



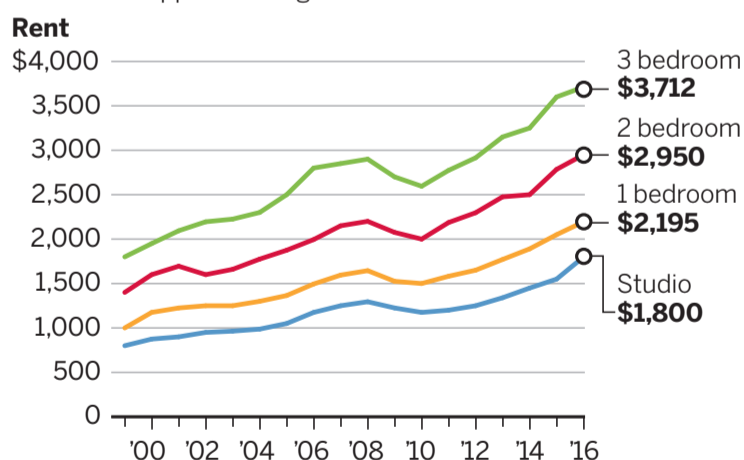
PHOTO BY AXEL KOESTER

Carl Lambert, 61, a landlord for 35 years, owns more than 10 buildings in Santa Monica and Venice, most of them rent-controlled. If Proposition 10 passes and rent control is expanded, rental property values will drop 25 percent, he said.

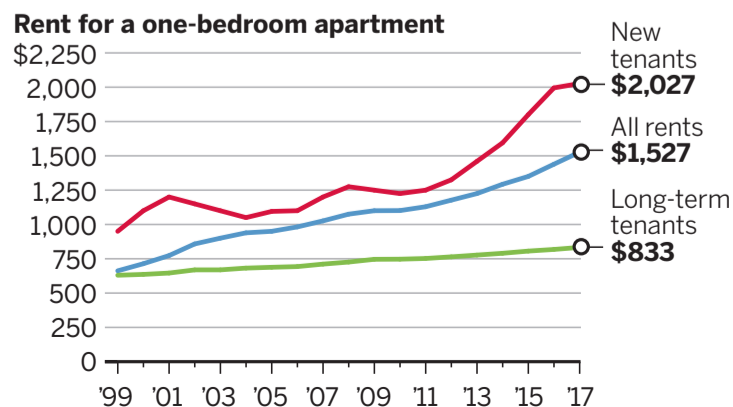
# Will rent control kill California housing production? Maybe

## TWO CITIES BEFORE AND AFTER 1995 COSTA-HAWKINS RENTAL HOUSING ACT

**Santa Monica:** California rules that took effect in 1999 made it legal for landlords to raise rents on rent-controlled apartments to market rate once a tenant vacates. New tenants in Santa Monica have seen significant increases most years since, while increases have been capped for long-term tenants.



**Berkeley:** When Berkeley rolled back its strict rent controls in 1999, landlords began charging the market rate to new tenants. The median prices of those rent-controlled apartments rose sharply, compared to the rent of long-term tenants, according to inflation-adjusted estimates.



## It would endanger homebuilding when state needs it most, foes say

By Angela Hart and Katy Murphy  
Sacramento Bee and Bay Area News Group

**D**emanding financial relief from rapidly rising rents in the late 1970s and early 1980s, Berkeley and Santa Monica passed the strongest rent control laws in the nation.

California's landmark tax law, Proposition 13, had just passed, rolling back property taxes for homeowners and ensuring they'd receive tax breaks. During the campaign, taxpayer advocates promised renters similar help.

Yet rents continued to rise. Tenant activists, both in Berkeley and Santa Monica, turned to the ballot box, persuading voters to pass — by wide margins — rent control laws even more strict than their larger neighbors in Los Angeles and San Francisco.

"It was pretty intense then," said Denny Zane, co-founder of Santa Monicans for Renters' Rights, a powerful activist group that spearheaded the city's push for rent control, an early fight in the movement that spread across California four decades ago. "Property owners felt entitled to whatever rent they could get, and renters did not feel that was fair, so there were angry landlords and there were vehement tenants whom thought justice was on their side."

Today, similar battle lines are being drawn as voters decide whether to approve Proposition 10, which would repeal a state law passed

in 1995 that limited rent control's reach. The law, the Costa-Hawkins Rental Housing Act, reined in the strongest local rent control provision in place in just five cities — Berkeley, Santa Monica, West Hollywood, East Palo Alto and the Sonoma County town of Cotati.

The debate over the measure highlights a key question that divides tenants rights groups and the state's powerful real estate industry: What impact does rent control have on housing production?

Real estate interests argue — and gubernatorial candidates Gavin Newsom and John Cox agree — that a return of the strong rent control laws of the late '70s and '80s would endanger homebuilding when the state needs it most.

Steve Maviglio, the consultant behind the anti-rent control campaign, said developers already are preparing for the initiative's passage.

"People have put off projects already because of the threat of Prop. 10," he said. "It's uncertainty. If there's one thing business needs — particularly housing developers — it's certainty about the market ... The threat of 500-plus rent control ordinances around the state will freeze construction, and a large majority of them will be put on the ballot by radical tenant groups."

Tenants rights groups say there's

# Prop. 10

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no evidence that construction suffered in cities with rent control, including the ones that once had the strongest local laws. Homebuilding also depends on other factors, they say, including the state of the overall economy and demand.

“Over these periods, before and after Costa-Hawkins, there’s been a lot more going on than rent control,” said Stephen Barton, a longtime Berkeley housing official and rent control expert who backs Prop. 10.

“We saw the dot-com boom and bust. We saw housing construction start to take off. The economy is turning around, and rents have skyrocketed ... so to say that rent control is the causal mechanism (of construction activity) ignores the fact that a large number of people are getting jobs in these technology industries, and that is creating an enormous demand for new housing.”

State and national data on trends over the past four decades paint a complicated picture of factors, influencing housing production. Homebuilding in California tracks more closely with economic downturns and upswings than it does with rent control, an analysis by The Sacramento Bee and the Bay Area News Group has found.

Homebuilding also heavily reflects trends of the broader regions of Los Angeles and the Bay Area, with construction activity shaped largely by the availability of land, construction costs, the supply of laborers

and demand for new housing, driven largely by the booming technology sectors of Silicon Valley and Silicon Beach in Los Angeles’ Westside.

“These broader trends far outweigh rent control in terms of determining how much housing gets built, and where it gets built,” Barton said.

In both Berkeley and Santa Monica, most housing was built early on — in Berkeley before 1940 and in Santa Monica from 1940 to 1980, according to U.S. Census Bureau estimates on construction activity. The reason is simple: For four decades, before the early rent control movement spread across California, there was more space in which to grow.

In Santa Monica, the largest share of renter-occupied housing was built in the roughly 20-year span from 1960 to 1979 — before the city had rent control.

Building activity has tapered off in the decades since. Yet from 1980 to 1999, when the city had a strong rent control law in place, more apartment building construction occurred than in the most recent 20-year period, when Costa-Hawkins banned strong local rent control laws.

Most of Berkeley’s rental units were built before 1940, though the city saw an uptick in apartment construction from 1960 to 1980, according to Census Bureau figures. It also has tapered off in the decades since.

State Department of Finance data show spikes before and after the recession.

“Most housing construction in California tracks the economic cycle closely,” said Irena Asmundson, chief economist at the state De-

partment of Finance. “More recently, since about 2007, we have seen stronger multifamily construction as a proportion of the total than we had seen previously.”

Construction activity is also largely a reflection of how receptive local communities are to new housing. Local zoning regulations and community input on development proposals are deeply influential, said Brian Uhler, a housing analyst with the state Legislative Analyst’s Office.

“There’s a lot of the variation from one city to the next,” Uhler said. “Foundationally, that has to do with how residents and elected officials, collectively, view growth.

“Limited growth ... where local communities slow down or reduce the size of development plays out in many ways, through local zoning regulations, the approval process, through local fees and contingencies placed on development projects,” he said.

David Shulman, an economist and expert on California housing, agreed that housing trends in California follow economic cycles, but he said there could be trouble on the horizon should voters clear the way for strong rent control, he said.

Repealing of Costa-Hawkins could send a message to developers that California is an unpredictable place to do business, and that could have an unprecedented chilling effect on the development of new apartments.

“That’s a legitimate fear,” Shulman said. “Cities could go back and change their laws any time they want ... This could lead to a collapse of new apartment construction.”