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AB 1482 – Tenant Protection Act and Its Impacts on Tenants, Landlords, and the Broader Housing Market

Ava Lau

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AB 1482: A Brief Overview

In 2019, California Governor Gavin Newsom signed [Assembly Bill 1482](#) to cap rent increases statewide for the next 10 years. Effective on January 1, 2020, [the bill limits annual rent increases at 5 percent](#), plus any rise in the consumer price index, which cannot exceed 10 percent. However, AB 1482 does not apply to cities that are already regulated by their own local rent control ordinances, like Berkeley, Oakland, and San Francisco.



Image by [ben o'bro](#).

Buildings Governed by AB 1482

AB 1482 does not apply to all residential dwellings, such as buildings constructed within the past fifteen years. The bill impacts [apartments and multi-family buildings containing two or more units](#), but exempts single-family

residences, owner-occupied duplexes, and condominiums, except when owned by corporations or LLC in which at least one member is a corporation.

Added Tenant Protections

In addition to limiting rent increases, AB 1482 **prevents evictions without just cause** for tenants that have lived in the unit for at least one year. “Just cause” for eviction includes failure to pay rent, criminal activity, or breach of a material term of the lease. It also includes repossessing the property for the owner or owner’s immediate family member to move in, demolishing or substantially remodeling the property, and withdrawing the property from the rental market. This allows landlords to evict tenants only if they have valid reasons such as those listed above.

Effects of Rent Control. How does it impact tenants or landlords?

With housing shortages and rent steadily increasing, many long-time tenants are in favor of passing rent control laws. Advocates argue that rent control offers **many benefits**, including providing security for tenants against rising rents, providing affordable housing to tenants, and protecting vulnerable tenants from displacement. Its benefits include allowing tenants to achieve **better financial stability**, keeping families in their homes, and preventing working-class tenants, seniors, and vulnerable members of society from being priced out of their long-time residences and neighborhoods. Without rent control, lower-income tenants would have difficulty securing and keeping a home. At the same time, **landlords benefit from rent control** because tenants are more inclined to stay in the property long-term. Fewer tenant turnovers mean less hassle and stress for the landlord. It saves them money because vacancy periods could result in landlords realizing a loss on the property. However, this is far from a win-win situation.



Image by [Carlos Martinez](#).

A substantial body of research has found that rent control often backfires and has quite the opposite effect of keeping housing affordable. One research **study** by Stanford Economists Rebecca Diamond, Timothy McQuade, and Franklin Qian examined the consequences of San Francisco’s 1994 ballot initiative to expand rent control. They found that while the expansion of rent control prevented tenant displacement, the landlords in San Francisco responded to the law by **withdrawing from the rental market**, selling their properties, and converting their rent-controlled buildings into condominiums. The overall supply of rental housing declined as landlords converted their apartment buildings into higher-end condominiums and replaced old structures with new construction to avoid rent control regulations. The reduction in rental housing led to rent increases in the long run. It also shifted the city’s housing supply towards less affordable housing since many multi-family housing structures were converted to condominiums and new construction. These shifts in the housing supply drove up rent and decreased the supply of affordable housing. It also

inadvertently created a housing stock that **catered to higher-income individuals**. Ultimately, the authors found that rent control created the very outcome it wanted to avoid – a decline in the number of renters living in rent-controlled units and a housing stock which was less affordable than before.

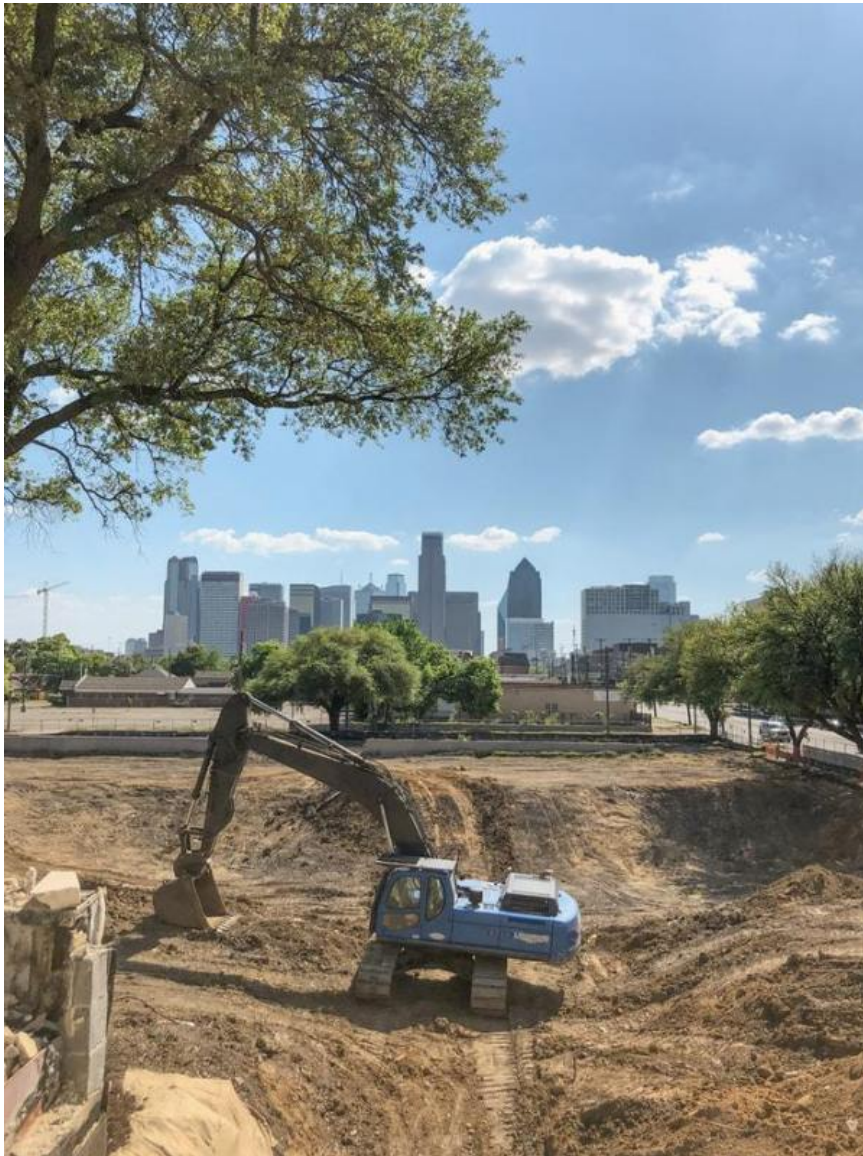


Image by **Matthew T Rader**.

Other economic studies have found that rent control created negative effects on the housing market and problems with the allocation of available housing. **In a study conducted by Economists Friedman and Stigler**, they found that rent control created a **misallocation** between the tenant and the rent-controlled unit. That is, empty-nest families often continued to live in their family-sized homes because moving out could mean renting at market value and potentially paying substantially more for a smaller place. While this may not be an issue for many of those benefiting from living in rent-controlled units, problems are exacerbated for those looking for housing or just entering the market, who pay higher rents due to lower supply and due to landlords charging more to “makeup” for their loss of rental income. Landlords can only increase rent incrementally on rent-controlled units for costs associated with higher property taxes, insurance, tenant disputes and litigation costs, attorney’s fees, and maintenance costs. Future renters end up absorbing most of these costs in the form of higher rents. If there is no rent control, future tenants would probably fare better

because landlords would spread the costs among all renters rather than just on the new renters.

Lastly, opponents of rent control have argued that it discourages developers from building more rental units because it **may not make financial sense in the long run**. When developers and investors feel as though they cannot make much profit from a long-term perspective, it disincentivizes them from investing in building new rental property. With a population that is projected to **surpass 50 million by 2050**, rent will continue to rise across California without new housing to accommodate population growth. Those who remain in their rent-controlled units will continue to enjoy the benefits of rent control. However, the issue is that rent control does little to lower rent for those just entering the market because landlords may charge market rate once the unit becomes vacant. Because the unit will be subsequently controlled once the tenant moves in, the landlord will start the base rent at a higher price. As housing becomes scarcer, demand for rent controlled **units in desirable neighborhoods also increases**. One fear is that higher

income individuals would eventually drive out lower income families because property owners generally prefer higher-income applicants. Getting decent housing would be increasingly more difficult and competitive as supply stagnates, and rent control does nothing to guard against that.

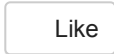
Despite numerous economic research studies suggesting that rent control does not work, state and local governments as well as residents have continued to push for rent control as the ultimate solution for stabilizing rent, leading to the passage of Assembly Bill 1482. The fact is rent control does offer direct benefits to tenants that are hard to dismiss. It has undeniably helped many tenants stay in their homes longer as **housing costs continue to rise, and wages remain stagnant**. It has also given tenants insurance against unreasonable or exorbitant rent increases and a sense of stability. Admittedly, there are consequences that come with rent control laws such as raising market rent for future renters and reducing the housing supply, leading to fewer available units that meet the needs of future tenants. However, legislatures have become better at writing the laws to fix the loopholes and minimize the negative unintended consequences of rent control. In Oakland, for example, **buildings are not exempt** based on new construction unless the structure was built from the ground up on formerly non-residential land. That means property owners cannot knock down its old apartment building and re-build it on the same piece of land and then claim it is exempt. But despite attempts to alleviate the issues, rent control does not resolve the underlying issue of housing shortages. In fact, some would argue that it contributed to the problem and was counterproductive to achieving its goal of providing permanent affordable housing for residents.

Moving forward, affordable housing advocates and lawmakers should focus on building more affordable housing for residents across California rather than relying on rent control alone, which only helps a subset of individuals and **decreases affordability in the long run**. Additionally, state and local governments should work on **reducing barriers** to housing development since increasing the housing supply could help reduce rent long term. Alternatively, governments could expand subsidy programs and offer **vouchers** to low-income families to alleviate future rent increases. Also, the government must extend benefits and assistance to both landlords and tenants. As long as landlords are placed in a position where they must bear all costs associated with maintenance, litigation with tenants, property taxes, and daily upkeep and repairs of the property, future tenants will end up paying the price. To resolve the housing crisis, lawmakers must consider the needs of both landlords and tenants; and place more focus on attracting investors to build new housing and increasing the housing supply because solely relying on rent control is not the answer.



Image by [Karla Alexander](#).

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1 Comment

Michael Angelo Tata says:

January 21, 2021 at 11:12 pm

An important exposition on rental issues that are only amplified by the pandemic. It's interesting how the "just cause" provision jives with the Ellis Act, a real hot potato for San Francisco in particular. You might check out *Birkenfeld v. City of Berkeley*, a foundational rent control case in *Berserks*. I think it would speak to you.

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