allowable rent increases are expressed as a percentage of Consumer Price Index (CPI).

²⁰ Any time that a duplex that was owner occupied on December 31, 1979 is occupied by a 50%+ owner of record, both units are completely exempt from all provisions of the rent control and good cause for eviction ordinance. It does not need to be the same owner as the person occupying the unit in 1979. If the unit was not owner-occupied on that date but subsequently is owner occupied, the rented unit would be covered by both rent control and good cause. (Personal communication, Jay Kelekian, 2018).

²¹ Note that the Los Gatos ordinance on "reasonable rent increases" states that "Annual rent increases shall not exceed the seventy (70) percent CPI ceiling or five (5) percent, whichever is greater, unless the arbitrator determines that other factors render a larger increase reasonable."

²² American Community Survey (ACS), 2012-2016 5-Year Estimates, Table B25127.

²³ Estimates of households with children were calculated using 2017 American Community Survey Public Use Microdata Sample (PUMS) Data.

²⁴ Of the 22,237 rental units in Hayward, the City estimates that approximately 14,941, or 67% are covered under the Residential Rent Stabilization Ordinance which includes Eviction for Cause provisions. Of the 14,941 rental units, only 9,506 are subject to the rent-increase limitations given the exemption of 5,435 single-family homes. However, to date, the City has received 7,918 applications to decontrol of rent controlled units. It is therefore estimated that between 1,000 and 1,600 units continue to be rent controlled under the City of Hayward's Residential Rent Stabilization Ordinance. Given that Hayward does not have a rental registry, the City of Hayward produced these estimates based on Census data (Personal communication, Yolanda Cruz, Hayward Housing Division, October 2018).

²⁵ While the City of Los Gatos does not have exact estimates for this figure due to data limitations, they suggest that the Census estimate of 2,000 may be generous. (Personal communication, Sally Yarnowitz, Planning Manager, October 2018).

²⁶ Jay Kelekian, "Memo to CA State Assemblymember Richard Bloom Re: AB 1506 - Support," January 4, 2018.

²⁷ Carolina Reid, Rocio Sanchez-Moyano, and Carol Galante, "The Rise of Single-Family Rentals after the Foreclosure Crisis: Understanding Tenant Perspectives" (Turner Center, April 2018).

²⁸ Steve King, "Who Owns Your Neighborhood? The Role of Investors in Post-Foreclosure Oakland" (Urban Strategies Council, 2012).

²⁹ East Palo Alto and Los Gatos have been excluded from this chart because there are no ACS 1-Year estimates for this data in these places due to sample size.

³⁰ Rebecca Diamond, "What Does Economic Evidence Tell Us about the Effects of Rent Control" (Brookings Institute, October 2018).

³¹ This number may be somewhat generous, however, as it uses Census data to approximate hypothetical rent control coverage, and does not account for all exemptions present in some existing ordinances (eg owner-occupied duplexes and/or triplexes, renter-occupied duplexes). Additionally, it does not exclude units that have other forms of rental subsidy and thus may not be eligible for rent control.

³² Metropolitan Transportation Commission (MTC), Vital Signs, 2018. <<http://www.vitalsigns.mtc.ca.gov/housing-production#chart-0>>.

³³ Ian Carlton, Miriam Zuk, and Anna Cash, "SB 827 2.0: what are the implications for communities in the Bay Area?" (Urban Displacement Project, October 2018).

³⁴ CASA - Protections Working Group, "Regional Rental Housing Data Collection Program" Action Plan Proposal, (CASA, June 2018). <<https://mtc.legistar.com/View.ashx?M=F&ID=6312411&GUID=EABEFA47-681E-4AC6-B24C-C279565386E6>>.

³⁵ East Palo Alto's local law provides that the following type of housing is exempt from rent control "Single family dwellings on parcels with only one dwelling unit and other units exempted from rent controls pursuant to Costa-Hawkins Act." The use of "and other units exempt from rent control pursuant to Costa-Hawkins Act" can be interpreted to mean that single-family homes are only exempt by virtue of Costa-Hawkins. If the Costa-Hawkins is eliminated, then it can be interpreted to mean that these home would no longer be exempt.)

³⁶ Single-family homes & condos would fall under control provided that the home or condo "is one of at least five (5) residential dwelling units, whether located on the same or different parcels of land within the City, which are under common ownership" (City of Hayward Residential Rent Stabilization Ordinance No. 16-19).

³⁷ Mountain View has similar conditions to East Palo Alto.

³⁸ Local law exempts building with 1 or 2 dwelling units; since condos are presumably in buildings with 3 or more units, the local law would apply.