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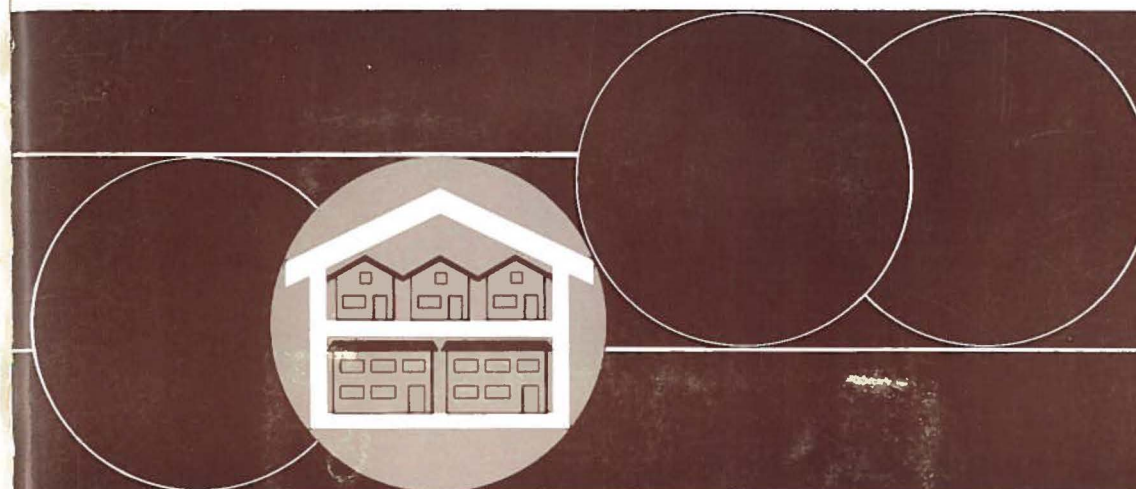
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Published for the
CALIFORNIA POLICY SEMINAR
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FOREWORD

This monograph is the sixteenth in a series of public policy papers commissioned by the California Policy Seminar. The Seminar was established in 1977 so that governmental and academic persons jointly could identify and sponsor research on problems facing California. It is hoped that this continuing experiment will bring the resources and faculty skills of the University to bear more fully on policy issues of some importance to the people of California by aiding the decision processes of state government.

The California Policy Seminar members include the President of the University as Chairman, the Governor, the Speaker of the Assembly, the President Pro Tempore of the Senate, legislators and state government officials appointed by them, and a select number of faculty members and students.

David S. Saxon
President
University of California

INTRODUCTION

California's worsening rental housing problems have prompted a continuing debate over their nature and magnitude, as well as state and local government responses. Rent control has been the most controversial measure sponsored by local government to promote more affordable rental housing in California.

This article does not generally review the debate over rent control—the arguments of proponents and opponents are already known.¹ Typical major arguments made by opponents can be summarized as contentions that rent control:

1. is not justified by market conditions;
2. will deter the new construction of rental housing;
3. will lead to undermaintenance, and eventually, housing abandonment;
4. will lead to demolition and conversion of rental housing for more profitable nonresidential uses, reducing the supply of housing;
5. results in bureaucratic, inefficient, and expensive administration;
6. will result in inequitable distribution of short-term benefits;
7. will result in landlords refusing to rent some units, discriminating against some tenants, and charging some tenants illegally high rents;
8. results in unnecessarily high rent increases while failing to make rents "fair"; and
9. adversely affects the tax base and shifts the tax burden.

Rent control proponents contest these conclusions. They argue that rent control does benefit tenants, does stabilize the rental market, and does not have the adverse impacts claimed by its opponents. Accordingly, proponents are against federal and state preemption or restriction of local rent control, while opponents favor such preemption.

This article examines the evolution of rent control in California over the past decade, together with its current status, administration, relevant litigation, and its future prospects. The primary policy focus will be the question of California's preempting local rent control, concluding that there is no immediate demonstrable justification for state

intervention. [See biographical note on the writer and his position with respect to rent control.]

THE RENTAL HOUSING CRISIS

According to the California Department of Housing and Community Development (HCD), 1,435,000 lower-income California renters (37 percent of all renters) were paying more than one-quarter of their income for rent in 1981.² HCD notes that the "inability of increasing numbers of households to afford suitable housing" is the most widespread housing problem, with half of all California renters now paying more than they can actually afford.³ This conclusion lends fuel to the fires of rent-control debates since an acceptable rent-to-income ratio is not established. California still adheres to the 25 percent rent-to-income ratio as the standard of affordability under state housing programs, but the federal government in 1981 increased its standard for tenants in federally assisted housing to 30 percent.⁴

While rents generally lagged behind inflation and increased tenant income in the early 1970s, this relationship changed recently in many areas as rents rose faster and tenants' real income (income adjusted to changes in consumer prices) declined.⁵ Between December 1978 and December 1982 rent increases virtually equaled the overall inflation rate in the San Francisco Bay region. Rents increased annually by an average of 11.7 percent while inflation increased by 11.6 percent.⁶

This occurred while four Bay Area cities adopted rent regulations (San Francisco, Oakland, Berkeley and Hayward). Lower-income tenants have been especially hard hit by this trend. To what extent most tenants can afford increases and just how much they can afford remains controversial because of disagreement over what constitutes a generally acceptable rent-to-income ratio.

Another source of great concern is the decline in new housing construction. The tight rental housing market prevailing in California is attributable in part to the drastic decline in new construction. HCD estimates that 315,000 units must be built annually through 1985 to meet the state's housing needs, but does not distinguish between housing ownership and renting.⁷ Only 210,000 units were constructed in 1979 (83,000 multiples); 145,000 in 1980 (58,000 multiples); and in 1981 new housing production plummeted to 105,000 (45,000 multiples).⁸ While precise data are lacking on the types of new multiple-unit housing being built, the United States General Accounting Office (GAO) reports:

[T]he majority of multifamily housing units currently being built are either (1) subsidized, (2) high-rent, or (3) condominiums.⁹

If this pattern holds true in California, most tenants would be unable to afford either new market-rate rental housing or condominium housing.¹⁰ The Reagan administration's cutbacks in federal housing assistance and the budgetary restrictions preventing California's state and local governments from providing adequate housing subsidies mean that there will not be enough new subsidized rental housing built to meet the needs of those lower-income tenants who cannot find affordable existing apartments.

In many urban areas, "tight" rental housing markets have developed and rental vacancy rates have fallen below the normal 5 percent. Data on rental vacancy rates in California are usually based on postal surveys conducted for the Federal Home Loan Bank Board and the United States Census Bureau. Controversy surrounds the questions of what constitutes an acceptable rental vacancy rate, and what the actual rates are in those communities where rent control is an issue.

The debate over the magnitude of the rental housing problem is also being conducted at the national level, where there are disagreements on whether a crisis exists and how to resolve the rental housing problem.¹¹ While this debate has continued, numerous California communities have considered and adopted local rent control since 1978 to make rental housing more affordable.

THE EMERGENCE AND SPREAD OF LOCAL RENT CONTROLS IN CALIFORNIA

Berkeley became California's first locality since World War II to adopt rent control. While Berkeley's 1972 charter amendment initiative was ruled unconstitutional by the California Supreme Court in 1976, the ruling confirmed the right of any local government to enact rent control under its police power to alleviate serious housing problems. (This litigation is discussed in more detail below). That same year the California Legislature enacted a measure to ban local rent control, but Governor Brown vetoed the bill.

The 1978 Proposition 13 property tax reform campaign sparked the expansion of local rent control in California. The sponsors of Proposition 13 promised tenants a share of the benefits from reduced property taxes. After Proposition 13 passed most landlords not only refused to provide voluntary rent rebates but actually increased rents,

whereupon tenants protested and demanded governmental action. Governor Brown and the state's largest holders of rental property made well publicized but unsuccessful efforts to convince owners to roll back rents to pre-Proposition 13 levels or pass property tax savings on to tenants. The Legislature rejected a proposal to mandate a partial rebate.

Tenants then turned to local government for relief via rent control. A May 1979 California Poll indicated that Californians supported rent control by a margin of 56 to 21 percent, with tenants in favor by a 73 to 20 percent margin.¹² Approximately 55 percent of California's residents are tenants. However, rent control has not been universally adopted for several reasons. In many communities, especially the suburbs, rental housing problems are not seen as critical, especially where tenants constitute a minority of the population. Where rent control has been proposed, most local governments have opposed it, and the state and local real estate industry has also strongly opposed rent control.

As of 1982, 11 California localities have rent control laws (which cover, with certain exemptions, apartments and/or mobile homes, and residential hotels).¹³ (See Table 1.)

In addition, 31 localities (three counties and 28 cities) have mobile-home rent control ordinances.¹⁴ These ordinances typically establish rent review commissions that arbitrate rent disputes between mobile-home-park operators and tenants.

Finally, at least three California localities have considered the adoption of commercial rent controls. In 1982 Berkeley became the first California city to enact commercial rent control.¹⁵

Numerous other California cities have considered residential rent controls but have rejected them. The voters of 22 cities have rejected 27 proposed rent control initiatives since 1977. Five of these initiatives would have required landlords to rebate part of their Proposition 13 property tax savings to tenants. The most prominent defeats of rent control initiatives occurred in Berkeley (1977), Long Beach (1980), Oakland (1980 and 1982), Pasadena (1981), San Diego (1980), San Francisco (1978 and 1979), Santa Barbara (1978), Santa Cruz (1979, 1980 and 1982), and Santa Monica (1978).

In contrast, seven cities have enacted rent control by initiative: Berkeley (four different initiatives), Cotati, Davis, Hemet (mobile home), Palm Springs, Santa Monica, and Thousand Oaks.¹⁶ Subsequently, the first Berkeley initiative and the Cotati, Davis, and Palm Springs initiatives were ruled unconstitutional by the courts.

California stands second only to New Jersey (where more than 100 municipalities have adopted rent control) as the state with the largest number of local rent-control measures.

TABLE 1
California Rent-Controlled Jurisdictions (1982)

County	City and County	Cities
Los Angeles	San Francisco	Berkeley Beverly Hills Cotati Hayward Los Angeles Oakland Palm Springs San Jose Santa Monica

POSSIBLE STATE PREEMPTION OF LOCAL CONTROLS

State governments have three alternatives in dealing with local rent control: (1) they may preempt, reserving to the state the exclusive authority to regulate rents;¹⁷ (2) they may permit local-option rent control, but require adherence to state-legislated guidelines;¹⁸ or (3) they may allow local rent control, subject only to judicial review.¹⁹

Governor Brown vetoed the preemption alternative in 1976. Subsequently the Legislature rejected the local option-state guideline approach in 1978 and 1979. California has traditionally been a strong home-rule state. Consequently local governments may adopt local rent-control ordinances.

Faced with the proliferation of such local rent controls, and the state's refusal to intervene, a coalition of California real estate industry groups placed an initiative—to restrict local rent control—on the June 1980 state ballot. This proposed constitutional amendment would have invalidated all existing local rent-control legislation, and required mandatory referenda for any future adoptions. Moreover, any such local rent controls adopted in the future would have had to conform to state-wide standards, the most important of these restrictions being:

1. annual rent adjustments must be allowed, equal to the annual increase in the Consumer Price Index (CPI);
2. vacated apartments must be exempt from rent-increase ceilings;
3. single-family residences must be exempt;

4. rent controls must be administered by appointed committees rather than elected boards; and

5. no just-cause eviction requirement would be required.

The initiative also would have blocked rent rollbacks and registration of controlled units, as well as other important features of the more restrictive local laws sponsored by tenant advocates. The highly controversial measure was resoundingly defeated, 65 percent to 35 percent,²⁰ so that California has no mandatory state standards governing local rent control,²¹ except for the special federal and state preemptions noted below.

FEDERAL AND STATE PREEMPTION FOR SUBSIDIZED HOUSING

In 1975 the United States Department of Housing and Urban Development (HUD) issued regulations prohibiting the application of local rent control to privately owned, federally subsidized rental housing,²² and in 1975 the California Legislature exempted all rental housing assisted by the California Housing Finance Agency (CHFA) from local rent control.²³

Broader proposals have been introduced in Congress, but not yet enacted, to make localities eligible for some federal housing assistance on condition that they eliminate or restrict local rent control. In April 1982 the President's Commission on Housing recommended the adoption of such a preemption policy.²⁴ While broader federal or state rent-control preemption remains a possibility, California localities are currently free to regulate the rents of privately owned rental units, except for those subsidized or insured by HUD or CHFA.

It is inadvisable to generalize about the cost, administration, impact, and legal status of California's rent controls because they vary considerably, and the differing features of local controls need to be taken into account.

Governor Brown's California Housing Task Force identified the following 10 criteria as important in analyzing rent controls: (1) statement of legislative intent, (2) vacancy rate required to justify rent control, (3) exemptions, (4) appropriate administrative agency, (5) criteria for determining hardship, (6) criteria for rent increase, (7) vacancy decontrols, (8) adjustment of base rents, (9) method of implementation (via initiative, referendum, or local ordinance), and (10) duration and termination.²⁵ These factors will be considered in discussing California rent controls, which are classified as *strong*, *moderate*, or *weak*.²⁶ Moreover, the coverage, stringency, administration, and enforcement

of rent control often vary according to the relative political influence of organized landlords and tenants.

Strong Rent Control

Strong rent control characterizes Santa Monica and Berkeley, both with voter-approved initiatives drafted by tenant groups. Both have: (1) broad coverage of units, (2) mandatory registration of units, (3) annual rent-increase adjustments based on landlords' increased operating and maintenance expenses (as determined by an elected board), (4) no provision for decontrolling units on vacancy, and (5) termination only if the rental vacancy rate returns to normal.

Santa Monica's much-publicized rent control law is certainly California's strongest. In addition to rent and eviction controls, it includes demolition and condominium conversion controls, and is administered by an elected rent control board unique in the United States.²⁷ (The constitutionality of Santa Monica's rent control law, including its fair return formula, is discussed later.)

Berkeley's current law, adopted by initiative in 1980, is modeled after Santa Monica's but does not cover demolitions or condominium conversions (regulated by separate ordinances). From its inception, Berkeley's rent stabilization program has faced well-organized landlord opposition. When a landlord-supported slate won a 5-4 city council majority in Berkeley's April 1981 election, the balance on the council-appointed board shifted from one primarily sympathetic to tenants to one primarily sympathetic to landlords.²⁸ Amid continued turmoil, Berkeley voted to strengthen the law in 1982 and to replace the appointed board with an elected board beginning in 1984.²⁹

Moderate Rent Regulation

Moderate rent regulation characterizes the rent control and arbitration ordinances passed by local action in Los Angeles (the city), San Francisco (city and county), and San Jose. They are less restrictive than those proposed by tenant advocates and enacted by voter initiative (like Santa Monica's and Berkeley's). The most important differences include: (1) less restrictive coverage, (2) automatic annual general percentage rent increases (7 or 8 percent) unrelated to landlords' cost increases, (3) vacancy decontrol—temporarily allowing a landlord to charge a market rent for a vacated unit, which is again subject to controls after reoccupancy, (4) a different approach toward rent-adjustment

appeals by landlords and tenants, emphasizing mediation and a more flexible definition of a fair return for landlords, and (5) sunset clauses for termination of rent control.

Both types of rent control typically exempt newly constructed apartments and allow landlords to pass the costs of capital improvements on to tenants. The moderate rent-control localities have no ceilings on such pass-through costs, whereas both Santa Monica and Berkeley impose annual overall ceilings of 15 percent on all allowable rent increases and make them conditional on landlord compliance with housing and health codes.

In 1982 all three moderate rent-control cities extended their ordinances indefinitely. While San Francisco refused to restrict vacancy decontrol or require landlords to register, it strengthened tenant protection, requiring landlords to apply for prior approval of any rent increases over the annual 7 percent guideline. Previously, tenants had to appeal to challenge such increases.

Los Angeles requires landlords to register, allows them an automatic annual 7 percent rent increase, exempts luxury rentals and single-family units, and temporarily decontrols vacated units. In April 1982, after a heated but inconclusive controversy over vacancy decontrol, Los Angeles extended rent control indefinitely. In November 1982 Los Angeles voted against amending its charter to give new construction permanent exemption from rent control. In March 1982 San Jose also extended its rent arbitration ordinance indefinitely.

Some observers have maintained that once adopted, rent control policies would inevitably become stricter due to tenants' political pressure,³⁰ but so far this has not happened. While some ordinances have been strengthened (e.g., San Francisco), several cities (including Davis and El Monte) did not extend their initial temporary measures, and the interpretation and administration of Berkeley's law changed dramatically after landlords won an electoral victory in 1981. On the other hand, landlord-sponsored initiatives to weaken rent control were rejected in Santa Monica (1980) and Berkeley (1981). Thus the fortunes of rent control have waxed and waned, with both landlords and tenants gaining and losing in turn.

Weak Rent Control

Oakland and Los Angeles County have weak rent controls. Oakland's rent arbitration law resembles the moderate forms of rent regulation just described, but it allows an automatic annual general rent increase of 10 percent and does not have just-cause eviction require-

ments. In reviewing tenant appeals of landlord rent increases that exceed its ceiling, Oakland's rent-arbitration board has generally approved much larger increases than other localities allow.³¹ Oakland voters have twice rejected rent control initiatives. Los Angeles County also allows landlords to increase rents annually by 10 percent, and permanently decontrols all vacated units. Los Angeles County voted to phase out rent control in 1983.

Mobile-home rent control is the weakest form of rent control found in California. Twenty-eight California cities and three counties have enacted mobile-home rent controls, in addition to localities whose regular rent controls cover both apartments and mobile homes. Usually, these ordinances simply allow mobile-home tenants to appeal any rent increases to a commission appointed by the city council to arbitrate disputes, but without specific guidelines and formulas.

THE ADMINISTRATION OF LOCAL RENT CONTROLS

Only fragmentary information concerning the administration of rent control is available, since local rent control boards are not required to report to either local or state government. No serious evaluation has been made of rent control administration.³² For comparative purposes, however, Table 2 illustrates the relative status of rent control in Los Angeles (city), San Jose, San Francisco, and Santa Monica, as of March 1982.

In California, funds to finance the cost of rent control administration can come either from the localities' general fund or from landlord and tenant fees for registration and appeals. Since local rent control is financed almost entirely through landlord and tenant fees, so far it presents no significant financial burden to localities and requires no state assistance. If changes are necessary to improve the administration of rent control, these can and should be made locally.

RENT CONTROL LITIGATION

Numerous constitutional challenges to municipal rent control have been filed with the California courts. This activity has many parallels with property owners' suits challenging land-use regulation under California's Environmental Quality Act (CEQA), Coastal Protection Act, and local zoning ordinances (especially controls on condominium

TABLE 2
Administration of Local Rent Control

City	Controlled rental units (approx.)	Annual registration fee (per unit)	Budget (FY 1980-81)	Staff	Landlord and tenant petitions (cumulative total)
Los Angeles	472,000	\$7	\$2.7 million	70	7,470
San Jose	52,000	\$3	\$253,000	5	3,354
San Francisco	unknown	none	\$194,000	9	5,034
Santa Monica	16,000	\$72 ^a	\$2.6 million	50	1,790

a. Santa Monica's disproportionately large registration fee, staff, and budget reflect the high costs of legal defense of an often-challenged ordinance.

conversion and growth).

The leading rent control case is *Birkenfeld v. City of Berkeley*,³³ in which the California Supreme Court upheld local governments' right to enact rent controls in order to deal with serious rental housing problems. The court, however, also ruled Berkeley's 1972 rent control initiative unconstitutional, because its individualized procedures for rent adjustments violated landlords' rights to due process: the local initiative measure did not allow annual general rent adjustments, and its procedure for making individual adjustments was too cumbersome.

In *Citizens against Rent Control/Coalition for Fair Housing v. Berkeley*, a case involving an unsuccessful 1977 Berkeley rent control initiative, the state Supreme Court upheld the constitutionality of a Berkeley ceiling on individual campaign contributions.³⁴ This ruling was subsequently reversed by the United States Supreme Court, which invalidated the limitation.³⁵

The wide margin by which landlords typically outspend tenants in rent-control initiative elections remains a major campaign financing issue in California.³⁶ Tenants have won several initiative campaigns, and in June 1980 did defeat Proposition 10 (which was seen by opponents, e.g., as causing inflationary rent increases and eliminating current local rent control laws). The spending imbalance nevertheless has been a factor in the defeat of most local rent-control initiatives in California. The state Supreme Court so far has interpreted a rent control ordinance in only one other case,³⁷ but it probably will be called upon to resolve major issues being litigated in the lower courts.

Perhaps the most critical issue is to determine the meaning of the California Supreme Court's 1976 ruling that rent-controlled landlords are constitutionally entitled to "a just and reasonable return on their property." Landlords and tenants usually disagree as to what constitutes a fair return on the landlord's investment, as reflected in controlled rents. Various fair-return formulas have been devised, but the courts have failed to define "fair" return.³⁸

Landlords have challenged as confiscatory the fair-return provisions of the Berkeley, Cotati, and Santa Monica rent control initiatives, as interpreted and applied by their rent control boards. They have also challenged provisions of several mobile-home rent control ordinances. The Santa Monica rent control board's fair-return formula has received the most judicial scrutiny to date. The board's initial formula provided for a fair return based on historical cash investment. In March 1981 a trial judge tentatively ruled this formula unconstitutional because it discriminated on the basis of length of ownership, declaring that landlords are entitled to a fair return on their property's current market value. Before this decision was implemented, however, the board revised the formula, adopting a net operating income (NOI) standard that guaranteed Santa Monica's landlords maintenance of their pre-rent control net income (with an allowance for inflation). In February 1982 this new formula was ruled constitutional.

The California Supreme Court, like its counterparts in other rent-controlled jurisdictions, will have to address the complex problem of what constitutes a fair return, with substantial economic consequences for both landlords and tenants. The outcome will affect the impact of rent control on the maintenance and sale of buildings and on tenants' housing costs. In February 1983 the Supreme Court agreed to review an appellate decision invalidating Carson's mobile-home rent control ordinance based, in part, on the absence of a fair-return formula.³⁹ The court may also have to address related issues such as the constitutionality of overall annual rent-adjustment ceilings (i.e., 15 percent) and antispeculation clauses that prohibit the consideration of increased debt service caused by a landlord's purchase after the imposition of rent control.⁴⁰ Judicial review will continue to impose limits on the scope and application of local rent control in California.

STUDYING THE IMPACT OF RENT CONTROL

In the early stages of rent control it is difficult to judge its impact on the local housing market.⁴¹ Often data are difficult to obtain, the law is amended, and other factors affect controlled housing. California's

existing rent control ordinances have been in effect only for approximately three years. Most have been significantly amended, prompting uncertainty as to the form and duration of controls. Accurate data on regulated rental housing are difficult to obtain unless units are registered. Primary reliance must be placed on US census data or fragmentary local information.

The Rand Impact Study: Los Angeles

Despite these difficulties there have been several studies of local rent control in California addressing most of the issues related to its impact.

The most systematic research was done by the Rand Corporation. Rand's nonempirical 1981 study on rent control in the City of Los Angeles concluded: (1) there is no demand-induced rental housing crisis, since the rental vacancy rate is almost normal, (2) tenant mobility has declined, (3) some rental units have been removed, (4) there have been only slight reductions in maintenance, and (5) new production has not been reduced.⁴² The "no crisis" finding was the most controversial of the five, partly because a previous UCLA study had concluded that the city's rental vacancy rate was virtually zero.⁴³

Another critical study of Los Angeles rent control concluded that its benefits were inversely related to income, that benefits have been unfairly transferred from landlords to tenants, and that rent control will impede new construction to the detriment of tenants.⁴⁴ Los Angeles, faced with these conflicting studies, extended rent control indefinitely, with an evaluation to be done in 1986.

Effect on Values: Santa Monica

In reviewing the Santa Monica rent-control program and its impact in connection with court litigation, UCLA economist David Shulman concluded on behalf of the city that between 1978 and 1980 the *nominal* values of rent-controlled apartments increased as a result of allowable rent increases, although *real* values declined because landlords lost potential additional income.⁴⁵ Experts speaking for the landlords claimed that considerably greater value reductions had already occurred because of rent controls, and they projected even larger reductions in the future.

Building and Maintenance Services

An opinion poll by the California Public Interest Research Group

(CALPIRG) found that Berkeley tenants generally observed little, if any, change in their building and maintenance services after a year of rent control.⁴⁶ This study did not, however, measure actual changes in the maintenance of Berkeley's rent-controlled housing.

Vacancy Decontrol

The impact of vacancy decontrol is a controversial issue. Los Angeles (city) and San Francisco both allow landlords to charge new tenants an uncontrolled market rent, as opposed to the annual 7 percent ceiling for occupied rent-controlled units. In both cities, once vacated apartments are rerented they are again subject to rent control. A UCLA study found an average annual rent increase of 18 percent in vacated units, compared to only 8 percent for units without tenant turnover.⁴⁷ Median rents for vacated units in San Francisco increased by 30 percent in 1980, according to a city planning department survey.⁴⁸

These data underscore landlords' support for and tenants' opposition to vacancy decontrol (whether temporary or permanent). In 1981, San Francisco refused to place a ceiling on rent increases in vacated units; in 1982, Los Angeles decided against permanent decontrol for vacated units.

New Construction and Housing Supply

Rent control's impact on new construction is also controversial, although new construction is presently exempted by all California rent-control ordinances. In any event, little new unsubsidized rental housing is being built in California, either in controlled or noncontrolled communities.

Only one comprehensive study has sought to assess the impact of rent control on housing supply. After considering rent control in six California cities, the study concluded that control is reducing the number of available rental units by deterring new construction, and encouraging demolitions and condominium conversions.⁴⁹ The study, however, was flawed because it was done shortly after the institution of rent controls, too soon to assess the full impact, and it failed to include a control group of "free-market" cities. The study also identified special circumstances in each city that reduced the impact of rent control on the housing supply, e.g., land-use controls restricting growth.

Needed: Better Information and More Research

More empirical data are needed to assess the impact of rent con-

trol. California now requires local redevelopment agencies to prepare annual reports on their activities for the local governing bodies;⁵⁰ such a requirement could be extended to local rent-control boards. Such mandatory annual reports would provide more systematic data on the scope, administration, cost, and impact of local rent controls without imposing any serious fiscal burdens on localities.

By 1984 rent control will have been in effect for five years; a statewide survey would be timely. Accordingly the state should consider conducting a statewide rent-control impact study similar to those recently commissioned by the Office of Planning and Research on condominium conversion controls (locally regulated), and by the Department of Housing and Community Development on the relocation activities of local redevelopment agencies (state-regulated). A systematic state-commissioned study that would assess the impact of rent control could provide valuable data needed to enlighten a debate so far fueled more by rhetoric than by facts.

ALTERNATIVES TO RENT CONTROL

Rent control advocates generally acknowledge that controls provide no long-term solution to the rental housing crisis. There is general agreement on the need for vast increases in the supply of affordable rental housing to meet the heavy demand that has contributed to extraordinarily low vacancy rates. In the face of this need, California's production of new multifamily housing has declined drastically in recent years. According to the HCD, this is the cause of a "very tight supply of rental units."⁵¹

Moreover, most new unsubsidized multifamily housing is too expensive for the great majority of California tenants. Recent high mortgage-interest rates and land-price inflation have helped to drive up the costs for new housing. Restrictive land-use and environmental regulations have further increased the costs.⁵² An additional stimulus is the increase in dedication requirements and fees charged for new housing developments, charges that local governments imposed after the 1978 passage of Proposition 13.⁵³

Both the Governor's California Housing Task Force (in 1979) and the Governor's Task Force on Affordable Housing (in 1981) recommended measures to promote the construction of affordable housing. The California Legislature has subsequently adopted many of these measures, but so far they have been inadequate to solve the problem.

Thus in 1979-1980 the Legislature required regional planning for

fair-share housing,⁵⁴ provided density bonuses,⁵⁵ permitted the vesting of development rights,⁵⁶ and restricted growth controls.⁵⁷ California localities have also pioneered in the development of inclusionary zoning to provide more affordable housing.⁵⁸

In 1979, recognizing the critical need for subsidized housing, the state appropriated \$100 million for a rental housing construction program finally implemented in 1982.⁵⁹ The state also authorized several new forms of mortgage finance to encourage more capital investment in housing,⁶⁰ and is attempting to persuade public employees' pension funds to invest in affordable housing.⁶¹

The state's affirmative housing efforts have been countered by drastic federal budgetary cutbacks in housing subsidies; the Reagan administration is also proposing others. In view of current fiscal problems the state is not likely to commit additional funds to subsidize new or existing housing. Local governments are suffering from cutbacks in both federal aid and Proposition 13 bailout funding by the state. Localities have not used tax-exempt mortgage revenue bonds effectively to finance affordable multifamily housing, largely because of the prevailing high interest rates. As interest rates decline, this form of housing finance will become more important unless the federal or state government further restricts its use.

While some affordable housing can still be built through the innovative combination of available housing subsidy programs, tax incentives, and regulatory policy, this cannot satisfy the current and projected demand for affordable rental housing.

PRESERVING AFFORDABLE RENTAL HOUSING BY REGULATION

In the absence of much greater subsidies for more affordable housing, many California localities must rely on regulation to preserve the existing supply of moderately priced rental housing. The tight market has prompted many landlords to turn their property to more profitable uses, such as converting rental units into high-income condominiums. To prevent, or at least reduce tenant displacement, and to preserve scarce rental units, many California communities have adopted condominium-conversion controls.⁶²

There has also been some use of demolition controls, as well as additional limitations on the conversion of hotel rooms and apartments to other uses. Thus demolition of rental housing in favor of non-residential construction prompted Berkeley and Santa Monica to adopt demolition controls. In 1979 San Francisco became the first US city to

regulate the conversion of single-room occupancy (SRO) residential hotels to preserve them as affordable housing. Berkeley and San Francisco also regulate the conversion of apartments into commercial uses in certain districts.

All of these approaches are designed to preserve existing rental housing at more affordable prices, until long-term solutions can be found.⁶³

SUBSIDIZING TENANTS

Since concern with problems of poorer tenants is a primary purpose of rent control, opponents of such controls often urge direct governmental subsidy of low- and moderate-income tenants. This approach was favored by the President's Commission on Housing,⁶⁴ which recommended the conversion of HUD's Section 8 housing assistance program into a housing voucher system providing direct rent subsidies to low-income tenants.⁶⁵ While there is a good deal of debate over the best use of available rent subsidies to assist poorer tenants, reduced federal housing assistance clearly will mean that the needs of California's lower-income renters, as documented by HCD, cannot be met in the unregulated private market. For this reason, rent control will continue to be an important short-term strategy used by local governments to deal with the lack of affordable housing.

Rent-control opponents, however, argue that its long-term disadvantages outweigh any short-term benefits for poor tenants, who may benefit proportionately less than other tenants.⁶⁶

MEDIATING LANDLORD-TENANT RENT DISPUTES

Voluntary landlord-tenant mediation boards have been proposed as an alternative to rent control. At least 20 California localities, including Alameda County and the cities of Mountain View, Sacramento, Santa Cruz, San Diego, and Palo Alto, have established such boards in recent years.⁶⁷ Appointed by the local governing body, mediation boards and volunteer mediators usually have not been able to resolve landlord-tenant disputes over rent increases.

Mediation has proven effective only where arbitration is mandated if voluntary mediation fails. This is the approach followed in the moderate and weak forms of California rent control described. Arbitration is more likely than voluntary mediation to be effective in dealing with widespread rent disputes because landlords are not usually willing

to comply with mediators' unfavorable decisions, or even to subject rent increases to mediation.

CONCLUSION

California's already serious rental housing problems will undoubtedly grow worse in the short run, but there is considerable debate as to the scope and depth of the problem. Thus the 1980 UCLA and 1981 Rand studies provided dramatically contrasting assessments of the seriousness of rental housing problems in the City of Los Angeles. The Rand study found "no housing crisis" in Los Angeles, whereas the UCLA study reported a phenomenally low rental vacancy rate of virtually zero, suggesting a crisis-level shortage.

A recent HUD study found no current national shortage of rental housing,⁶⁸ a view contradicted in recent reports by the US General Accounting Office and the National Urban Coalition, who conclude that the nation's rental housing conditions are worsening.⁶⁹ It has also been suggested that the rates of household formation and population growth will decline in the 1990s, thus leading eventually to a drop in housing demand.⁷⁰

Many California communities with serious rental housing problems, typified by very low rental vacancy rates and higher than normal rent increases, will probably continue their rent controls, or enact controls if none presently exist. In short, California can reasonably expect to have widespread local rent controls in the 1980s, unless there is a marked change in the supply and price of rental housing.

The policy choice facing California relates to state intervention. Since the rental housing situation varies widely throughout the state, there seems to be no immediate need for statewide rent controls.

Moreover, while local rent-control laws vary, their impact is largely on the local community, so the lack of uniformity in ordinances and in administration does not yet require the imposition of statewide standards. Until there is evidence of statewide problems, state intervention does not seem necessary. The state's policy of allowing but not requiring other local housing regulatory policies—e.g., controls on eviction, condominium conversion, demolition, and growth—also seems appropriate for rent regulation. As yet, there is no convincing evidence that short-term local rent controls have directly caused any of the alleged negative effects of rent control, for example, reduction in the supply of rental housing because of noninvestment in new construction; conversion of rental units and abandonment; poor maintenance; or

reduced tenant mobility and unit turnover.

The largest amount of empirical evidence available on rent control's impact is from New York City, which has had rent controls continuously for the past four decades. The numerous studies and their conclusions have been debated heatedly.⁷¹ The debate continues as New York City and the State of New York consider the periodic renewal of local-option rent control. Further, the New York city rent control experience is not directly relevant to that of California because of major differences in the housing stock (e.g., age and condition) and the various types of rent control prevalent in New York City, especially prior to 1974. In 1980 the New York State Temporary Commission on Rental Housing recommended changes in rent control, but the legislature did not adopt them.⁷²

A few major studies of New Jersey's local rent controls since their inception in 1972 have also produced hotly debated conclusions.⁷³ To date the New Jersey Legislature has rejected legislation for state intervention in local rent control.

The real estate industry continues to oppose what it considers to be overly restrictive local rent control. Consequently it is likely that there will continue to be proposals for state preemption or restriction of local rent control.

Until the State of California has compelling reasons either to enact statewide rent controls, or to limit the scope of local ordinances, local government should be allowed to continue to experiment with controls that are consistent with California's home rule tradition. The courts will continue to act as arbitrators of rent control conflicts when necessary.

The state can and should review and monitor local rent controls (via HCD's review of the housing elements of local general plans), require local annual reports by rent control agencies, and consider commissioning a statewide survey of local rent controls and their impact.⁷⁴ These actions would provide the state with the data necessary for a determination as to whether in the future it may be necessary and appropriate for the Legislature to circumscribe local government's power to regulate private rental housing.

NOTES

1. See generally, Federal Home Loan Bank Board, *The Rent Control Issue in California* (San Francisco: Special Publications Series Research Report, July 1977); and Marc A. Levin, *Rent Control in the United States: An Annotated Bibliography and Guide to the*

Literature (Chicago: Council of Planning Bibliographies, November 1981); and Louis M. Rea and Dipak Gupta, "The Rent Control Controversy: a Consideration of the California Experience," *Glendale Law Review* 4(2): 105-148 (1982), hereafter *Rent Control Controversy*. The arguments of rent control advocates are collected in John Gilderbloom and Friends, *Rent Control: A Source Book* (Santa Barbara: Foundation for National Progress, Housing Information Center, 1981). The arguments of opponents are collected in Walter Block and Edgar Olsen, eds., *Rent Control Myths and Realities: International Evidence on the Effects of Rent Control in Six Countries* (Vancouver, British Columbia: The Fraser Institute, 1981).

2. California, Department of Housing and Community Development, *California Statewide Housing Plan: 1980 Update of Selected Data* (Sacramento: Department of Housing and Community Development, Division of Research and Policy Development, 1981), p. 4, hereafter *1980 Statewide Housing Plan Update*.

3. Ibid.

4. See California, Health and Safety Code, Section 50,052.5 and Public Law No. 97-35, §322 for these state and federal lower-income rent-to-income standards.

5. According to a recent report, inflation in 1981 "outstripped" increased wages in northern California. Research Department, Security National Bank, *Northern Coastal Counties of California*, 14(2): 2 (February, 1982).

6. US, Bureau of Labor Statistics, *Consumer Price Index for All Items*. Between December 1978 and December 1982, Berkeley, Hayward, Oakland, and San Francisco adopted various forms of rent regulation. However, renters' incomes are generally well below the median. For example, in the Bay Area, renters' mean income was only two-thirds of the mean household income and only 53 percent of homeowners' income. (1980 US Census, Tape File 3A, Association of Bay Area Governments.) For renters on fixed incomes, which are not keeping pace with inflation, rent increases nearly equaling the inflation rate mean an increased rent burden and often, hardship. According to the President's Commission on Housing, renters' median income increased by only 59 percent during 1970-1979, compared to a 101 percent increase in median gross rent. The commission noted that the 1977 Annual Housing Survey revealed that 57 percent of very low income households and 22 percent of moderately low income households paid more than 30 percent of their income for rent. President's Commission on Housing, *Final Report* (Washington, D.C.: April 29, 1982), Tables 1.3 and 1.4, pp. 10-11, hereafter *1982 Presidential Report*.

7. 1980 Statewide Housing Plan Update, p. 1.

8. Security Pacific National Bank, *California Construction Trends* (December 1981), Table III, p. 3e and (January 1982), Table III, p. 2g.

9. US, General Accounting Office, *Rental Housing: A National Problem That Needs Immediate Attention* (Washington, D.C.: General Accounting Office, November 8, 1979), p. 12, hereafter *GAO Report*.

10. A recent San Francisco housing study noted a simple, no-frills, new one-bedroom apartment would rent for \$995 monthly, compared to an estimated June 1980 median rent of \$382 for a comparable existing unit. This creates what the report terms an "enormous affordability gap." Citizens Housing Task Force, *Report* (San Francisco: July 29, 1981), pp. 8-9. This study also notes that only about 20 percent of San Francisco condominiums are priced at low- and moderate-income levels. See pp. 79-82.

11. The view that a rental housing crisis exists is expressed in reports by the GAO and William N. Rumpf, *The Outlook of Rental Housing: A Worsening Problem* (Washington, D.C.: The National Urban Coalition, August 1981), hereafter *National Urban Coalition Report*. This conclusion was rejected by the President's Commission on Housing in its *Report*, pp. 89-91. The commission relied in part upon Ira S. Lowry's research in *Ren-*

tal Housing in the 1970s: *Searching for the Crisis* (Santa Monica: The Rand Corporation, 1982). The view that there is no rental housing crisis and that rent control is an inadvisable approach was most recently expressed by Thomas Hazlett "Rent Controls and the Housing Crisis," in M. Bruce Johnson, ed., *Resolving the Housing Crisis: Government Policy, Decontrol and the Public Interest* (San Francisco: Pacific Institute for Public Policy Research, 1982), pp. 277-300, hereafter *Resolving the Housing Crisis*.

12. The Field Institute, *The California Poll* (Release No. 1030 - June 13, 1979). For an analysis of voting patterns in a California rent control election (the June 1980 Santa Barbara Election), see Stephen J. De Canio, "Rent Control Voting Patterns, Popular Views, and Group Interests," in *Resolving the Housing Crisis*, pp. 301-318.

13. Neither Davis nor El Monte, which did have rent controls, currently regulates rents. These local laws vary considerably. California has 429 incorporated cities and 58 counties. The ordinances and administrative regulations from Berkeley, Los Angeles (City), San Francisco, San Jose, and Santa Monica are included in Myron Moskowitz, et al., *Rent Control* (Berkeley: California Continuing Education of the Bar, November-December 1982).

14. National Multi-Housing Council, *The Spread of Rent Control* (Washington, D.C.: May 31, 1982) and Western Mobile Home Association, *Rent Control in California* (Sacramento: January 31, 1983).

15. By initiative in June 1982 Berkeley enacted experimental commercial rent control that applies only to one small neighborhood. Carmel and San Francisco have also debated the adoption of commercial rent control.

16. Oakland and San Francisco adopted weaker rent arbitration regulations prior to the defeat of stricter rent control initiatives.

17. Arizona, Louisiana, and Washington have preempted local rent control.

18. Florida and New York have local-option rent control.

19. Massachusetts and New Jersey take this home rule approach, although Massachusetts adhered to the second option from 1971 to 1976.

20. For an analysis of Proposition 10, see Maureen Fitzgerald, "That Rent Initiative Scramble," *California Journal*, 11(3): 1097-1108 (March 1980). For an account of the campaign, see Mitchell Kahn, "Proposition 10—The Landlord Relief Act," *The Nation*, 230(20): 621-622 (May 24, 1980).

21. California, Government Code, Section 65,589(b) states that notwithstanding the state-imposed requirements for local housing elements: "Nothing ... shall be construed to be a grant of authority or a repeal of any authority which may exist of a local government to impose rent controls."

22. See 24 Code of Federal Regulation, Part 403 ("Local Rent Control"). HUD has also selectively preempted local rent control applied to federally insured housing.

23. California, Health and Safety Code, Section 50,202. In 1982 the Legislature authorized CHFA to establish a co-insurance program to finance the construction of multifamily housing, which would be exempt from local rent control (Assembly Bill 2701 and Senate Bill 1862).

24. 1982 *Presidential Report*. The commission recommended federal preemption of the application of local rent controls to housing financed by a federally insured lender.

25. California, Housing Task Force, *Recommendations to the Governor and Legislature* (February 1979), pp. 35-36.

26. Rea and Gupta categorize ten communities as having either "restrictive" or "moderate" rent controls according to eight features. *Rent Control Controversy*, pp. 139-140.

27. See Mark Forster, "Revolt of the Renters," *California Journal*, 10(11): 365-367 (October 1979); and Derek Shearer, "How the Progressives Won in Santa Monica," *Social*

Policy, 12(3): 7-14 (Winter 1982). Santa Monica amended the conversion and demolition controls in the ordinance in 1982 in response to a judicial ruling of unconstitutionality. *Los Angeles Daily Journal* (August 13, 1982), Section II, p. 1.

28. See John Westcott, "The 'respectable radicals' and the politics of Berkeley," *California Journal*, 12(4): 143-144 (April 1981).

29. Berkeley's elected rent control board will not have jurisdiction over condominium conversions and demolitions, which are regulated by appointed city boards and the city council.

30. Nina and Claude Gruen, "The Evolution of Rent Control and A Strategy for Its Defeat," *Land Economics*, 39(4): 5-10 (July—August 1980). The Gruens argue that rent control evolves in five stages, of which this is the second.

31. The Oakland Tenants Union reported that Oakland's Residential Rent Arbitration Board granted 76 percent of landlords' requests for special rent increases in excess of the annual guidelines (10 percent for occupied and 12 percent for vacated units). A 34 percent average annual rent increase was allowed (for 50 petitions). In the remaining 24 percent of the petitions, the proposed increase was reduced to the allowable ceiling. Oakland Tenants Union *Tenants' Report on Rent Arbitration* (Oakland: March 1981).

32. Berkeley's city manager did release in April 1982 a highly critical internal evaluation of the operations of the Rent Stabilization Board. This controversial report resulted in the resignation of the board's director. The Rent Stabilization Board was supposed to be self-financing through annual registration fees to be paid by landlords and passed on to tenants. Charges were originally \$12 per unit, increased to \$30 in 1982, plus fees for individual adjustment petitions. Until 1982, however, at most only approximately 13,000 of Berkeley's 23,000 controlled rental units were registered because of continuing landlord resistance. Tenants resorted to rent withholding, the city engaged in enforcement litigation, and nonregistered landlords became ineligible for rent increases. The board had to rely upon temporary city loans (totaling \$261,000) and legal assistance from the Berkeley city attorney in order to function. At its peak, its budget was \$330,000 with a 12-person staff. Both were drastically reduced after April 1981. After the law was strengthened by initiative in 1982, the number of registered units increased to 20,220 by the end of 1982 and the board collected \$724,000 in fees.

33. 17 Cal. 3d 129, 130 Cal. Rptr. 465 (1976). See Michael L. Morowitz, "Birkenfeld v. City of Berkeley: Blueprint for Rent Control in California," *Golden Gate University Law Review* 7(3): 677-708 (Spring 1977); Hank Lerner, "The Right to Reasonable Rent Regulation: a Newer Economic Due Process," *University of California Law Review* 65(2): 304-319 (March 1977); and Stephen R. Andrade and Robert F. Curran, "Towards a Definable Body of Legal Requisites for Rent Control," *University of California, Davis Law Review* 10: 273-308 (1977).

34. 27 Cal. 3d 810, 167 Cal. Rptr. 84, 614 P.2d 742 (1981). See Stephen J. Burns, "Citizens Against Rent Control v. City of Berkeley: Constitutionality of Limits on Contributions in Ballot Measure Campaigns," *University of California Law Review* 69(4): 1001-1026 (July 1981).

35. 102 S. Ct. 434 (1982).

36. This issue is analyzed in Daniel H. Lowenstein, "Campaign Spending and Ballot Propositions: Recent Experience, Public Choice Theory and the First Amendment," *University of California, Los Angeles Law Review* 29(3): 505-641 (1982). The defeat of Proposition 10, in which landlords outspent tenants by a 26-1 margin but lost, is discussed on pp. 524-526.

37. In *Klarfeld v. Berg*, 107 Cal. App. 3d 97, 165 Cal. Rptr. 685 (1980), the court interpreted the Los Angeles city rent control ordinance to include retirement facilities.

38. See Kenneth Baar and Dennis Keating, *Fair Return Standards and Hardship*

Appeal Procedures (Berkeley: National Housing Law Project, June 1981); and "Controlling Rent Control," *New Jersey Reporter*, 11(4): 19-25 (October 1981) for a detailed analysis of the fair return issue.

39. *Carson Mobile Home Park Owners Association v. City of Carson*, L.A. 31705 (Feb. 10, 1983).

40. The trial courts have ruled on the constitutionality and implementation of several local ordinances. For example, landlords successfully challenged a provision of San Jose's rent arbitration ordinance allowing hearing officers to consider hardship for low-income tenants in individual rent adjustment appeals. Tenants unsuccessfully challenged the 1982 Berkeley general rent adjustment. To date, the appellate courts have reported handing down only two decisions involving rent control, but more appellate opinions can be expected as more trial court decisions are appealed.

In *Coalition for Fair Rent v. Abdelnour* 176 Cal. Rptr. 539 (1981), the City of San Diego's refusal to qualify a rent control initiative was ruled procedurally invalid, and the measure was placed on the ballot. The voters overwhelmingly rejected it in November 1980.

In *Stein v. Santa Monica*, 107 Cal. App. 3d 97, 165 Cal. Rptr. 685 (1980), the court held that California's Environmental Quality Act does not apply to a rent control charter amendment enacted by initiative. On the other hand the City of Los Angeles did prepare an environmental impact report (EIR) in considering the adoption in 1982 of a permanent rent control ordinance. This is the only EIR on rent control that has been prepared in California.

The California Fair Political Practices Commission (FPPC) has ruled that local elected officials who own four or more rental units generally may not participate in a local government's consideration of rent control legislation. On the other hand, there is no prohibition against landlords and representatives of the real estate industry being appointed to rent control boards. So far the application of this FPPC opinion to localities has not been challenged in the courts.

41. See John Gilderbloom, "Rent Control's Impact on the Quality and Quantity of the Housing Stock" (September 1980) in John Gilderbloom and Friends, *Rent Control: A Source Book* (Santa Barbara: Foundation for National Progress, Housing Information Center, 1981), pp. 137-144.

42. The Rand Corporation, *The Impact of Rent Control on the Los Angeles Housing Market* (Santa Monica: August 1981), p.7. The Rand study also projected the probable impact on rent levels between 1982 and 1990, under several assumptions: termination of rent control, or its extension, either changed or unchanged.

43. Institute for Social Science Research, University of California, Los Angeles, *Rental Housing in the City of Los Angeles* (Los Angeles: May 1980), p.44.

44. Jeffrey I. Chapman, *A Secondary Impact of Property Tax Relief—Rent Control* (Los Angeles: The Public Policy Institute of the Center for Public Affairs, University of Southern California, 1982).

45. David Shulman, "Real Estate Valuation under Rent Control: The Case of Santa Monica," *American Real Estate and Urban Economics Association Journal*, 9(1): 38-53 (Spring 1981).

46. California Public Interest Research Group (CALPIRG), *Berkeley Tenant Survey* (Berkeley: January 1981).

47. *Rental Housing*, p. 34.

48. Citizens Housing Task Force, *Report* (San Francisco: July 29, 1981), Table 35, p. 188.

49. John J. Kirlin and Stephen B. Frates, *Impacts of Rent Control Upon the Housing Stock of Selected California Cities* (Sacramento: Sacramento Public Affairs Center, School

of Public Administration, University of Southern California, September 1979). The cities studied were Berkeley, Beverly Hills, Davis, El Monte, Los Angeles, and Santa Monica.

50. California, Health and Safety Code, Sections 33,080.1 and 33,080.4.

51. California, Department of Housing and Community Development, *1980 State-wide Housing Plan Update*, p. 84.

52. See, e.g., David E. Dowall, "The Effect of Land Use and Environmental Regulations on Housing Costs," *Policy Studies Journal* 8(2): 277-288 (1979).

53. See, e.g., California Office of Planning and Research, *New Housing: Paying its Way? An Analysis of New Residential Development in Post-Proposition 13 California—Ten Case Studies* (Sacramento: May 1979); and Dean J. Misczynski, *Housing After Proposition 13: Why Housing Construction May Stop* (Sacramento: California, Office of Planning and Research, August 1979). In 1982 the Legislature authorized local government to finance infrastructure facilities for new residential development through special taxes (AB 3564/SB 2001) and limited local fees and exactions (SB 2001).

54. California, Government Code, Sections 65,302(c) and 65,580-65,589.

55. California, Government Code, Sections 65,915-65,918.

56. California, Government Code, Sections 65,894, et seq.

57. California, Evidence Code, Section 669.5 and California, Government Code, Section 65,302.8.

58. See Carolyn Burton, "California Legislature prohibits exclusionary zoning, mandates fair share: inclusionary housing programs a likely response," *San Fernando Valley Law Review* 9: 19-46 (1981); Robert Ellickson, "The Irony of 'Inclusionary Zoning'," *University of Southern California Law Review* 54(2): 1167-1216 (1981); and Seymour I. Schwartz, Robert A. Johnston, and Dallas Burtraw, "Evaluation of Inclusionary Housing Programs: Four Case Studies," *Public Affairs Report*, 23(3) (June 1982) (Berkeley: Institute of Governmental Studies, University of California).

59. California, Health and Safety Code, Sections 50,735. This fund will result in the construction of approximately 2,000 units. California, Department of Housing and Community Development, *California Communities* (Summer 1982), p. 3. In 1981 HCD and the Governor's Office of Appropriate Technology awarded 28 grants for innovative proposals to produce more affordable housing.

60. California has recently authorized institutional lenders to offer variable rate, adjustable rate, renegotiable rate, graduated payment, and shared appreciation mortgages.

61. This is a recommendation of both the Governor's California Task Force on Affordable Housing and the Governor's Public Investment Task Force, *Interim Report* (Los Angeles: March 1981), pp. 6-21. In 1982 the Legislature required California's public pension funds to invest at least 25 percent of their new funds in residential mortgages as long as their earnings are not reduced (AB 3593).

62. See generally US, Department of Housing and Urban Development, Division of Policy Studies, *The Conversion of Rental Housing to Condominiums and Cooperatives: A National Study of Scope, Causes and Impacts* (Washington, D.C.: June 1980). See also Note, "Municipal Regulation of Condominium Conversions in California," *Southern California Law Review* 53(1): 225-282 (1979).

63. For a description and analysis of these regulatory policies, see Chester Hartman, Dennis Keating, Richard Le Gates with Steve Turner, *Displacement: How to Fight It* (Berkeley: National Housing Law Project, 1981).

64. *1982 Presidential Report*, pp. 17-27. For a critique of the commission's earlier recommendations in its October 1981 *Interim Report*, see US, General Accounting Office, *October 1981 Recommendations of the President's Commission on Housing: Issues for Congressional Consideration* (Washington, D.C.: General Accounting Office, February 25, 1982).

65. For an analysis of housing vouchers, see generally Raymond J. Struyk and

Marc Bendick, Jr., eds., *Housing Vouchers for the Poor: Lessons from a National Experiment* (Washington, D.C.: The Urban Institute, 1981).

66. See notes 1 and 11 above.

67. See, e.g., Janie V. Worman, "Mountain View Rental Housing Mediation—A Grass Roots Program," *Urban Law Annual*, 17: 271-278 (1979). Mountain View twice rejected rent control initiatives.

68. US, Department of Housing and Urban Development, Office of Policy Development and Research, *Rental Housing: Condition and Outlook* (Washington, D.C.: 1981).

69. See *GAO Report* and *National Urban Coalition Report*, notes 9 and 11 respectively.

70. See generally George Sternlieb and James W. Hughes, *The Future of Rental Housing* (New Brunswick, New Jersey: Center for Urban Policy Research, Rutgers University, 1981).

71. References to the numerous New York City rent control studies may be found in the Levin rent control bibliography cited in note 1. The most recent study is Michael Stegman, *Rental Housing in the City of New York* (New York: 1982). This study, based largely upon 1980 US Census data, was prepared for New York City's Housing Preservation and Development Department.

72. New York City's complex dual rent control and stabilization systems are described in New York State Temporary Commission on Rental Housing, *Report* (New York: March 1980), vol. I. The commission recommended reforms in the systems, but so far these have not been adopted by the state legislature, which must renew local option rent control legislation by June 1983, or the state-authorized rent controls in New York City and in several suburban counties will expire.

73. The two major statewide studies to date of the impact of local rent control in New Jersey are John Gilderbloom, *The Impact of Moderate Rent Control in New Jersey* (Santa Barbara: 1979) and Gruen Gruen Associates, *Rent Control in New Jersey: The Beginnings* (San Mateo: 1977). Gilderbloom's study was done for the California Department of Housing and Community Development. He concluded that there was no conclusive evidence that rent control had a negative impact on the supply and condition of controlled rental housing or local tax bases. The Gruen study was prepared for the California Housing Council. It concluded that rent control had negative impacts, which the authors predicted would worsen. The State of New Jersey has yet to do any studies on the impact of local rent control.

74. The need for such a study, however, may be at least partially obviated by the forthcoming study by Richard P. Appelbaum on "Rent and Growth Controls in California: The Effect of Local Policies on Rental Housing," funded by the California Policy Seminar. The results should be available by 1984. Twelve communities are being studied.

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