

PROPOSITION **EXPANDS LOCAL GOVERNMENTS' AUTHORITY TO ENACT RENT CONTROL ON RESIDENTIAL PROPERTY. INITIATIVE STATUTE.**

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OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on page 100 and the Secretary of State's website at voterguide.sos.ca.gov.

- Current state law (the Costa-Hawkins Rental Housing Act of 1995) generally prevents cities and counties from limiting the initial rental rate that landlords may charge to new tenants in all types of housing, and from limiting rent increases for existing tenants in (1) residential properties that were first occupied after February 1, 1995; (2) single-family homes; and (3) condominiums.
- This measure would repeal that state law and would prohibit the state from

limiting the ability of cities and counties to maintain, enact, or expand residential rent-control ordinances.

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

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

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Rental Housing Is Expensive in California.

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

Several Cities Have Rent Control Laws.

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

State Law Limits Rent Increases. In addition to local rent control laws, a state law

prevents most landlords from increasing a tenant's rent by more than 5 percent plus inflation (up to a total of 10 percent) in a year. This law lasts until 2030.

State Law Limits Local Rent Control.

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

PROPOSAL

Allows Local Governments to Expand Rent Control. Proposition 33 eliminates Costa-Hawkins. Under the proposition, cities and counties can control rents for any housing. They also can limit how much a landlord

ANALYSIS BY THE LEGISLATIVE ANALYST

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may increase rents when a new renter moves in. The proposition itself does not make any changes to existing local rent control laws. Generally, cities and counties would have to take separate actions to change their local laws.

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

FISCAL EFFECTS

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

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

The size of these effects would depend on how many properties end up being covered

by local rent control and how much rents are limited. These things would be decided by future actions of local governments and voters.

Reduced Local Property Tax Revenues.

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

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

Visit sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2024-ballot-measure-contribution-totals for a list of committees primarily formed to support or oppose this measure.

Visit fppc.ca.gov/transparency/top-contributors.html to access the committee's top 10 contributors.

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★ ARGUMENT IN FAVOR OF PROPOSITION 33 ★

Where will I live?—This is the question that haunts California's 17 million renters. 55% of Californians are rent burdened, paying more than 30% of their income on rent and there is no end in sight. Rent increases are far outstripping pay increases. A starting teacher, cop, or fire fighter is paying half their salary to afford the average apartment in California's cities. Many who live on a fixed income are one rent increase away from homelessness—and seniors represent the fastest growing homeless population. Something has to give. The affordable housing crisis is destroying the California Dream.

California, the Golden State, was once the land of opportunity. However, things have changed dramatically. Nearly one million people have left California in the last five years. If this mass exodus continues, it will have catastrophic consequences for our state. California faces a \$68 billion deficit which will only get worse as young talented people leave and the needy remain.

We love California. It is a land of natural beauty. We are at the cutting edge of technological innovation with vast amounts of wealth. Yet, based on the cost of living, we are the poorest state in America. We have way too many seniors, single parents, low-wage workers, and veterans choosing between paying rent and putting food on the table.

The housing crisis is complex. There isn't one magic bullet to solve it, but the place we have to start is keeping people in their homes. *The only practical way to do it is to allow local government to enact and expand rent control because one size doesn't fit all.* What's practical for Los Angeles doesn't work in Los Gatos.

We need to build more affordable housing and preserve the affordable units we have. But while we are waiting, we need

to protect tenants and keep them housed—when you're in a hole, stop digging.

Rent control is an American tradition since 1919 and works well in many cities. It was largely shut down in 1995 when the landlord lobby convinced Sacramento to drastically curtail it. Ever since, corporate landlords have made sure that the Legislature doesn't modify the law no matter how bad things get.

We understand that mom and pop landlords have invested their life savings into their buildings and can identify with the plight of their tenants. The CA Constitution guarantees them a reasonable rate of return. But it is the billionaire corporate landlords who are calling the shots and causing skyrocketing rents.

Even if you are not a renter, your quality of life and the value of your property are still harmed by the housing crisis.

Proposition 33 will return fairness to the equation. Visit www.yeson33.org

Supporters: California Democratic Party, Veterans' Voices, California Nurses Association, CA Alliance for Retired Americans, Housing Is a Human Right, American Federation of Teachers 1521, 2121, Tenants Together, Consumer Watchdog, Coalition for Economic Survival, Social Security Works, Mental Health Advocacy, Housing NOW, ACCE, UNITE HERE Local 11

Basil Kimbrew, Executive Director
Veterans' Voices

Pauline Brooks, Board President
California Alliance for Retired Americans

William Arroyo, Board President
AIDS Healthcare Foundation / Housing Is a Human Right

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★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 33 ★

They're at it again. Proponents of Prop. 33 have taken millions of taxpayer dollars—money that is supposed to be used to help low-income HIV and AIDS patients—and spent it on yet another of their anti-housing crusades.

Once again, they are pushing a measure that will hurt small mom and pop landlords.

AHF, which has received billions of taxpayer dollars meant to serve patients, has diverted that money to pay for things that have nothing to do with healthcare—building their own real estate empire, while housing people in slum-like conditions in buildings they refuse to fix, and being fined repeatedly for their misuse of funds.

Just like this measure, AHF is not what it appears to be. But don't take our word for it. Read the stories that show AHF's true colors:

One of the state's largest slumlords <https://www.latimes.com/homeless-housing/story/2023-11-16/aids-healthcare-foundation-low-income-housing-landlords>

Even allowing a blind tenant to fall down an open elevator shaft <https://www.latimes.com/homeless-housing/story/2023-01-20/ahf-madison-hotel-elevator-lawsuit-story>

While they claim to fight for tenants, they are throwing low-income tenants out on the street, while suing dozens of poor people in small-claims court: <https://www.poz.com/article/aids-healthcare-foundation-reportedly-houses-tenants-squalid-conditions>

Meanwhile, they are wasting taxpayer dollars on lawsuits to block new housing <https://www.sfchronicle.com/politics/article/Lawsuit-seeks-to-block-Scott-Wiener-s-rezoning-16480766.php> and spending millions on political campaigns to push its no-growth agenda: <https://www.latimes.com/local/lanow/la-me-ln-aids-foundation-political-spending-20170221-story.html>

The state even terminated its multi-million dollar contracts with AHF, citing "improper negotiation tactics" <https://www.latimes.com/california/story/2022-06-30/california-aids-healthcare-foundation-state-contract>

And audits by LA County found AHF overcharged taxpayers by millions <https://archive.kpcc.org/blogs/politics/2013/07/18/14304/aids-healthcare-foundation-asks-judge-to-delay-la/>

Don't be misled by AHF's latest scheme to fool California voters. Vote No on Prop. 33.

Michael Hedges, President
California Small Business Association

Julian Canete, President
California Hispanic Chambers of Commerce

Rev. Dwight Williams, Chair
California Senior Alliance

★ ARGUMENT AGAINST PROPOSITION 33 ★

PROP. 33 IS A DEEPLY FLAWED SCHEME THAT WILL INCREASE HOUSING COSTS AND BLOCK AFFORDABLE HOUSING

If Prop. 33 seems familiar, it's because nearly 60% of California voters rejected the same flawed scheme in 2018 and 2020. Seniors, veterans, and affordable housing experts all oppose Prop. 33 because it will make the housing crisis dramatically worse. The Housing Action Coalition calls Prop. 33 "deeply flawed and deceptively anti-housing."

Here's why you should vote NO on Prop. 33:

FUNDED BY NOTORIOUS SLUMLORD

Prop. 33 was written and bankrolled by Corporate CEO Michael Weinstein of AHF. The Los Angeles Times describes Weinstein as a "slumlord" with a long record of health and safety violations and unfair evictions. State housing regulators cited his residents living in "squalid conditions, exposed to roach and bedbug infestations."

NOT WHAT IT SEEMS. PROP. 33 IS A TROJAN HORSE THAT OVERTURNS STATE AFFORDABLE HOUSING LAWS

Prop. 33 is misleading. The measure could effectively overturn more than 100 state housing laws, including laws making it easier to build affordable housing, and fair housing and tenant eviction protections. It could also strip the Attorney General's ability to enforce certain current housing laws. It's why one of the state's most notorious corporate "slumlords" is bankrolling Prop. 33.

WORSENS HOUSING CRISIS

Economists and housing experts at Stanford and UC Berkeley say Prop. 33 will make California's housing crisis significantly worse by reducing the construction of new affordable housing. Prop. 33 will make it harder to become a homeowner or find a place to rent, driving up costs for renters and home buyers.

ELIMINATES HOMEOWNER PROTECTIONS

Prop. 33 takes away basic protections for homeowners and allows bureaucrats, politicians, and regulators to tell single-family homeowners how much they can charge to rent out

a single room. Millions of homeowners will be treated just like corporate landlords and subject to regulations and price controls enacted by unelected boards.

WEAKENS RENTER PROTECTIONS

Prop. 33 undermines the strongest statewide rent control law in the nation signed by Governor Newsom and has no protections for renters.

REDUCES HOME VALUES UP TO 25%

Non-partisan researchers at MIT estimate extreme rent control measures like this result in an average reduction in home values up to 25%. Californians can't afford to take another hit with the economic collapse threatening their home values and life savings.

OFFERS NO PROTECTIONS FOR SENIORS, VETERANS, OR THE DISABLED

Prop. 33 has no protections for seniors, veterans, or the disabled. Veterans, seniors, and social justice organizations agree it's the last thing we need right now.

OPPOSED BY A BROAD BIPARTISAN COALITION

Democrats and Republicans agree Prop. 33 will make the housing crisis worse. Opponents include: California Small Business Association • California Senior Alliance • California Conference of Carpenters • California YIMBY • California Chamber of Commerce • Senate President Pro Tem Emeritus Toni Atkins • Democratic Assemblymember Buffy Wicks • Marine Corps Veterans Association

DEMAND REAL HOUSING SOLUTIONS

We should Vote "NO" on Prop. 33 and demand real solutions.

VOTE NO ON PROPOSITION 33. Learn more at NoOnProp33.com

Ken Rosen, Economics Professor Emeritus
UC Berkeley

Jenna Abbott, Executive Director
California Council for Affordable Housing

Kendra Moss, Advisory Member
Women Veterans Alliance

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 33 ★

Who do you believe? The billionaire landlords behind the California Apartment Association which has spent hundreds of millions of dollars opposing renter protections? Or do you believe the AIDS Healthcare Foundation—the largest AIDS organization in the world—Veterans' Voices, the Coalition for Economic Survival, 100 local elected officials, and the cities of San Francisco, Santa Monica, and West Hollywood? The billionaire landlords will fill the airwaves and your mailbox with lies and deceptions paid for by extorting exorbitant rents from people on social security or disability. Our proposition is just 23 words. It allows cities to regulate rents the way they did until 1995 when Sacramento, at the demand of these same billionaires, took that right away—nothing more. Every city will decide for themselves whether or not they need rent control.

Academics and non-profits for hire will say anything the billionaire landlords want them to for a price.

Believe your own eyes. We are facing a \$68 billion deficit made worse by the one million people who have left California. More than half of California's 17 million renters are paying more than 30% of their income on rent.

The billionaire landlords are using fear to get homeowners and renters to vote against your own interests. Homeowners will only benefit from healthy communities. Renters are desperate to remain in their homes.

Rent control is an American tradition since 1919. New York and many other cities with rent control have only seen property values soar.

Vote Yes—the rent is too damn high.

Sandy Reding, President
California Nurses Association

Pauline Brooks, Board President
California Alliance for Retired Americans

Larry Gross, Executive Director
Coalition for Economic Survival