

AB 1506 (BLOOM): RESIDENTIAL RENT CONTROL: COSTA-HAWKINS RENTAL HOUSING ACT

POSITION: The Chamber's Infrastructure, Housing & Land Use Committee voted to OPPOSE AB 199 on March 21, 2017.

STATUS: AB 1506 was introduced by Assemblymember Richard Bloom on February 17, 2017. It was referred to the Committee on Housing and Community Development.

AT-A-GLANCE

AB 1506 would repeal the Costa-Hawkins Act, which exempts new construction from rent control.

SUMMARY

AB 1506 would repeal the Costa-Hawkins Act, which exempts new construction from rent control. The Costa-Hawkins Act exempted construction built after 1995 from local rent control laws; exempted single-family homes from any form of rent control; and required all rent control laws to include a "vacancy decontrol" provision allowing rents to increase when a tenant moves out.

ANALYSIS

As the cost of renting and buying a home in California increases, numerous proposals from the state legislature have come out attempting to rein in costs, increase additional units being built or identify regulatory reforms. AB 1506 attempts to maintain the viability for individuals to remain in their homes or to rent a home in California by prohibiting landlords from raising rents or determining rents based on fair market value.

Supporters of the legislation believe that the Act is a "major barrier to strong rent control and universal displacement protections." However, implementing stricter rent control laws could backfire and keep families further away from safe, stable and affordable housing by dramatically slowing investment and new construction in California, exacerbating our current shortage. One of the existing issues with development of new affordable units is that the math doesn't work if the unit isn't "luxury," meaning that building affordable units actually costs developers. Restricting rent to only affordable-rates as determined by public agencies will halt investors from working in California and restrict options for renters. Furthermore, rent restrictions have had adverse effects for renters as landlords attempt to cash out quickly before new control regulations are implementing- which results in tenants being evicted as landlords attempt to maximize profits.

Previous attempts to repeal the Costa-Hawkins Act have not been successful.